Clal Insurance Enterprises Holdings Ltd.
Periodic Report for 2020
March 25, 2021

1

This report is an unofficial translation from the Hebrew

language and is intended for convenience purposes only.

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

Table of Contents

Part A

Description of the Corporation’s Business

Remark Regarding the Implementation of the Provisions of the Securities Regulations (Periodic and Immediate Reports), 1970 (the "Securities Regulations") in this Report

In accordance with Regulation 8c of the Securities Regulations, the provisions of Regulations 8(b), 8a and 8b of the Securities Regulations with respect to the periodic report do not apply to information in the periodic report of a corporation which consolidated or which proportionately consolidated an insurer, or whose associate company is the insurer, insofar as such information applies to the insurer.

Clal Insurance Company Ltd. is an insurer, as defined in the Control of Financial Services (Insurance) Law, 1981, and is the primary material company in Clal Insurance Enterprises Holdings Group Ltd. (the "Group"). The Group also includes Clal Credit Insurance Ltd., a subsidiary of Clal Insurance Company Ltd., which is also an insurer, as well as managing companies which operate in the pension and provident segment, including Clal Pension and Provident Funds Ltd. and Atudot Pension Fund for Salaried Employees and Self-Employed Workers Ltd., which also hold an insurer's license.

This report, with respect to the aforementioned insurance, pension and provident business operations, was prepared in accordance with the Control of Insurance Business Regulations (Particulars of Report), 1998, and in accordance with the provisions specified in the Regulatory Codex of the Capital Market, Insurance and Savings Authority, Volume 5, Part 4, Chapter 1, regarding the description of the corporation's business in the periodic reports of insurance companies, which applied the aforementioned Securities Regulations, with certain adjustments as required for insurance activities, including the specification of details different from those specified in the Securities Regulations.

This report was prepared in consideration of the outline and principles which were published by the Israel Securities Authority on December 12, 2012, in legal position number 105-25, regarding the shortening of reports, according to the most current version, as updated from time to time.

In cases where this chapter in the periodic report also includes forward looking information, as defined in the Securities Law, 1968, this means that the information constitutes uncertain information about the future, which is based on the information that is available to the Group as of the publication date of the report, and includes estimates or intentions of the Group as of the publication date of the report. Actual results may differ significantly from projected results or from the results which are implied based on this information. In certain cases, sections containing forward looking information can be identified by the appearance of words such as "the Company / the Group intends" "it is expected that", etc.; however, such information may also be phrased differently. Unless noted otherwise, according to the Company's estimate, each of the regulatory directives which were published in the last year and which is described in this report, in itself, is not expected to have a significant impact on the Company's financial results.

This chapter includes a general and summary description of the long term savings products (pension, insurance and provident), insurance coverages and investment contracts. The full and binding conditions are the conditions specified in each policy and/or insurance contract and/or regulations, as applicable. The description is provided for the purpose of this report only, does not constitute advice, and may not be used to interpret the policies and/or insurance contracts and/or regulations, as applicable.

The periodic report, including all of its constituent parts, should be read as a single unit.

Part I - The Company’s Activity and Description of the Development of its Business Affairs

Part II - Description and Information Regarding the Company’s Operating Segments

Part III - Additional Information Regarding Branches which were not Included in the Operating Segments

Part IV - Additional Information on the Level of the Entire Company - Matters Pertaining to the Activities of the Group as a Whole

Part V - Corporate Governance

Part I - The Company's Activity and Description of the Development of its Business Affairs

1. Introduction

1.1. Description of the Company's business affairs for the year ended December 31, 2020

This Part A provides a description of the Company's business as of December 31, 2020, and the development of its business affairs during 2020 (the "**Reporting Period**"). The report was prepared in accordance with the Securities Regulations (Periodic and Immediate Reports), 1970, and in accordance with the provisions set forth in the Regulatory Codex of the Capital Market, Insurance and Savings Authority, Volume 5, Part 4, Chapter 1, regarding the description of the corporation's business in the periodic report of insurance companies. See the remark on this subject in the introduction to the report (page 4).

For details regarding the holdings of shares of the companies mentioned in this report, the data regarding the holdings of any company also include all of the holdings in that company through wholly-owned subsidiaries of the holding company.

The holding rates are presented in numbers rounded to the nearest whole percentage, unless specified otherwise.

The materiality of the information included in the periodic report, including the description of material transactions, was evaluated from the perspective of the Company, where in some cases, the description was expanded in order to provide a comprehensive picture of the described subject.

1.2. Index

For the sake of convenience, in this periodic report, the following terms will have the significance listed alongside them:

1.2.1. General

IDB Development -	IDB Development Corporation Ltd.
Stock Exchange -	The Tel Aviv Stock Exchange Ltd.
Bank Leumi -	Bank Leumi Le-Israel Ltd.
The Financial Statements -	The Company's financial statements as of December 31, 2020
The Commissioner -	The Commissioner of the Capital Markets, Insurance and Savings Authority
The Authority -	The Authority of the Capital Markets, Insurance and Savings Authority.
The Corporation or the Company -	Clal Insurance Enterprises Holdings Ltd.

Insurance Law -	The Control of Financial Services (Insurance) Law, 1981
Companies Law -	The Companies Law, 1999
Pension Advice Law -	The Control of Financial Services Law (Pension Advice, Marketing and Clearing System), 2005
Provident Funds Law -	The Control of Financial Services (Provident Funds) Law, 2005
Long Term Savings -	Life insurance, pension, provident and study funds
Clalbit Finance -	Clalbit Finance Ltd.
Clalbit Systems -	Clalbit Systems Ltd.
Clal Insurance -	Clal Insurance Company Ltd.
Clal Credit Insurance -	Clal Credit Insurance Ltd.
Clal Agency Holdings -	Clal Agency Holdings (1998) Ltd.
Clal Pension and Provident Funds -	Clal Pension and Provident Funds Ltd. (formerly Meitavit Atudot Pension Fund Management Company Ltd. ("Meitavit Atudot"))
Canaf -	Canaf - Clal Financial Management Ltd.
Economic Solvency Regime -	The provisions of insurance circular 2017-1-9, "Instructions regarding the implementation of the Solvency II-based economic solvency regime for insurance companies", and related directives of the Commissioner regarding the implementation of the economic solvency regime.
Atudot Havatika -	Atudot Pension Fund for Workers & Self-Employed Workers Ltd. (formerly Shevach)
Clal Group or the Group -	The Company and companies under its direct and/or indirect control
NIS -	New Israeli Shekel
Investment Regulations -	The Control of Financial Services Regulations (Provident Funds) (Investment Rules Applicable to Managing Companies and Insurers), 2012
Securities Regulations -	The Securities Regulations (Periodic and Immediate Reports), 1970

1.2.2. Terms

Designated Bonds -	CPI-linked government bonds issued by the state to insurance companies (of the "HETZ" type) and to pension funds (of the "Meiron" and "Arad" type), at interest and for a predetermined period.
Managers Insurance -	A commercial name for a life insurance plan for salaried employees, which is approved as a provident fund of the insurance type.
Individual Insurance -	Insurance prepared for individual policyholders - private individuals with whom the insurance company engages on an individual basis.
Investment-Linked Insurance / Investment-Linked Contracts -	An insurance plan according to which the insurance benefits to which the beneficiary is entitled depend on the returns generated by certain investments of the insurer.
Collective Insurance -	Insurance which is prepared by a certain policyholder for a group of people with shared characteristics, such as employees of an employer, members of provident funds, or members of a corporation.
Institutional Entity -	Insurer and managing company.
Insurance Premiums / Premiums -	The amount paid by the policyholder to the insurer with respect to the insurance contract, in consideration of the insurer's undertaking to pay, upon the occurrence of the insurance event, insurance benefits to the beneficiary.
Contributions -	The amount deposited by a member in a pension fund and/or provident fund.
Fees -	The total sum of all amounts which are added to net premiums to cover the insurer's expenses.
Managing Company -	Managing company of pension funds and/or provident funds.
Underwriting -	The process of evaluating the risk and reaching a decision regarding whether to insure the risk, and if so in which conditions / at what cost, in accordance with the Company's guidelines and past experience.
Financial Margin -	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 per policyholder, times the average reserve for the year in the

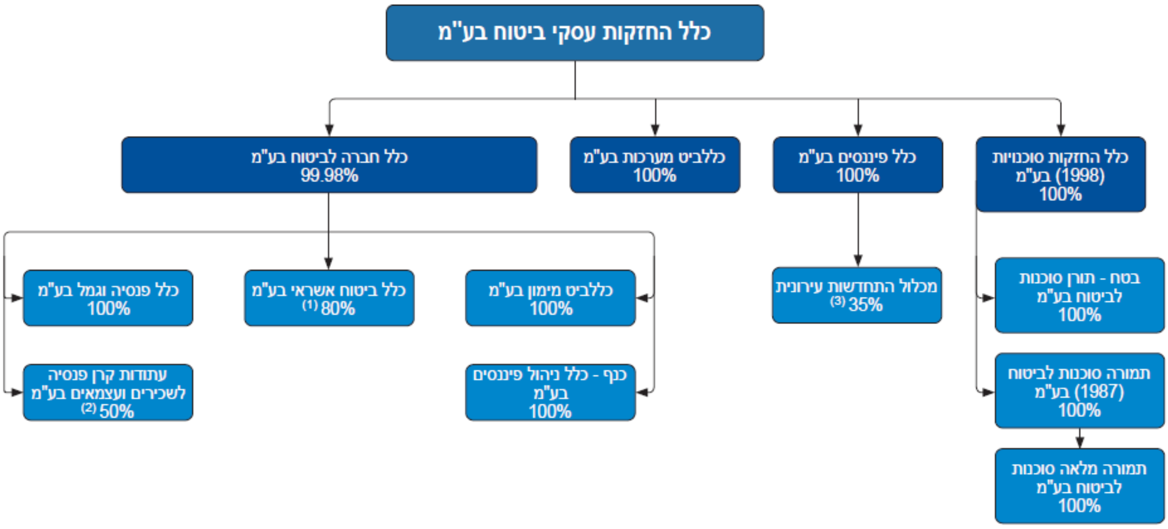
	various insurance funds. The financial margin in investment-linked contracts is the total amount of fixed and variable management fees. The financial margin includes gains (losses) from investments charged to other comprehensive income, and does not include the Company’s additional income charged as a percentage of the premium (such as management fees from deposits), and is calculated before deduction of investment management expenses.
Net Premiums -	Insurance premiums minus fees.
Accrual -	The total sum of amounts accrued in a pension fund and/or provident fund and/or insurance fund and/or individual insurance policy which are credited to their members / policyholders.
Retention -	The part of the insurance which the direct insurer keeps, and which is not covered by reinsurance.
Insurance Benefits -	Amounts which are required for payment in accordance with an insurance contract, upon the occurrence of an insurance event.
Solvency Ratio -	The ratio between recognized capital (the total capital of an insurance company, less deductions and amortization in accordance with the economic solvency regime) and the solvency capital requirement (the required capital of an insurance company in order to maintain solvency, calculated according to the provisions of the economic solvency regime).

2. The Company's activity and description of the development of its business affairs

2.1. Diagram of holdings

Presented below is a diagram illustrating the structure of the Company's primary holdings[1], as of the publication date of the report:

Clal Holdings Insurance Enterprises Ltd.					
Clal Insurance Company Ltd. 99.98%			**Clalbit Systems Ltd. 100%**	**Clal Finance Ltd. 100%**	**Clal Agency Holdings (1998) Ltd. 100%**
Clal Pension and Provident Funds Ltd. 100%	**Clal Credit Insurance Ltd. 80% (1)**	**Clalbit Finance Ltd. 100%**		**Michlol urban renewal(3) 35%**	**Betach – Thorne Insurance Agency Ltd. 100%**
Atudot Pension Fund for Workers and Self-Employed Workers Ltd. (2) 50%		**Canaf – Clal Financial Management Ltd. 100%**			**Tmurah Insurance Agency (1987) Ltd. 100%**
					Tmurah Mele'eah Insurance Agency Ltd. 100%



2.2. The Company's year of incorporation and form of incorporation, the Company's controlling shareholders and changes in control

---

[1] Part D of the report - Additional Details Regarding the Corporation, section 6, includes details regarding all of the material companies which are held by the Company and its subsidiaries. Inactive companies were not specified.

(1) The balance of shares is held by Atradius Participation Holdings S.L., a third party which is not related to the Company.

(2) The balance of shares is held by Bituach Haklai Central Cooperative Society Ltd., a third party which is not related to the Company.

(3) For additional details regarding the other shareholders, see section 9.2 below.

The Company was incorporated and registered in Israel on November 12, 1987. On February 28, 1988, the Company published its first prospectus, and its shares were listed for trading on the stock exchange.

As of the reporting date, the Company is a company without a control core. For additional details and for details regarding the changes in the control of the Company, see Notes 1(a) and (b) to the financial statements.

2.3. Description of the Company's business affairs and the general development of the Company's business affairs

The Company is a holding company which is primarily engaged in the insurance, pension, provident and finance segments, and in the holding of similar assets and businesses (such as the holding of insurance agencies), and as of the reporting year, the Group is one of the largest insurance and finance groups in Israel. During the reporting year, the Group's activities were focused primarily on three operating segments (see diagram in section 2.1 above): long term savings, non-life insurance and health insurance.

Insurance activity

The Group's activities in the insurance segment are generally performed in Israel. The insurance activities are performed by Clal Insurance, excluding credit insurance business operations, which are performed through Clal Credit Insurance.

Clal Insurance began operating in Israel in 1962, as a government insurance company under the name "Yovel Israel Insurance Company Ltd." (hereinafter: "**Yovel**").

In 1978, Yovel was acquired by Clal (Israel) Ltd., and its name was changed to Clal Insurance Company Ltd. Over the years, Clal Insurance acquired and merged various insurance companies, including Ararat Insurance Company Ltd., Elite Insurance Company Ltd., Eitan Insurance Company Ltd., and Aryeh Israeli Insurance Company Ltd., and also acquired insurance portfolios in Israel. In 1992, Clal Insurance acquired a part of the insurance portfolio of the insurance company "HaSneh", as well as the insurance portfolio of the insurance company "Tzur Shamir". Subsequently, insurance companies which had been acquired by Clal Insurance were merged into it, including Ararat, Elite, Eitan and Aryeh. The aforementioned acquisitions and mergers contributed to Clal Insurance becoming one of the largest insurance groups in Israel.

In 1998, Clal Insurance acquired the Israeli Clal Insurance Company Ltd., whose name was changed to Clal Credit Insurance Ltd. For additional details regarding the shareholders agreement in Clal Credit Insurance, see section 10.17.3 below.

Beginning in 2006, the Group's health insurance and long-term care insurance activity was concentrated in Clal Health Insurance Company Ltd. ("**Clal Health**"). In March 2013, the merger of Clal Health with and into Clal Insurance was completed, in a manner whereby all of the assets and liabilities of Clal Health were transferred to Clal Insurance, and Clal Health was dissolved without liquidation.

Pension and provident funds

In the long term savings segment, in the pension and provident branches, the Group operates through Clal Pension and Provident Funds, and holds a managing company of an old pension fund which manages an old actuarially balanced pension fund, through Atudot Havatika, which is held by Clal Insurance and Bituach Haklai Central Cooperative Society Ltd., in equal parts.

The development of Clal Pension and Provident Funds is described below:

In 2004, Clal Insurance acquired Meitavit Pension Fund Management Company Ltd. (hereinafter: "**Meitavit**"), a company specializing in the management of new pension funds, and in 2006, merged it with Atudot Pension Fund (1996) Ltd., and changed its name to Meitavit Atudot.

In 2007, provident funds of Israel Discount Bank Ltd. and provident funds of Bank Hapoalim Ltd., which were partly held jointly with KGM Central Provident Fund of the Histadrut Employees Ltd., were acquired by the Group.

In 2010, the activity of Clal Provident Funds Ltd. was merged into Meitavit Atudot, whose name was changed, following the merger, to Clal Pension and Provident Funds. Clal Pension and Provident Funds became, following the merger, a managing company of provident funds for annuities and provident funds for savings, as well as capital based provident funds, with respect to amounts which were deposited in them until 2008, study funds, central funds for severance pay and sick pay, provident fund for investment, and central provident fund for participation in budgetary pension.

With respect to Atudot Havatika - in 2007, the management of Atudot Havatika was transferred from S.B.H. Pension Fund Management Ltd. (50% of which was acquired by Clal Insurance in 2005) to Atudot Havatika. Atudot Havatika is currently held by Clal Insurance and Bituach Haklai Central Cooperative Society Ltd., in equal parts. Atudot Havatika received, during the reporting year, investment management services from Canaf.

2.4. Material changes in the Company's macro-economic environment during the reporting year

For details regarding material changes in the Company's macro-economic environment during the reporting year, see Part B of the Report - Board of Directors' Report, section 3.

2.5. Material changes in the Company's business affairs during the reporting year, until the publication date of the report

Presented below is a description of the material changes which occurred in the Company's business affairs during the reporting year and until the publication date of the report, by operating segments:

2.5.1. General

2.5.1.1. The Company's conduct as a company without a control core; Appointment of directors in the Group; and aspects of corporate governance

For details regarding the Company's conduct as a company without a control core, regarding the control outline and the status of the permit for control of Clal Insurance, regarding the appointment of directors in the Company and regarding the Search Committee which was established for the purpose of finding directors for Clal Insurance, and regarding the examiner's report which evaluated aspects of corporate governance, see section 11.3 below, and Notes 1(a), 1(b) and 1(c) to the financial statements.

2.5.1.2. Rating

For details regarding the rating of Clal Insurance and Clalbit Finance, see Note 25(d) to the financial statements.

2.5.1.3. Low interest rate environment and its effects

For details regarding changes in insurance reserves in a low interest rate environment, and its impact of the discount rates in life insurance and in the long-term care branch, including regulatory changes which lessened the foregoing impact, see Note 38(e)(e1)(d) to the financial statements. For details regarding the National Insurance Regulations (Discounting), 1978, and their effects, see section 7.1.1.1(d)(2) and Note 38(e)(e2)(4)(f) to the financial statements.

2.5.1.4. Capital regime

In accordance with the Commissioner's directives, during the reporting year, the insurance companies in the Group calculated the economic solvency ratio as of December 31, 2019, and are expected to calculate the economic solvency ratio as of December 31, 2020, and to publish it by June 30, 2021.For details regarding the results of the calculations which were published during the reporting year, see Part B of the Report - Board of Directors' Report, section 2.2.3.

On October 15, 2020, an amendment was published to the consolidated circular regarding instructions for implementing the Solvency II-based economic solvency regime for insurance companies (the "**Amendment**"), according to which an insurance company may implement alternative distribution provisions to the current ones, which 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 reserves. The use of the alternative method and the amount of the discount are subject to the Commissioner's approval, based on the Commissioner's letter dated October 15, 2020, entitled "principles for calculating the discount during the distribution period in the Solvency II-based economic solvency regime" (the "**Principles Document**").

Further to the principles document, on October 25, 2020 Clal Insurance received a letter from the Commissioner regarding the approval of discounting during the distribution period, in which it was stated that Clal Insurance is entitled to include, in the insurance reserves, a discount during the distribution period, as defined in the amendment, beginning from the date of the calculation with respect to the data as of December 31, 2019, in accordance with the principles and the calculation of the discount during the distribution period which were specified in the principles document, and according to the following conditions: (1) the basic discount amount approved for Clal Insurance as of December 31, 2019 will not exceed a total of NIS 4,276 million; (2) Further to the resolution of the Company's Board of Directors and the Board of Directors of Clal Insurance, regarding a capital injection in the amount of NIS 450 million by the Company to Clal Insurance, in consideration of the issuance of another Tier 1 capital instrument (see section 2.5.1.5 below), the discount during the distribution period will amount to 100% of the basic discount on each calculation date.

The implementation of the aforementioned discount had a significantly positive effect on the solvency ratio of Clal Insurance.

For details regarding the capital target which was determined by the Board of Directors of Clal Insurance on March 26, 2020, see Note 16(e)(7) to the Company's financial statements.

It is noted that the amendment to the consolidated circular regarding provisions for the implementation of the Solvency II-based economic solvency regime for insurance companies, as specified in section 10.2.3 below, and in Note 16(e)(3) to the Company's financial statements, is expected to lead to a re-evaluation of the capital target.

2.5.1.5. **Equity transactions**

In October 2020, the Company invested in an additional Tier 1 capital instrument which was issued to it by Clal Insurance, in the amount of NIS 450 million, at an annual interest rate of 4.53%, linked to the consumer price index. The other terms of the instrument, including the redemption period, are in accordance with the provisions of the economic solvency regime with respect to instruments of this kind. For additional details, see Note 25 to the financial statements.

2.5.1.6. **Effects of the coronavirus crisis on the Company's activity**

For details regarding the impact of the coronavirus pandemic on the Company's activity, see sections 6.1.2.3, 6.1.4.1, 6.2.2(g), 7.4.1, 10.2.1, 10.5.5.1, 10.5.5.4, 10.5.5.6 10.8.1.1(b) and 10.11 below, Note 1(d) to the financial statements and Part B of the Report - Board of Directors' Report, section 2.

2.5.2. Regulatory reforms

The Group's member companies are engaged in a highly regulated market, and deal with the consequences of significant regulatory reforms, in the various segments of insurance and savings. In recent years, reforms have been promoted which are mostly intended to directly or indirectly reduce premiums and management fees, or to encourage competition. Noteworthy reforms include, inter alia, the establishment of a default pension fund by the Commissioner as a means of reducing the management fees, reducing the management fee rate for annuity recipients, intervention in the terms and/or tariffs of loss of working capacity insurance, life insurance risk, personal accidents and compulsory motor. Changes to the claim settlement method, and directives regarding its implementation, particularly in long-term care and loss of working capacity products, and detailed regulation of the process of addition to insurance. A regulatory arrangement is also in place which creates changes to the engagement structure and in the reciprocal relationships between institutional entities, agents, employers and customers, which has effects on operational and competitive levels, and in a manner which affects, and may continue to affect, the ability of institutional entities to link their income to their expenses, impose on them significant operating expenses, and reduce its profitability. The application of some of the reforms continued or began during the reporting period, while others are expected to be applied in the future and/or are in various stages of regulatory process or discussion. At this stage, it is not possible to estimate the full impact of the steps which are being implemented in the insurance and pension market in Israel. The entire set of applied and proposed changes, the intervention in tariffs and in management fees, the sale processes, the operational burden due to the pace, scope and complexity of the regulatory changes, and the need to implement adjustments to the automation systems and work processes, have implications on the business model in the branch, and currently affect and will continue to affect the insurance market in Israel in the coming years, and the profitability thereof, including, inter alia, the value of new business (VNB) which will be sold, the embedded value with respect to the Company's business operations, and the solvency ratio in accordance with the economic solvency regime which was applied during the year preceding the reporting year.

The information presented on all matters associated with the regulatory changes constitutes forward looking information, which is based on assumptions and estimates made by the Group as of the publication date of the report. These changes, and the actual implications thereof, may differ from the forecast, including, inter alia, in light of the uncertainty involving their occurrence, and involving all of their implications, which are dependent, inter alia, on the conduct of distributing entities, distributing entities and policyholders, and on the reciprocal relationship between the various reforms.

2.5.3. Long term savings segment

2.5.3.1. Reforms in the segment

In recent years, the Authority has promoted regulatory reforms in the long-term savings segment. For details regarding the aforementioned reforms, see section 6.2 below. As part of the above, the Company continued the implementation of significant reforms during the reporting year, including, inter alia, with respect to the clearing house activity and the operational interface between employers and institutional entities on all matters associated with deposits to provident funds (in accordance with the provisions of the circular the provisions of the circular regarding the payment deposit method to provident funds) (see section 6.2.1(d) below); The Company's activity in the long-term savings segment was also affected by reforms that have been implemented in recent years, including the operation of chosen pension funds (see section 6.2.1(a) below), transferring while joining in pension plans (see section 6.2.1(b) below); Changes to the compensation structure of agents following the legislative amendments involving the payment of commissions without linkage to the management fees which are collected from customers (see section 10.8.1.1 below), non-payment of commissions to license holders with respect to pension products regarding which a pension marketing process was not performed (see section 10.8.1.1 below), and non-approval of risk tariffs in managers insurance (see section 6.1.4.1 below).

2.5.3.2. Reduction of management fee rate for annuity recipients

In December 2020, draft regulations were published which mostly include a proposal to set the management fees for annuity recipients at 0.3% (instead of the current maximum limit of 0.5% or 0.6%, depending on the product type). In the draft, it was proposed that the aforementioned maximum limit be applied to anyone who begins receiving an annuity from a pension fund, beginning from the date when the amendment enters into effect, also to insurance policies which will be marketed from that date onwards. The Draft Regulations, as phrased, apply the aforementioned maximum limit also to recipients of non-old age annuities (recipients of disability and survivor annuities in pensions, and recipients of disability and loss of working capacity annuities in insurance).

The Company believes that the entry into effect of the regulations, as currently phrased, is expected to substantially reduce the future management fee revenues of Clal Pension and Provident Funds, and therefore also to reduce its future profitability, and in the long term, also the income of Clal Insurance.

2.5.4. Non-life insurance segment

2.5.4.1. Reforms in the individual insurance segment

The reporting year featured significant competition in the individual insurance segment (motor and apartment), which resulted in segment-wide price declines. For additional details, see section 7.2.3 below.

2.5.4.2. Reforms in the motor insurance segment

During the years preceding the reporting year, the Authority promoted several significant reforms in the non-life insurance segment. In the compulsory motor insurance branch, a reform was implemented in which the compulsory motor insurance tariffs were updated, the effects of which began in 2016, and continued during the reporting year as well. For additional details, see section 7.1.1.1(c)(1) below.

Additionally, according to a legislative amendment from March 2018, changes were made to the mechanism for settling accounts between the National Insurance Institute and the insurance companies, regarding the method for settling accounts between the insurance companies and the National Insurance Institute, and regarding the National Insurance Institute's subrogation rights towards the insurance companies, in claims by virtue of compulsory motor policies. This arrangement has not yet entered into effect, in the absence of regulations, and following a hearing which was held for the insurance companies regarding the draft regulations which were published in June 2019, it appears at this stage that the arrangement will be amended such that it will apply to future events only. For additional details, see section 7.1.1.1(d)(1) below.

2.5.4.3. **Discount rate for tort claims**

Further to the **Amendment to the National Insurance Regulations (Discounting), 1978**, which regulate, inter alia, the discount rate used to calculate subrogation claims submitted by National Insurance towards third parties, according to which, beginning in October 2017, the interest rate for the purpose of annual discounting of annuities will be 2%, instead of 3%, as specified in the Regulations prior to the amendment, and further to the Court's rulings, which addressed the indirect effects of the aforementioned amendment on the discount interest rate which should be used to calculate compensation with respect to future losses, even if not within the framework of subrogation claims of the National Insurance Institute, in compulsory and liabilities insurance, in June 2019, a report of the Inter-Ministerial Committee for Evaluation of the Discount Rate (hereinafter: "**Committee's Report**") was filed with the Supreme Court (as part of a specific case being heard by the Court), in which it was proposed to establish one average interest rate for the entire compensation period, at a rate of 3%, reflecting a low risk investment. It is also proposed to establish a "mobility band" around that interest rate, where any deviations therefrom are expected to activate an update mechanism. In August 2019, the Supreme Court accepted the committee's recommendations in a ruling. The Court also determined that during the interim period, until the amendment to the Discounting Regulations, in accordance with the committee's recommendations, the insurers' consent to deduct National Insurance Institute compensation from insurance benefits for policyholders, according to a discount rate of 3%, will remain in effect. However, it was determined that in light of the harm caused to the injuring parties, it is presumed that, until the amendment to the Discounting Regulations, National Insurance will also have recourse to the injuring party, through a demand according to a discount rate of 3%. A motion to conduct an additional hearing regarding the ruling was filed in September 2019, and dismissed in November 2020.

In September 2020, an additional ruling was given by the Supreme Court, in a case to which the National Insurance Institute was party, in which the Court again stated that the Court determined is required to act in accordance with the presumption which was determined in the ruling that adopted the committee's report, and to address the damaging party using a discount rate of 3%.

For the impact of the rulings on the Company's financial results during the reporting year, see Note 38(e)(e2)(4)(f) to the financial statements. At this stage, before the legislative amendment has been completed, and in light of the uncertainty in connection with the implementation of the recommendations in the committee's report, including regarding the update mechanism whose implementation has not yet begun, and in consideration of developments in the interest rate environment after the balance sheet date, as specified in Notes 42(a), 38(e)(e1)(d)(1) and 38(e)(e2)(4)(a) to the financial statements, it is not possible to predict the full effects on the insurance liabilities, or on the insurance tariffs. For additional details, see section 7.1.1.1.(d)(2) below.

2.5.5. Health insurance segment

Reforms in the segment

2.5.5.1. During the reporting year, regulatory changes were published in the personal accidents branch, which are intended to regulate the sale process and the terms of the product's insurance coverage. The entire set of changes which have occurred in recent years, including during the reporting year, in connection with the regulatory arrangement in the personal accidents branch, as described above, have affected, and are continuing to affect, in the coming years, the personal accidents branch, in a manner which imposes difficulties on sale and retention processes. For additional details, see sections 7.1.1.4(d) and 8.1.2.1(c) below.

The Company's estimate regarding the impact of the regulatory directives in connection with the sale of personal accidents policies constitutes forward looking information, which is based on preliminary estimates, and its actual implementation may differ, inter alia, depending on the conduct of Clal Insurance and competing entities, and the pricing method of these products.

2.5.5.2. During the reporting period, Clal Insurance continued implementing its policy of not marketing long-term care insurance to new customers, including individual long-term care policies and collective long-term care policies. For additional details, see section 8.1.2.2(a) below.

2.5.5.3. In light of the coronavirus pandemic during most of the reporting period, activity in the international travel insurance segment decreased significantly. For additional details, see Part B of the Report - Board of Directors' Report, section 2.1.3, and Note 1(d)(3) to the financial statements.

2.5.6. Additional regulatory changes in the Company's operating segments

For details regarding additional material regulatory changes which affected the Company's business affairs during the reporting year, see the operating segments and section 10.2 below.

3. Operating segments

The Group has three main operating segments, as specified below:

3.1. Long term savings segment (see section 6 below)

This segment includes the Group's activities in the life insurance branch, the pension funds branch and the provident funds branch.

The issue of pension security in Israel is comprised of three main layers: **Compulsory layer managed by the state** - National Insurance; **Compulsory layer managed by the institutional entities** - Beginning in 2008, within the framework of the compulsory pension for salaried employees with respect to compensation and severance pay, which are deposited with institutional entities (and beginning in 2017, also compulsory pension for the self-employed (see section 6.1.4 below)); **And the optional layer** - pension savings beyond the compulsory later, which is managed by institutional entities, as well as individual savings channels.

The products in the segment primarily provide savings products for the retirement period (the "**Savings**"). Additionally, most of the products in the segment combine, or can combine, insurance coverages for various risks, including insurance coverage for cases of death, disability, loss of working capacity and critical illness (the "**Risk**"). (See section 6.1 below.)

The activities in the life insurance branch were performed during the reporting year through Clal Insurance. The activities in the pension and provident branches were performed during the reporting year through the holdings of Clal Insurance in the following companies:

Clal Pension and Provident Funds - a wholly owned subsidiary (100%) of Clal Insurance which operates, inter alia, as a managing company of provident funds for annuities (formerly annuity paying provident funds)

- new pension funds (comprehensive and general) and provident funds for savings (formerly non annuity paying provident funds), and capital based provident funds, with respect to amounts which were deposited in them until 2008, study funds, central funds for severance pay and sick pay, provident fund for investment, and a central provident fund for participation in budgetary pension.

Atudot Havatika - A subsidiary of Clal Insurance, which is owned 50%, which manages an old balanced pension fund (Atudot pension fund).

3.2. **Non-life insurance segment (see section 7 below).**

This segment includes the Company's activities in the non-life insurance branches and in the personal accidents insurance branch (up to one year), which are recorded under non-life insurance business operations.

Non-life insurance is divided into the property insurance branches, the liabilities insurance branches, accident, illness and disability insurance, and other branches, which include insurance policies of various types.

Property insurance - Including coverage with respect to loss or physical damage which was caused to the policyholder's property, as a result of the materialization of the risks specified in the policy, within the framework of the "specific risks" specified in the policy, or within the framework of "all risks" (coverage against any sudden accidental and unexpected loss or damage, excluding damage or loss which has been expressly excluded).

Liability insurance - Including coverage with respect to the policyholder's legal financial liability towards a third party which is not the policyholder, up to the liability limit specified in the policy.

Accident, illness and disability insurance - In which compensation is given to the policyholder with respect to injury caused to a person - death or permanent, full or partial disability, as a result of an accident and/or injury involving temporary loss of working capacity as a result of an accident or illness, as well as reimbursement of medical expenses due to the foregoing. The insurance activities in this branch include short term personal accidents insurance for periods of up to 12 months.

The Company's activities in this segment include the compulsory motor insurance segment, the motor property insurance branch, liabilities insurance branches and other property and others insurance branches.

The activities in the credit and foreign trade risks insurance branch were performed during the reporting year through Clal Credit Insurance, a subsidiary controlled 80% by Clal Insurance.

3.3. **Health insurance segment (see section 8 below).**

This segment includes the Group's activities in health insurance, in the illness and hospitalization branch (which includes, inter alia, illness and hospitalization, and international travel insurance), and the long-term care branch. This segment includes insurance plans designed for individual policyholders, and insurance plans designed for collectives.

Most of the Group's activities in this segment are concentrated in the health division of Clal Insurance. Additional health coverages (riders) were sold at a limited scope during the reporting year within the framework of the life insurance division, and were included under the long term savings segment - see section 6 below, and as short term personal accidents policies under the non-life insurance segment - see section 7 below (including details regarding the transfer of short-term personal accidents insurance operations from the non-life insurance division to the health division).

4. Investments in the Company's capital and shares

4.1. Investments in the Company's capital which were performed during the last two years and until the publication date of the report

On December 19, 2019, the Company issued 12,066,000 shares with a par value of NIS 1 each, as part of a public offering in accordance with the Company's shelf offering report dated December 15, 2019, which was published by virtue of the shelf prospectus dated August 29, 2019. The gross issuance consideration amounted to a total of approximately NIS 650 million.

Except for the aforementioned issuance, during the last two years, until the publication date of the report, no investments were made in the Company's capital, excluding exercise of options.

4.2. Details of material over the counter transactions which were performed by interested parties in the Company with respect to the Company's shares in the last two years[2]

For details regarding the sale of the Company's control shares which were held by the trustee, which took place in 2017 to 2020, in accordance with the Commissioner's demand sell the Company's shares in accordance with the outline for the sale of the control of the Company, including within the framework of swap transactions which were performed by IDB Development, and the release thereof, see Note 1(b) to the financial statements. To the best of the Company's knowledge, in January 2021 IDB Development sold, through the receiver who was appointed for it, all of the Company's shares which it directly held.

To the best of the Company's knowledge, on May 2, 2019, IDB Development engaged in agreements with two third parties which are unrelated to IDB Development (the "Buyers"), according to which each of the buyers will acquire Company shares in the Company 4.99% of its issued capital. One of the buyers was also given the option to acquire additional shares which constitute approximately 3% of the Company's issued capital. 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, according to which it will receive from IDB Development an option to acquire shares which constitute up to approximately 4.99% of the Company's issued capital. To the best of the Company's knowledge, all of the transactions have been closed, and as of the present date, one of the buyers (Moshe Arkin) has become an interested party in the Company.

It is noted that an issuance of 12,066,000 Company shares with a par value of NIS 1 each was performed in 2019, as part of the public issuance.

Shares of the Company were purchased by its interested parties, among others.

5. Dividend distribution

In the last two years, until the publication date of the Company's report, the Company did not distribute any dividends.

Dividend distributions in the Company are significantly affected the ability of investees to distribute dividends, including in light of the capital requirements which apply to them.

---

[2] For details regarding sales and acquisitions on the stock exchange which involved the Company's shares by interested parties, see the Company's current reports on the matter.

For details regarding restrictions on dividend distributions by virtue of the regulatory capital requirements which apply to member companies in the Group, and by virtue of the Commissioner’s directives and the Company’s fulfillment thereof, see Note 16 to the financial statements.

As of the reporting date, the balance of distributable earnings, as defined in section 302 of the Companies Law, amounted to a total of approximately NIS 3.5 billion. It is hereby clarified that the aforementioned balance does not constitute an indication of the Company’s ability to distribute earnings in the future

For additional details regarding the management of the Company’s capital requirements, regarding the capital target which was determined by Clal Insurance, and regarding the amendment to the consolidated circular with respect to the instructions for implementing the Solvency II-based economic solvency regime for insurance companies, see Note 16 to the Company’s financial statements.

Part II - Description and Information Regarding the Company’s Operating Segments

6. Long term savings segment

6.1. Products and services

6.1.1. Description of the operating segments and insurance coverages

The products in the segment mostly constitute savings products for salaried employees and the self-employed, private savings products, coverage in case of death, coverage in case of disability, coverage in case of loss of income due to loss of working capacity, and coverage in case of illness or accident which results in the policyholder losing their working capacity.

Life insurance products

Life insurance products constitute contractual commitments between the insurer and the policyholder, and include insurance plans which allow the accrual of savings, for different time periods, and insurance plans and/or combinations in insurance plans which allow insurance coverages for death, loss of working capacity, disability and long life (old age annuity).

A policyholder who has reached the end of the insurance period is entitled to insurance benefits (generally, the amounts which have accrued in the savings component of the policy), in accordance with the policy terms. The policyholder may choose to receive these amounts, subject to the provisions of the legislative arrangement, in a one-time amount (“**Capital Payment**”), in lifetime payout installments (“**Annuity**”), or as a combination of the two. In some annuity products, the policyholder benefits from an annuity factor which is protected against extended life expectancy, and which is determined on the acquisition date of the policy, or on the commencement date of the payment of the annuity to the policyholder, or which can be acquired once the policyholder reaches at least age 60.

Pension funds

Pension funds constitute a mutual insurance fund, and operate in accordance with regulations which may change from time to time. A pension fund member is entitled to receive, beginning on the retirement date, lifetime annuity payments, which are based on annuity factors which do not guarantee life expectancy, and the annuity may change from time to time, in accordance with the actuarial balance of the fund.

Since 1995, new members are able to join two types of new pension funds: (a) comprehensive pension funds, which allow pension savings for old age annuity purposes, as well as death and disability insurance coverages. The comprehensive pension funds partially benefit from designated bonds, and deposits can be made to them up to the maximum limit set forth in law (see details in section 6.1.1.1 below); and (b) general (supplementary) pension funds, which do not benefit from designated bonds, and which are not subject to a maximum deposit limit. The general pension funds allow pension savings for the purpose of the old age annuity, and also allow the purchase of death and disability insurance coverage.

Provident funds

Provident funds provide savings solutions for the long term (such as provident funds for compensation and severance pay, and provident funds for savings), medium term (study funds) and savings for individual funds with independent status, which may continue as a one-time payment or as an annuity (provident funds for investment). Funds of this kind, in general, do not include insurance coverage, and the funds which accumulate therein are withdrawable as a one-time amount or as an annuity (through the transfer thereof to a pension product, which allows them to be withdrawn as an annuity), according to the period during which they were deposited. Monies which have accrued in favor of a member in study funds are withdrawn in a one-time payment. For additional details, see section 6.1.1.1 below.

Monies held in a provident fund for investment may be withdrawn as a one-time amount at any time, without tax benefits in the deposit, while paying capital gains tax only. Amounts which will be deposited in a provident fund for investment and withdrawn as an annuity during the retirement period (according to the rules for recognized annuities) will be exempt from capital gains tax and from income tax. The total payments which a member will be entitled to deposit in a provident fund for investment will not exceed NIS 70,000 per year.[3]

The provident fund branch also includes central provident funds, in which the member is the employer, where the deposited funds are intended to ensure the rights of its eligible employees. [4] Beginning in 2011, it is no longer possible to deposit funds in central provident funds for severance pay; however, funds may be transferred between central funds for severance pay.

The total management fees which are collected by Clal Pension and Provident Funds from the central funds for severance pay are of a scope which is immaterial for the Company.

6.1.1.1. Presented below are the main distinctions between the current main products:[5]

	Life insurance	New comprehensive pension funds	Provident funds
Engagement type	A **contractual undertaking** between the insurer and the policyholder. The undertaking cannot be changed other than in accordance with the provisions the policy.	The member is a member of a fund, which are operated and managed by the managing companies, in accordance with the provisions of **their regulations**. The regulations may change from time to time, and in general, the member's rights and obligations are determined according to the regulations which are in effect as of the eligibility date.	
Insurance coverage[6]	The insurance coverage can be adjusted to the customer's needs.	The insurance coverage is included in the provisions of the regulations, and can be adjusted as part of the options set forth therein, and additionally,	The basic version does not include insurance coverage; however, the acquisition of insurance coverage from the insurer is possible.[7]

---

[3] Linked to the known CPI on July 1, 2016.

[4] The central provident funds are primarily central provident funds for severance pay.

[5] In provident funds and pension funds, a complete separation is applied between the assets of the managing company and its liabilities, and the assets of members which have accrued in the provident funds and pension funds, and the assets of members which are not included in the financial statements of the managing company.

[6] Under the Control of Financial Services Regulations (Provident Funds) (insurance coverages in provident funds), 2012, it is currently possible to acquire from an insurer, within the framework of and out of the pension deposits, insurance coverage to cover risks of death, risks of disability, and insurance coverage for release from the payment of premiums in case of disability, to members of pension funds, provident funds and insurance.

[7] As of the reporting date, Clal Pension and Provident Funds does not market to active members of provident funds which are managed by it, the aforementioned insurance coverages.

	Life insurance	New comprehensive pension funds	Provident funds
		supplementary insurance coverage can be acquired from the insurer.	
Annuity factor[8]	In all annuity-based policies which include a guaranteed annuity factor, the annuity factor is protected against changes in life expectancy. Beginning in 2013, it is no longer possible sell policies with annuity factors which include a life expectancy guarantee (hereinafter: "**Guaranteed Annuity Factors**"), except to policyholders aged 60 or older.	The annuity factor is not protected against changes in life expectancy, and may change until the retirement date. After retirement, the annuity factor does not change; however, the annuity may change from time to time, in accordance with the actuarial balance of the principal.	No underlying factor
Mutual insurance	None	A mutual insurance fund. The members' rights are affected, inter alia, by demographic data of all members in the fund, such as health condition and life expectancy. The actuarial assumptions are evaluated from time to time and affect the rights of all members and annuity recipients in the pension fund, which may change accordingly.	None
Designated bonds	For details regarding HETZ bonds in guaranteed return policies which are issued for policies which were sold until the end of 1990 only, see section 6.1.1.2 below.	Designated bonds at a rate of 30% of the total assets in the fund, which are associated, at various rates, to annuity recipients and to members of different ages. See details in section 6.1.1.2 below.	None[9]

---

[8] In new pension funds and annuity-based policies in life insurance, upon the withdrawal of funds by the member through an annuity, the savings amount is converted into a monthly annuity through division by a factor reflecting life expectancy (hereinafter: the "**Annuity Factor**"). In the pension funds and in collective life insurance policies which do not include a life expectancy guaranteed annuity factor, the annuity factor is determined proximate to the date when the annuity begins to be received.

[9] Excluding a limited number of guaranteed return provident funds backed by Accountant General deposits.

	Life insurance	New comprehensive pension funds	Provident funds
Management fees[10]	The rate of accrual and of the deposits[11], for details regarding the scope of collected management fees, see Note 30 to the financial statements.	Rate of accrual and of deposits[12], see details in section 6.1.2.2 below.	
Beneficiaries[13]	Beneficiaries who are defined by the policyholder, in his discretion.	As specified in the regulations - mostly survivors.	Beneficiaries who are defined by the member, in his discretion.
Regulatory restriction on the deposit amount[14]	No restriction.	Up to 20.5% of twice the average salary in the economy.	No restriction.

For a description of the products in the segment, see section 6.1.2 below.

6.1.1.2. Pension savings products differ from one another also in the way in which savings funds are invested.

Some of the savings funds are invested in the free market, while others are backed by government bonds, in accordance with legislation, as specified below:

- **Life insurance**

In policies which were sold until the end of 1990, returns for policyholders in life insurance policies with a savings component were determined as a guaranteed rate or represented in a guaranteed insurance amount ("**Guaranteed Return Policies**"). The guaranteed returns changed according to the policy type and the policy issuance date. The commitment to guaranteed returns is mostly backed by designated bonds. The balance of assets is invested in accordance with the Investment Regulations (the "**Free Assets**").

As of December 31, 2020, the holding of the designated bonds constitutes approximately 79% of total assets held against liabilities with respect to guaranteed return policies. Over the years, the Group has redeemed some of the designated bonds, with the aim of achieving surplus returns, and it cannot repurchase designated bonds with respect to the part of the reserves which it redeemed. As a result, the Group's exposure in free investments has increased. In accordance with the mechanism for settling of accounts which was determined vis-à-vis the Ministry of Finance, the holding of designated bonds will be decreased over the period of the guaranteed return policies up to a rate of 50% of total assets held against liabilities with respect to guaranteed

---

[10] The above includes the possible regulatory management fees in currently sold products, and does not include management fees and expenses of various kinds which are collected in all or some of the products, for example, with respect to variable management fees, investment management expenses, policy factor or collection factor, etc.

[11] In traditional guaranteed-return policies, there are no management fees, and the Company's revenues come from the financial margin. In traditional policies and in policies of the "Preferred" (Meitav) type, there are no management fees as a rate of the deposits.

[12] Study funds do not include management fees as a rate of deposits.

[13] Subject to the provisions of the law, survivors' rights are possible with respect to the severance pay component in the policy.

[14] Does not include reference to restrictions according to the terms of the products. Additionally, all of the pension products include a tax benefit up to the maximum limit set forth in the Income Tax Ordinance.

return policies. Clal Insurance, buyer purchased designated bonds with respect to new deposits, according to the possible rates, in accordance with the type of policy, and the date of its issuance.

Policies which were issued since the early 1990’s primarily include investment-linked policies in which the savings funds are invested by the insurance companies in free investments, primarily in the capital market, wherein returns less expenses are applied in favor of the policyholder, in accordance with the results of the investment portfolio, and less management fees, as specified below.[15]

For details regarding the balance of insurance reserves with respect to insurance plans of the profit sharing and guaranteed return types, see Note 20 to the financial statements.

- **Pension funds**

At present, the old and new comprehensive pension funds enjoy guaranteed returns on some of the assets of the fund which are backed by designated bonds, which bear real interest at an annual rate of 4.86%[16], up to a maximum rate of 30% of the total assets. However, the rate of designated bonds relative to members in the new pension funds which, prior to January 1, 2004, were already eligible for a pension, will amount to 70% of total assets.

Additionally, the State of Israel provides “compensation” to the old balanced pension funds, with respect to the reduction of the issuance of designated bonds, which was performed over the years, by guaranteeing the difference between the interest on the old bonds of the “Meiron” type (5.57%) and (A) (4%) with respect to the assets which are not designated bonds, and are invested in the free market; (B) 4.86%, with respect to the part of the assets invested in new designated bonds of the “Arad” type.

The Ministry of Finance also designates a security cushion for the old funds, in order to protect the members and retirees of those funds against volatility in returns.

For details regarding the method for investment of free assets, see section 10.5 below.

Crediting of Returns in New Comprehensive Pension Funds

In accordance with the Control of Financial Services Regulations (Provident Funds) (Crediting of Returns in New Comprehensive Pension Funds), 2016 (hereinafter: the “**Crediting of Returns Regulations**”), the method for crediting returns to members and retirees in new comprehensive pension funds (the “Designated Bond Returns”), is performed in a manner whereby designated bond returns are credited to annuity recipients according to the ratio between 60% of the total assets of annuity recipients and the total principal assets which were invested in designated bonds; whereas, for members who are not annuity recipients, the crediting

---

[15] With respect to profit sharing policies, the annuity is linked to the investment index, after deducting management fees and nominal interest.

[16] It is noted that designated bonds which were issued until December 1, 2003 bear interest of 5.05%, CPI-linked.

of designated bond returns is done according to the balance of returns in the fund due to the investment in designated bonds, after the returns have been credited to the annuity recipients.[17]

The Commissioner is entitled to increase the rate of crediting designated bond returns to annuity recipients in a certain fund, if he has found that the rate of crediting designated bond returns to members who are not annuity recipients, exceeds half a percent relative to another fund, and that the aforementioned difference may disrupt the actuarial balance in the fund.

The circular including provisions regarding the management of new funds, the circular regarding provisions regarding the management of new general funds, and the circular regarding provisions with respect to financial reporting in new pension funds, determine the mechanism for updating the annuities which are paid from new pension funds to members who began receiving disability or survivor annuities with respect to an eligible event beginning in January 2018, or who began receiving an old age annuity after that date, in a manner whereby the annuities will be updated, inter alia, in accordance with the deviations between the returns which will be achieved in practice on the free investments, and a rate of 3.36% per year (with respect to the comprehensive fund) and 4% (with respect to the supplementary fund), which reflect the implicit rate of return upon the initial calculation of the annuity, in a manner whereby the deficit with respect to retirees will not be imposed on all of the fund's members.

The Crediting of Returns Regulations, and the allocation of the designated bonds by age groups, created variability in the method for allocating designated bonds between members which belong to the same age group in the various pension funds. These regulations created a certain advantage in this regard, for pension funds over other pension products, particularly beginning from the stage near retirement age, and also created a preference for joining or transferring to certain pension funds, according to the mix of ages of the fund's members.

The impact of the aforementioned provisions is expected to intensify, including in combination with the provisions regarding reduced management fees for annuity recipients in default funds (see section 6.2.1(a) below). On the other hand, this trend could be moderated, due to the fact that the acceptance of members at retirement age could create a negative preference for new members to join funds in which the rate of assets associated with annuity recipients is high, relative to other pension funds, as specified above. During the reporting year, there was a certain increase in members' requests to transfer near retirement age (see section 6.4.5 below).

The Company's estimate in connection with the Crediting of Returns Regulations constitutes forward looking information, which is based on the information which is available to the Company as of the reporting date. Actual results may differ from the estimated results, and depend, inter alia, on the development of

---

[17] Beginning in early 2024, for members aged 50 or older (who are not annuity recipients), the crediting of designated bond returns will be done according to the ratio of between 30% of the total accrued balances in the fund to members of this group, and the total fund assets which were invested in designated bonds; whereas, for members who are not annuity recipients, the crediting of designated bond returns is done according to the balance of returns in the fund due to the investment in designated bonds, after the returns have been credited to the annuity recipients and to members over age 50.

competitive conditions in the market, on the conduct of competing entities, and on the reciprocal effects between the Crediting of Returns Regulations and other regulatory provisions, including transferring while joining pension funds, the establishment of default funds (for details, see sections 6.2.1(b) and 6.2.1(a) below) and the conduct of competing entities, distributing entities and the choices of members and policyholders.

- **Provident funds**

Since the mid-1980's, designated bonds[18] have not been issued for the provident funds, and the assets are invested in accordance with the restrictions specified in the Investment Regulations.

6.1.2. Details regarding the primary details included in the operating segment

Presented below is a description of the products and services which were managed by the Company during the reporting year.

6.1.2.1. Life insurance branch

(A) **General**

The Group markets insurance to the self-employed and employees, as well as individual insurance and collective insurance, as specified below.

---

[18] Excluding a limited number of guaranteed return provident funds.

- **Individual policies and policies for salaried employees and the self-employed**

The policies generally combine savings and insurance coverage such as risk and loss of working capacity[19]. Some of the insurance policies are intended for salaried employees and the self-employed, are approved as provident funds, receive tax benefits and constitute a part of the social security net for salaried employees and the self-employed, whereas individual policies, which include savings, are not approved as a provident fund, but receive tax benefits with respect to insurance coverage in case of death and/or loss of working capacity, which is purchased within the framework of the policies, and in certain conditions also with respect to the component of the returns which were accrued with respect to the savings.

- **Collective insurance**

The collective insurance agreement is intended to provide insurance coverage in case of death, with optional additional coverage for accident, illness and disability risks, as well as insurance coverage in case of loss of working capacity. The insurance policies do not include any savings component, for groups including over 50 policyholders which share ties, and is marketed primarily to groups of employees, and are subject to the provisions of specific regulations on the matter.

The insurance amount in collective life insurance is generally equal for all of the Group members, or is determined according to age, salary or another objective criterion, or a combination of the above. The insurance amount in collective loss of working capacity insurance was determined, inter alia, based on various indicators, including occupation, salary, age and gender.

In accordance with the legislative arrangement and/or in accordance with the terms of the collective policy, a policyholder regarding whom the collective policy has expired, is entitled, under certain predetermined conditions, to acquire a personal policy with no need for a medical underwriting process, according to the premiums which applied at the time of the transition to all policyholders at an insurer, with a similar individual policy.

(B) Details regarding the main insurance plans in the life insurance segment

The Group's life insurance portfolio includes several different insurance plans, in accordance with the types of products which were sold over the years. Presented below are details regarding the main products:

- **<u>Traditional insurance</u>**
  - **Policy of the traditional combined type** - A policy which includes two components, savings and risk (death). The premium is derived from the insurance amount, the policyholder's age, the insurance period, etc., and cannot be separated and attributed to the policy components. The insurance amount is paid as a one-time amount at the end of the insurance period (generally at age 65), or in case of death before the end of the insurance period, excluding amounts which are paid

---

[19] See footnote 6 above.

at the end of the insurance period, which were deposited after January 2008, for policies subject to the Provident Fund Regulations, which are paid as annuities.

- **Policies of the traditional "pension" type** - are policies in which most premiums (which are derived from the insurance amount, the policyholder's age, the insurance period, and more) is intended for the payment of a stipend, to be paid in accordance with the policy terms and subject to the provisions of the legislative arrangement. The pension amount to be paid, and the premium amounts, were determined on the policy issuance date.

- **Traditional savings policies** are policies in which the entire premium which has accrued in respect thereof is paid as a single payment, excluding amounts which are paid at the end of the insurance period, which were deposited after January 2008, for policies which are subject to the Provident Fund Regulations (policies for salaried employees and the self-employed), which are paid as annuities. The redemption value is determined on the policy issuance date, and is derived from the premiums. In case of death before the end of the insurance period, the amount which has accumulated until that date is paid.

In policies of the traditional type, it is not possible to increase the amount of deposits in the policy, including with respect to salary increase beyond the rate of the CPI's increase, and in these cases, an additional policy can be prepared with respect to the increase in the deposit amount, or in the salary, as applicable.

Policies of the traditional type were the only products sold until 1982 as individual insurance, compensation for the self-employed and managers. Policies of the mixed, pension and traditional types - savings continued being marketed as managers insurance until June 2001, and as individual insurance and as compensation for the self-employed until the end of 2003, in addition to other products which were sold in parallel.

- **<u>Insurance of the preferred type (Meitav, Meitavit)</u>**

  The main characteristics of this product include:

  - The policy is divided into two components - after deducting expenses in a fixed amount, a certain percentage of the premiums is accrued as savings, and the balance of premiums is designated for the acquisition of insurance coverage in case of death, and as operating and marketing expenses (the "**Risk Component**"). Until the end of the 1990's, the original premium rate which was designated to savings in these policies was mostly 72%. From the beginning of 2000's, the rate designated to savings was originally, for the most part, 80% and higher. Over the years, changes have been made to the mix of components, as stated in some of the policies.

  - With respect to deposits which were made until 2000, the policyholder can choose, proximate to the annuity receipt date, whether to receive the accrued savings as a capital payment or as a pension, according to the annuity factor which was determined in the policy on the policy acquisition date. With respect to deposits which were made beginning in 2000, the policyholder was required to choose, on the acquisition date, between a deposit to: (A) A capital policy or a capital annex which was attached to the fixed-payment policy - in which it was possible to designate the accrued savings to a capital track, with no option for conversion to a pension payment; and (B) A fixed-payment policy, under which the accrued savings could be converted into an annuity payment based on an annuity factor with guaranteed life expectancy, which was determined on the policy acquisition date; Subject to the terms of the policies.

In policies marketed until 2000, policyholders who reached retirement age have the option to choose among several possible annuity receipt tracks. In all of the tracks, annuities are paid based on guaranteed annuity factors.

- Beginning in 2001, the policyholder is entitled to payment of an annuity based on a guaranteed life expectancy annuity factor, throughout his entire lifetime, and in one track only, which includes guaranteed payment of a minimum of 240 monthly annuity payments, to the beneficiary and/or beneficiaries; In additional tracks, the guaranteed life expectancy annuity factor is determined on the annuity receipt date, in accordance with the policy terms.

The policy was marketed in the life insurance branch from 1983 until the end of 2003. The policy was marketed as individual insurance, as compensation insurance for the self-employed and as managers insurance.

- **<u>Insurance of the profile type</u>**

  - Since 1999, the Group has marketed a line of products under the trade name "profile", including various types, which differed from the products that were marketed before that time, inter alia: (a) by separating between the components of savings, risk and expenses / management fees; (b) by allowing the possibility to adjust the insurance coverages in accordance with the policyholder's choice; (c) by allowing the possibility to manage the savings through several investment tracks with daily (instead of monthly) returns; (d) in the rate of management fees, which do not change depending on returns; (e) by allowing the option to designate the accrued savings to a capital track and/or to an annuity paying track in the same policy.

    Since 2008, it is possible to designated the deposits in policies subject to the Provident Fund Regulations to an annuity paying track only, and in parallel, an option was canceled to convert funds which were deposited until 2008 according to guaranteed annuity factors, and the conversion is permitted according to the known annuity factors as of the date of the one-time request to convert the savings amount into an annuity. The policyholder is entitled to request conversion of the one-time savings amount beginning from age 60 only.

    Since 2004, Clal Insurance has marketed several additional types of profile policies. These policies are differentiated from one another, inter alia, in the structure and rate of management fees, and in the annuity factors.

  - In 2013, Clal Insurance adjusted the managers' insurance policy and the self-employed insurance policy of the "profile" type, which were marketed by it from that date onwards, to changes in the management fees, in accordance with the Management Fees Regulations, as specified in section 6.1.2.3 below. Additionally, beginning in January 2013, a restricted was imposed on the possibility to sell new life insurance plans with annuity factors which include a life expectancy guarantee, to policyholders under age 60[20].

During the reporting year, life insurance policies with annuity factors were marketed to persons aged 60 or older in an immaterial scope.

For details regarding new products, see section 6.1.3 below.

Under the aforementioned profile policies, the default track involves the payment of an annuity with a guaranteed life expectancy annuity factor, throughout his entire lifetime, and in case of his death before payment to the policyholder of a minimum number of guaranteed monthly annuity payments (240 payments), the balance of the annuities will be paid to the beneficiaries. There are also alternative tracks to receive an annuity, as chosen by the policyholder. In policies which were marketed until 2013, the annuity factors in the alternative tracks and in policies which were sold since 2013, the annuity factors in all of the tracks are determined on the retirement date, except with respect to policyholders who purchased the policy after age 60, and who chose an insurance plan with annuity factors which include a life expectancy guarantee.

- Over the years, profile policies of the managers, self-employed and individual types were marketed, some with insurance coverages and others without insurance coverages, some with annuity factors which include a life expectancy guarantee, and others without annuity factors which include a life expectancy guarantee.

Traditional policies and preferred policies which included a savings component and which were sold until the end of 1990, are guaranteed return policies, where some of the Company's liabilities to holders of such policies are backed by designated bonds. Policies which include a savings component, which were sold from 1991, are generally investment-linked policies.

For details regarding the management fees which are collected in the main life insurance policies, see Note 20 to the financial statements.

- **<u>Products including "risk" insurance coverage</u>**

The risk products (insurance in case of death and/or disability and/or loss of working capacity and/or critical illness) are sold, or were sold in the past, as independent policies and/or as riders / additions to "traditional", "preferred", or "profile" policies.

The main risk coverages include:

---

[20] Excluding an exception which was permitted by the Commissioner for one year, subject to the determined conditions.

- **Pure risk insurance - individual** - Life insurance in case of death, without a savings component. The plan guarantees to beneficiaries a predetermined insurance amount if the policyholder passes away during the insurance period. The insurance benefits are paid to beneficiaries as one-time compensation, or as a monthly amount for the period determined in the policy. In case of a risk plan which is intended to cover the balance of debt on a mortgage loan, the insurance amount is updated according to the interest rate determined in the policy, and the insurance benefits are paid to the irrevocable beneficiary, while the remainder, if any, is paid to the beneficiaries. In the past the Company allowed the purchase of coverage providing life insurance in case of death, with no need for an advance medical underwriting process, where in such case, the insurance coverage in the first three years of the insurance period was with respect to death due to accident only, and in the subsequent period, with respect to death for any reason. Beginning in 2018, and in accordance with **Amendment No. 18 to the Equal Rights for Persons with Disabilities Law, 1998**, the Company allows the purchase of life insurance in case of death which is intended to cover the debt in the balance of a mortgage loan to people with life-shortening disabilities (as this term is defined in law, and in accordance with the process prescribed in law), subject to a qualification period of two and a half years.

- **Loss of working capacity insurance** - An insurance plan which combines monthly compensation, at a rate of which generally does not exceed 75% of the policyholder's salary, subject to certain underwriting restrictions in case of a salary increase. In addition to the monthly compensation payments which are paid to the policyholder, the policyholder is released, in general, from premium payments and they are paid by the insurance company for as long as the policyholder is incapable of working ("**Release**"). The insurance benefits are paid in monthly payments, commencing from the end of the waiting period, and for as long as the policyholder is incapable of working, but no later than the end of the insurance period.

- **Supplementary disability pension insurance (pension fund umbrella)** - Loss of working capacity insurance for a pension fund member which is intended to expand the insurance coverage which is given according to the pension fund regulations, in cases where there is no eligibility for payment of a disability annuity according to the pension fund regulations, such as in case of loss of working capacity, or with respect to the qualification period specified in the pension fund regulations.

- **Critical illness insurance -** For details regarding the sale of critical illness insurance, see section 8.1.2.1(a) below.

- **Accidental death insurance** - An insurance plan which guarantees the payment of a one-time amount in case of death due to an accident.

- **Accidental disability insurance** - An insurance plan which guarantees payment of a one-time amount in case of disability due to an accident.

6.1.2.2. Pension funds and provident funds branches

Pension funds and provident funds are managed by managing companies, in accordance with the provisions of the regulations. The regulations are dynamic and may change from time to time, with the Commissioner's approval. Notice regarding significant changes is sent to the members. In general, members' rights are determined according to the fund regulations which are in effect as of the date of eligibility.

During the reporting year, mergers of provident funds and of investment tracks in provident funds were performed, as follows:

- On October 1, 2020, the central funds Almog Central Severance Pay Fund For All of Israel, and Clal Provident Central Severance Pay Fund, were merged into a central severance pay fund.

As of the reporting date, the provident funds and investment tracks which are managed by Clal Pension and Provident Funds include the following:

Fund name	Investment tracks		Fund type
Clal Tamar	Age-dependent investment model	Track for persons aged 50 or less	Personal provident fund for compensation and severance pay and provident fund for savings
		Track for persons aged 50 to 60	
		Track for persons aged 60 or older	
	Bonds maximum 25% stocks		
	CPI-linked bonds		
	NIS		
	Stocks		
	Short term NIS		
	Bonds		
	Halacha		
	Bonds maximum 15% stocks		
	S&P 500 tracker[21]		
Bar Gemulim fund	Bar A - guaranteed return		Guaranteed return provident fund
	Bar C		Personal provident fund for compensation and severance pay
Clal Study Fund	Non-life		Study fund
	Short term NIS		
	CPI-linked bonds		
	Stocks		
	Bonds		
	Halacha		
	Bonds maximum 15% stocks		

---

[21] New track created in December 2020.

Fund name	Investment tracks	Fund type
	S&P 500 tracker[22]	
Clal Provident for the Future	Non-life	Provident fund for investment
	Bonds	
	Government bonds	
	Stocks	
	Bonds maximum 15% stocks	
	Short term NIS	
	Halacha	
	[23]S&P500 tracker	
General fund for severance pay		Central severance pay fund
Hadas		
Clal - employer severance pay		
Clal Barzel - central fund for severance pay		
Clal Provident central track-based fund		
Clal budgetary		Central fund for participation in budgetary pension

---

[22] A new track was created in December 2020.

[23] A new track was created in December 2020.

Presented below are details regarding managed assets, contributions, net accrual, ratio of management fees from assets and ratio of management fees from deposits of the pension funds and provident fund which were marketed by the Group's member companies in 2020:

		Managed assets as of December 31, 2020 (NIS in thousands)	Contributions in 2020 (NIS in thousands)	Net accrual in 2020 (NIS in thousands)	Average rate of management fees from assets in 2020	Average rate of management fees from deposits in 2020
Pension Fund Atudot Havatika		**12,013,897**	**208,087**	**(145,100)**	**0.28%**	**3.63%**
New pension funds	Clal Pension	72,497,732	6,021,058	3,802,944	0.20%	1.83%
	Clal Pension supplementary	2,347,543	286,706	195,650	0.40%	0.10%
Provident funds for compensation and severance pay and provident funds for savings		24,228,794	476,101	(1,023,459)	0.46%	0.06%
Provident fund for investment		632,466	228,037	123,878	0.65%	-
Study fund		10,397,365	1,410,576	293,543	0.58%	-
Other[24]		2,089,533	398	(373,215)	0.67%	-
Total		**124,207,330**	**8,630,963**	**2,874,241**		

* Net accrual - deposits plus incoming transfers less redemptions and outgoing transfers.

---

[24] Includes central provident funds for severance pay, central provident funds for participation in budgetary pension and provident funds for sick pay.

Presented below are details regarding managed assets, contributions, net accrual, ratio of management fees from assets and ratio of management fees from deposits of the pension funds and provident fund which were marketed by the Group’s member companies in 2019:

		Managed assets as of December 31, 2019 (NIS in thousands)	**Contributions in 2019 (NIS in thousands)**	**Net accrual in 2019 (NIS in thousands)**	**Average rate of management fees from assets in 2019**	**Average rate of management fees from deposits in 2019**
Pension Fund Atudot Havatika		11,549,644	215,447	(107,119)	0.28%	3.36%
New pension funds	Clal Pension	64,530,990	5,911,465	3,648,175	0.21%	2.02%
	Clal Pension supplementary	2,039,500	254,011	193,443	0.41%	-
Provident funds for compensation and severance pay and provident funds for savings		24,516,271	610,429	(133,238)	0.47%	0.09%
Provident fund for investment		482,652	254,435	206,767	0.65%	-
Study funds		9,629,858	1,328,466	744,625	0.61%	-
Other[25]		2,415,100	417	(197,720)	0.64%	-
Total		**115,164,015**	**8,574,670**	**4,354,933**		

* Net accrual - deposits plus incoming transfers less redemptions and outgoing transfers.

---

[25] Includes central provident funds for severance pay, central provident funds for participation in budgetary pension and provident funds for sick pay.

Presented below are details regarding managed assets, contributions, net accrual, ratio of management fees from assets and ratio of management fees from deposits of the pension funds and provident fund which were marketed by the Group’s member companies in 2018:

		Managed assets as of December 31, 2018 (NIS in thousands)	Contributions in 2018 (NIS in thousands)	Net accrual in 2018 (NIS in thousands)	Average rate of management fees from assets in 2018	Average rate of management fees from deposits in 2018
Pension Fund Atudot Havatika		**10,028,397**	**227,462**	**(90,503)**	**0.27%**	**3.43%**
New pension funds	Clal Pension	54,363,827	5,646,940	3,817,052	0.22%	2.25%
	Clal Pension supplementary	1,633,395	243,751	178,368	0.43%	-
Provident funds for compensation and severance pay and provident funds for savings		22,436,655	452,670	(633,416)	0.48%	0.17%
Provident fund for investment		238,455	164,310	142,861	0.65%	-
Study fund		7,938,848	1,196,655	543,710	0.64%	-
Other[26]		2,368,813	404	(532,444)	0.60%	-
Total		**99,008,390**	**7,932,192**	**3,425,628**		

* Net accrual - deposits plus incoming transfers less redemptions and outgoing transfers.

6.1.2.3. Management fees and expenses in the various products

1) Presented below are tables describing the rate of maximum management fees in the different main products[27], in accordance with the legislative arrangement, including the Control of Finance Services Regulations (Provident Funds) (Management Fees), 2012 (hereinafter: the “**Management Fees Regulations**”):

---

[26] Includes central provident funds for severance pay, central provident funds for participation in budgetary pension and provident funds for sick pay.

[27] The foregoing does not include management fees and expenses of various kinds which are collected in some of the life insurance policies, for example, including with respect to the management of investment portfolios, the policy factor or collection factor, etc.

Life insurance

Pension product	Maximum annual management fees
Investment-linked life insurance plans which were marketed until the end of 2003, of the “traditional” and “preferred” types[28]	Fixed management fees up to 0.6% of the accrual + variable management fees up to 15% of the real returns which were achieved, less fixed management fees. In case of loss, the insurance company is not entitled to the variable management fees, until the cumulative loss specified in the policies has been recouped.[29]
Investment-linked life insurance plans which were marketed from January 1, 2004 until the end of 2012	2% of the accrual + +0% of the deposits, or a lower rate of the accrual and a higher rate of the deposits (according to a mix approved by the Commissioner - where the management fees from deposits are in the range from 0% to 13%).
Investment-linked life insurance plans which were marketed since January 2013	Up to 1.05% of the accrual (plans which were marketed in 2013 - up to 1.1% of the accrual) + up to 4% of the deposits
Annuity recipients	Up to 0.6% of the accrual.

The Company’s income from guaranteed-return policies is due to the financial margin, insofar as any is created, between the guaranteed returns in designated bonds and the profits from the investments on the free assets and the liabilities towards policyholders.

Pension funds

Pension product	Annual management fees beginning in 2014
Balanced old fund	According to specific permits which were given by the Commissioner
Comprehensive new pension fund	Up to 0.5% of the accrual + up to 6% of the deposits
General (supplementary) new pension fund	Up to 1.05% of the accrual + up to 4% of the deposits
Annuity recipients in comprehensive pension fund	Up to 0.5% of total assets held against the fund’s liabilities to all annuity recipients[30]
Annuity recipients in general pension fund	Up to 0.6% of total assets held against the fund’s liabilities to all annuity recipients

---

[28] "Profile" policies which were sold until 2003 included a different pricing mechanism.

[29] See Note 3(n)3 to the financial statements.

[30] Excluding assets held against liabilities of the fund, to those who were entitled to an annuity or disability annuity before January 1, 2004.

Provident funds[31]

Pension product	Annual management fees beginning in 2014
Personal provident fund for compensation and severance pay, provident fund for savings and provident fund for investment	Up to 1.05% of the accrual + up to 4% of the deposits
Central provident fund	Up to 2% of the accrual (without management fees from deposits)
Study funds	Up to 2% of the accrual (without management fees from deposits)

Additional supplementary arrangements were also established, including as specified below:

- With respect to policyholders and members with whom contact has been lost - the institutional entities are entitled to collect management fees at a rate of up to 0.3% of the accrual, or the rate which is collected in the policy or in the member's account, as applicable, on the date when contact was lost, whichever is lower.[32]

- The minimum annual management fees in the accounts of provident funds which are not insurance funds or comprehensive pension funds[33], to which deposits were made before the 2008 tax year, will be no less than NIS 6 per month (CPI-linked), in all of the member's accounts.

In practice, in some of the products, the Group's institutional entities collect management fees at a lower rate than the maximum limits specified above, in accordance with specific agreements, due to the existing competition in the market, and in accordance with regulatory directives which apply to the provision of discounts on management fees (for additional details regarding the competition in the market, see section 6.3 below). The provisions of the legislative arrangement formalize the provision of discounts, and directives a total of which discounts to annuity recipients will apply throughout the entire annuity payment period (including with respect to survivors).

Amendment to the circular regarding management fees - transitional provision

In September 2020, a circular was published regarding management fees in pension savings instruments - amendment - transitional provision due to the coronavirus event (hereinafter: the "**Transitional Provision - Amendment To The Management Fees Circular**"), in which it was determined that an institutional entity will be entitled to increase the rate of management fees before the end of the discount period which was

---

[31] Excluding guaranteed return provident funds, in which the management fees are determined in accordance with the provisions of the regulations.

[32] With respect to a member/policyholder who has been found, who is not a deceased member/policyholder - the institutional entity is entitled to collect, retroactively, additional management fees, in a manner whereby the management fees which will be collected with respect to the period beginning from one year after the date when contact was lost, until the date when the member/policyholder was found, will be at a rate of up to 0.5% of the accrued balance in their account (instead of 0.3%).

[33] Excluding additional products, as determined in the Management Fees Regulations.

determined for the customer, due to the discontinuation of payments for savings which are transferred to the provident fund for the member, which did not occur due to the employer, which applied until the end of October 2020, only after 12 months have passed since the date when the savings payments were discontinued (instead of 6 months, according to the wording of the circular regarding management fees in pension savings instruments).

In March 2021, the Commissioner sent a letter to the institutional entities (hereinafter: the "**Commissioner's Letter Regarding Management Fees**"), in which he called upon the institutional entities to continue treating with solidarity members for whom pension savings deposits were discontinued during the period from November 2020 to June 2021, such that, after the passage of 6 months (and until the passage of 12 months) after the date of discontinuation of the deposits, the rate of management fees will not be increased for those customers, except for an increase only up to the average rate of management fees from accrual in that institutional entity. The Commissioner also called upon the institutional entities to extend the period during which the rate of management fees will not be increased, with respect to members for whom deposits were discontinued, from March 2020 to October 2020 (which are subject to the transitional provision - amendment to the circular regarding management fees), from 12 months after the date of discontinuation of the deposits, to 18 months.

In the letter, the Commissioner stated his intention to announce which institutional entities will work in accordance with his foregoing call. The Company believes that the transitional provision - amendment to the circular regarding management fees, and the Commissioner's letter on this matter, will result in an immaterial decrease in the Company's income.

The information presented on all matters associated with the possible implications of the transitional provision - amendment to the management fees circular constitutes forward looking information, which is based on assumptions and estimates made by the Group as of the publication date of the report. Actual implementation may differ significantly from the forecast, and is largely dependent upon the number of employees who are furloughed in the economy, and the rate at which those employees return to work; on the extent to which deposits for furloughed employees are discontinued; and on the rate of transfers and redemptions from pension products, the deposits to which have been discontinued.

Management fees for annuity recipients

Discounts on the management fee rate which are future to pension fund annuity recipients, combined with an undertaking to provide discounts throughout the entire lifetime of the member and his survivors, may have a significant impact on the amount of management fees collected by Clal Pension and Provident Funds from annuity recipient members, and on profitability. The default fund circular determines that the management fees which will be collected by the managing company of the fund that was chosen as a default fund, from annuity recipients who retire during the winning period (even if they joined through methods other than the default), will not exceed a rate of 0.3% per year (as compared with a maximum rate of 0.5%, in accordance with the law). For details regarding the increase in the market share of the chosen default funds, see section 6.3.1(2) below.

In December 2020, the **Draft Control Financial Services Regulations (Provident Funds)(Management Fees)(Amendment), 2020** were published (hereinafter: the "**Draft Management Fees Regulations - Annuity Recipients**"), which mostly include a proposal to set the management fees for annuity recipients at 0.3% (instead of the current maximum limit of 0.5% or 0.6%, depending on the product type, as specified above). In the draft, it was proposed that the foregoing maximum limit will apply to anyone who begins receiving an annuity from a pension fund, beginning on the date of the amendment's entry into effect, and also to policies which will be marketed from that date onwards. The Draft Regulations also apply the foregoing maximum limit to recipients of non-old age annuities (recipients of disability and survivor annuities in pension, and recipients of disability and loss of working capacity annuities in insurance).

The Company believes that the entry into effect of these regulations, as currently phrased, is expected to have substantially negative effects on the future revenues of Clal Pension and Provident Funds from the management fees which will be collected from annuity recipients, and therefore also negative effects on its future profitability, and in the long term, also on the income of Clal Insurance.

The information presented on all matters associated with the possible implications of the draft regulations regarding management fees for annuity recipients discounts on management fees for annuity recipients constitutes forward looking information, which is based on the Company's estimates and assumptions, and actual results may differ significantly from the forecast, inter alia, in light of the uncertainty regarding the final wording of the provisions and their impact on the decisions of the Group's institutional entities, which are dependent, inter alia, on the conduct of competing entities, distributing entities, employers and customers.

For details regarding the management fees which were collected by the Group's member companies in the various products in the years 2018 to 2020, see section 6.1.2.2 above, and Notes 20 and 30 to the financial statements.

2) **<u>Expenses in connection with investment management</u>**

In addition to the management fees, the institutional entities collect expenses in connection with the management of members' investments for third parties, subject to the provisions of the Control of Finance Services Regulations (Provident Funds) (Direct Expenses Due To Performance Of Transactions), 2008 (hereinafter: the "Direct Expenses Regulations"), which specify the types of expenses which can be charged to members, and apply a cumulative quantitative annual restriction of 0.25% of the assets on the amount of expenses which can be charged to the members with respect to some of the expenses. For details in connection with the aforementioned regulations, see section 10.5.5.2 below.

The total amount of expenses which are collected from members constitutes an additional component of the effect on returns for customers in the various savings products, and also constitutes an additional component for comparison between the competing entities, and as a result, affects the competition in the branch.

In July 2020, the Knesset Finance Committee approved regulations which extended the period of application of the restriction on direct expenses which can be collected from the funds' assets against investment-linked liabilities, until the end of February 2021. The Finance Committee's approval was given while determining that the Authority will update the Finance Committee regarding the work of a professional and independent committee to evaluate the subject of direct expenses, which is intended to evaluate whether the external management of certain investments increases net returns for savers. In March 2021, the Authority published a letter in which it stated that the Direct Expense Regulations would remain in effect up to three months after the date of convention of the 24th Knesset.

Non-extension of the aforementioned regulations, or approval thereof in a different framework than the current framework, could have a significant impact, beginning in March 2021, on all matters associated with the investment of funds of members and policyholders, and the returns which may be achieved for them, and as a result, could also affect the Company’s revenue from management fees.

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

6.1.3. New products

- **General:**

During the reporting year, the Group's member companies did not market any significant new products in this segment, save as specified below:

Changes in the regulations of pension funds during the reporting year:

(A) **Comprehensive pension fund - "Clal Pension"**

Clal Pension and Provident Funds works, from time to time, subject to the Commissioner's approval, to amend the regulations of the comprehensive pension fund, due, inter alia, to the regulatory changes and the need to perform operational adjustments.

In July 2020, an amendment to the comprehensive fund "Clal Pension" entered into effect, where the primary changes included therein included: updates to the factors, in accordance with 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 insurance companies mortality improvement for insurance companies and pension funds; obligation for members who leave Israel for periods exceeding 6 months, to notify the managing company of the matter, and to produce a life certificate at the managing company's request; right of members to request additional payment of one to three months of annuities, with respect to the months preceding the initial date of eligibility to receive the old age annuity (subject to the determined restrictions).

The amendment to the regulations in July 2020 included the addition to the fund of the track "Clal Pension - Short-Term NIS Track".

(B) **General pension fund - "Clal Pension supplementary"**

Clal Pension and Provident Funds works, from time to time, subject to the Commissioner's approval, to amend the regulations of the supplementary pension fund, due, inter alia, to the regulatory changes and the need to perform operational adjustments.

In July 2020, an amendment to the regulations of the supplementary fund "Clal Supplementary Pension" entered into effect, in which the primary changes included: an update to the factors for annuity recipients, in accordance with 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; an obligation for members who leave Israel for periods exceeding 6 months, to notify the managing company of the matter, and to produce a life certificate at the managing company's request.

The amendment to the regulations in July 2020 included the addition to the fund of the tracks "Clal Pension - Short-Term NIS Track" and "Annuity Recipients Track - Bonds Maximum 20% Stocks".

(C) Old pension fund - Atudot Pension Fund for Workers & Self-Employed Workers (“Atudot Havatika”)

In November 2020, Atudot submitted to the Commissioner a request to amend the pension fund regulations of Atudot Havatika, in which, inter alia, approval was requested for an update to the actuarial assumptions and mortality factors; and an amendment to the provisions of the regulations regarding the mechanism for reducing pension annuities. As of the approval date of the reports, the Commissioner’s approval of the request has not yet been received.

Changes in the regulations of pension funds after the reporting year

After the reporting date, in January 2021, amendments to the regulations of the pension fund “Clal Pension” and to the regulations of the supplementary fund “Clal Supplementary Pension” entered into effect, which included the addition, in the comprehensive fund and in the supplementary fund, of a track “Tracking the S&P 500 Index”.

Changes in provident fund regulations during the reporting year:

In December 2020, amendments to the regulations of the provident fund “Clal Tamar”, and to the regulations of the study fund “Clal Study Fund”, and to the regulations of the provident fund for investment “Clal Provident for the Future” entered into effect, in which the track ”Tracking the S&P 500 Index” was added to each of these regulations.

6.1.4. Main markets, trends, and changes in supply and demand

The issue of social security in Israel is comprised of a compulsory layer, which is managed by the state, and beginning in 2008, an additional compulsory later which is managed by institutional entities, within the framework of the Compulsory Pension Ordinance[34], which pertains to all salaried employees in the market, and requires employers to deposit, on behalf of their employees, funds with respect to the compensation and severance pay components, according to the rates specified in the Compulsory Pension Ordinance, within the framework of the comprehensive pension arrangement which was determined as the default arrangement, or within the framework of an insurance fund for annuities, which includes coverage in case of death and disability.

Beginning with the salaries for January 2017, the minimum rates of deposit for all employees and employers in the market are 6% for the employee’s component, 6.5% for the employer’s compensation component, and 6% for the severance pay component. It was further determined that the employer’s payment, as stated above, will include the acquisition of loss of working capacity coverage for the employee, however, in any case, the employer’s provisions to the compensation component will not fall below 5% of the effective

---

[34] An ordinance which expanded the general collective agreement (framework agreement) for comprehensive pension insurance in the market.

salary, and the employer's total costs with respect to the compensation component and the loss of working capacity coverage will not exceed 7.5% of the effective salary, which will be the salary for which deposits are made in accordance with the agreement with the employee, and no less the guaranteed salary in accordance with the extension order regarding compulsory pension. It was further determined in the aforementioned order that the rate of the employer's deposits will be standard for all pension products.

Since 2017, the self-employed are also obligated to make contributions to an annuity paying provident fund, according to rates which were determined (4.45% up to half of the average market salary, and 12.55% on income exceeding half of the average market salary, and no more than the average market salary), according to their level of income (hereinafter: the "**Compulsory Pension for the Self-Employed Law**"). The Compulsory Pension for the Self-Employed Law also includes provisions regarding the provision of the possibility to withdraw a part of the amount which has accrued in favor of the self-employed person, in case of his unemployment, in accordance with the terms and dates which were determined in the regulations.

There are also deposits in the optional layer, which are due to employees' and employers' deposits which constitute a beneficial arrangement, and deposits of self-employed members beyond the legal obligation. The aforementioned optional layer includes deposits at a rate or in an amount which exceed those required by law, as well as deposits to savings channels, some of which do not receive tax benefits, or receive reduced tax benefits.

6.1.4.1. Life insurance branch

Trends in supply and demand: During the reporting year, pension was the main pension product which was marketed by the institutional entities to the general public, further to the ongoing trend in recent years, of regulatory encouragement of deposits to pension products, such as the partial backing of designated bonds to secure returns up to a rate of 30%[35], the determination of pension as a default product within the framework of the Compulsory Pension Ordinance and additional regulatory changes, including the cancellation of guaranteed annuity factors in insurance, except for customers aged 60 or higher, and non-approval of tariffs for the sale of risk coverages within the framework of the managers' insurance policies (see section 6.1.4.1 below).

During the reporting year, the scope of new members of life insurance products combined with savings decreased relative to the previous year. Additionally, during the reporting year, an increase occurred in sales of risk products, primarily with respect to risk products which are sold through pension savings, while on the other hand, cancellations of risk policies (including associated and mortgage risk) which were sold in the past. For a description of the effects of the absence of approved tariffs in managers' insurance, see below.

During the reporting year, the coronavirus crisis has clear effects on the Company's business results, of which the primary effects are described below:

---

[35] For details regarding the Control of Financial Services Regulations (Provident Funds) (Crediting of Returns in New Comprehensive Pension Fund), 2016, in connection with the scope of allocations of designated bonds to pension fund members of various ages, see section 6.1.1.2 above.

A. Effects due to the employment rate in the economy which directly resulted, at the beginning of the crisis, to a decrease in the scope of deposits to pension products, and indirectly also to a decrease in the scope of deposits to all savings products. Due to the decrease in the scope of deposits, there was a decrease in the scope of management fees collected by the Group's institutional entities from deposits (in products where collection from deposits is performed), as well as indirect effects on the scope of the accrual, which affected the amount of management fees from accrual which were collected by the Group's institutional entities.

B. Effects on the value of financial and real assets in the economy, in which funds managed by the Group's institutional entities are invested, resulted, in some of the months of the reporting year, to a decrease in the value of the assets in the portfolio of investments managed for the Group's policyholders and members, and accordingly, in a decrease in the scope of accrual in many months of the reporting year, relative to 2019, and therefore also to a decrease in the scope of management fees collected by the Group's institutional entities. It is noted that, in the last quarter of 2020, and in the beginning of 2021, the value of the assets in the portfolio of investments managed for the Group's policyholders and members increased significantly, which resulted in an increase in the scope of the accrual, and accordingly, in the scope of management fees collected by the Group's institutional entities from accrual during those months.

The Company is unable to fully estimate the effects or development of the coronavirus crisis; however, the conclusion of the furlough periods which still apply to some employees, and the ending of eligibility for unemployment benefits, may result, on the one hand, in an increase in pension savings deposits, and on the other hand, in an increase in loss of working capacity claims, and may even affect life expectancy. For additional details regarding the effects of the coronavirus crisis, see section 10.11.1 below and Note 1(d) to the financial statements.

The information presented on all matters associated with the effects of the coronavirus crisis constitutes forward looking information, which is based on assumptions and estimates made by the Group as of the publication date of the report. The actual changes, and the consequences thereof, may differ from the forecast, in light of the uncertainty regarding the recovery and the future employment rate following the coronavirus crisis; the conduct of competing entities in responding to the events of the coronavirus pandemic; and the preferences of customers, which may change due to the coronavirus events and/or periods of unemployment which affected them.

- **Scope of activities[36]**: In accordance with the Commissioner's publications, assets in the life insurance branch in the Israeli insurance market as of September 30, 2020, amounted to approximately NIS 400 billion, of which NIS 318 billion were assets in the new life insurance portfolio (profit sharing policies), as compared with approximately NIS 391 billion as of September 30, 2019, of which NIS 306 billion were assets in the new life insurance portfolio, i.e., an increase of approximately 2% in total assets, and an increase of approximately 4% in the assets of the new life insurance portfolio.

---

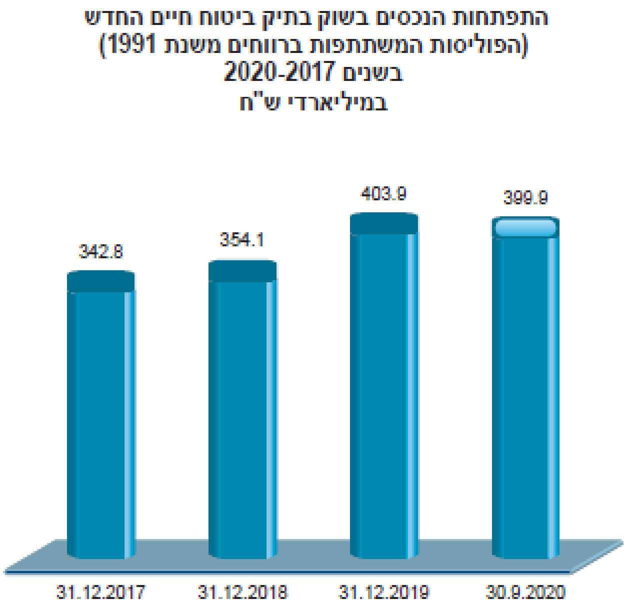
[36] The scope of assets in life insurance is based on the amount of insurance liabilities.

As of September 30, 2020, assets in the new life insurance portfolio which are managed by Clal Insurance amounted to approximately NIS 87 billion, of which approximately NIS 68 billion of assets in the new life insurance portfolio (profit sharing policies), as compared with approximately NIS 86 billion as of September 30, 2019, of which approximately NIS 66 billion of assets in the new life insurance portfolio. In other words, an increase of approximately 1% in total assets, and an increase of approximately 3% in assets of the new life insurance portfolio.

As of December 31, 2020, assets in the new life insurance portfolio which are managed by Clal Insurance amounted to approximately NIS 96 billion, of which approximately NIS 76 billion of assets in the new life insurance portfolio (profit-sharing policies), as compared with approximately NIS 86 billion as of December 31, 2019, of which approximately NIS 71 billion of assets in the new life insurance portfolio.

As of September 30, 2020, assets in the life insurance portfolio which are managed by Clal Insurance constituted approximately 21.7% of total assets in the life insurance market, as compared with approximately 22% as of September 30, 2019.

Development of assets in the market in the new life insurance portfolio
(profit sharing policies since 1991)
In the years 2017-2020
NIS in Billions



The decrease in assets as of September 30, 2020 relative to December 31, 2019 was mostly due to the decreased returns in most of the investment channels in the capital market. As stated above, in the last quarter of 2020 and in early 2021 there were significant increases in most of the investment channels, which led to an increase in the scope of managed assets in the market, in the new life insurance segment.

For additional details regarding the change in premiums and redemptions in insurance products, see Part B of the Report - Board of Directors' Report, section 2.1.1.1.

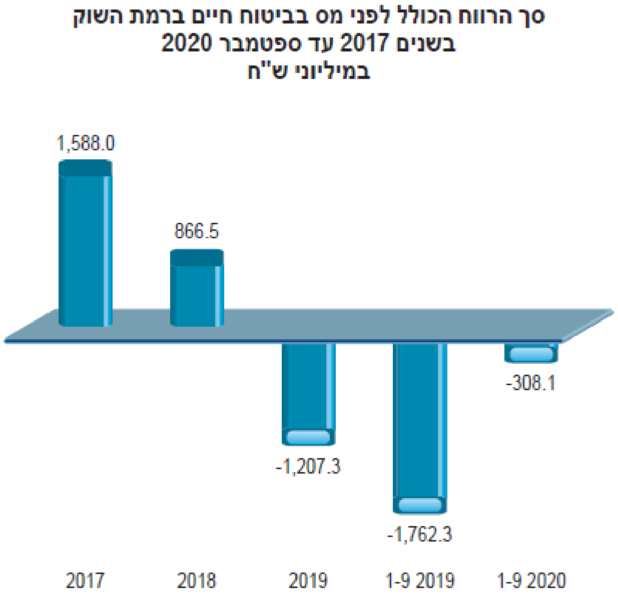
- **Profitability**[37]: In accordance with the Commissioner's publications, total comprehensive loss before tax from insurance business operations in the life insurance market in the first nine months of the reporting year amounted to approximately NIS 308.1 million, as compared with loss of approximately NIS 1,762.3 million in the corresponding period last year.

---

[37] The profit which is presented in life insurance in the years 2017-2019 and in the period January - September 2019 is before the restatement due to the retrospective adoption of the provisions of the circular issued by the Capital Market, Insurance and Savings Authority regarding the measurement of liabilities - liability adequacy test.

The profitability in life insurance is based, inter alia, on the aggregate result of the following components, component the policy: The financial margin in the guaranteed return life insurance portfolio, the management fees collected from accrual and/or from the investment profits and/or from the deposits in investment-linked policies, the difference between premiums collected to cover insurance risks and expenses, and their actual cost, redemption fines, policy lifetime, investment gains, changes in the changes in the risk-free interest rate curve, the effects of increased life expectancy in policies with guaranteed annuity factors, commissions and other expenses.

Total comprehensive income before tax in life insurance
2017 to September 2020
NIS in millions



The cumulative results of the insurance companies in the Israeli insurance market in the life insurance branch during the first nine months of 2020 were mostly affected by the decrease in investment income, due to decreased returns in most of the investment channels in the capital market. Due to the capital market returns, variable management fees were not collected in the first nine months of 2020 in investment-linked policies of the "preferred" type, and in traditional policies. The total management fees (variable and fixed) which were collected in the first nine months of 2020 amounted to approximately NIS 1,960 million, as compared with a total of approximately NIS 3,190 million in the corresponding period last year.

In the fourth quarter of 2020 there was an increase in returns in most investment channels in the capital market, in a manner which allowed the collection of variable management fees in investment-linked policies of the "preferred" type, and in traditional policies. For additional details regarding the profitability of the life insurance branch in the fourth quarter of 2020, see Note 30 to the financial statements and Part B of the Report - Board of Directors' Report, section 2.1.1.1.

The market for life insurance products in the first nine months of the reporting year was characterized by a certain increase in the redemption rate. For details regarding the redemption rate of life insurance policies in the Group during the reporting year, see Part B of the Report - Board of Directors' Report, section 2.1.1.1.

Liabilities with respect to lifetime payout annuities, regarding policies which are in effect, for which annuities have not yet been withdrawn, are calculated, inter alia, in accordance with the projected life expectancy, and according to the probability of the annuity in policies which are in effect. In recent years, there has been an trend of growth in the annuity realization rate, over the withdrawal of savings funds in a capital amount, in addition and in parallel to the existing increase in life expectancy. The Company updates the liabilities with respect to annuity recipients from time to time. For details regarding the changes due to the update to the demographic assumptions following the mortality tables circular, and the implications of the circular, and regarding improvements to the model, see section 6.2.2(b) below and Notes 38(e)(e1)(d)(2) and (3) to the financial statements.

In February 2019, the Capital Market Authority approved new tariffs for life insurance products in case of death (risk) of insurance companies in Israel, including a reduction of dozens of percent in the approved tariffs of risk products which are sold from that date onwards (hereinbefore and hereinafter: the "**Risk Tariffs Approval**"). The approval of risk tariffs included taking into account the expenses which are paid with respect to the sale of the risk products which have been approved by the Authority, and the Authority determined that the insurance companies are required to implement a mechanism for reimbursement of commissions on cancellations of risk policies, such that the cancellation of the policies in the first years after their purchase will lead to a gradual reimbursement of one-time sale commissions (first year commissions) which will be paid by the insurance companies to the agents with respect to those policies. This mechanism may lead to increased retention in the risk insurance portfolio.

The tariffs were approved for a period of two years, after which time the Authority will evaluate the implications of the new provisions on competition in the market, and the need for an additional update to the tariffs. In December 2020 the tariff approval was extended until December 31, 2022.

Due to the update to the sale tariffs of the risk products (including the update to the structure of assumptions), the competitive conditions in the market, and the differences between the companies with respect to different ages, the Company's profitability in the sale of risk and mortgage associated risk products decreased. In light of the preliminary phase of the change, the Company is unable to estimate, at this stage, the complete future implications of the aforementioned change in tariffs on the sale of risk and mortgage associated risk products.

As of the publication date of the report, as part of the approval of risk tariffs, tariffs were not approved for the Company (and, to the best of its knowledge, nor for other companies) for the sale of risk coverages in managers' insurance policies. In light of the above, the insurance companies discontinued marketing the risk coverages in managers' insurance policies. The absence of approved tariffs for the sale of risk coverages as part of managers' insurance policies resulted in a significant decrease in sales of managers insurance, and as a result, also led to a decline in sales of loss of working capacity coverage which is sold through managers insurance, and resulted in a certain increase in the sales of other pension products, mostly pension products, including the pension funds which are managed by Clal Pension and Provident Funds, albeit at a scope which did not reach the decrease in the sales volume of Clal Insurance's managers insurance products, due, inter alia, to the multiplicity of competitors in the pension market. As of the present date, the Company does not know if and when tariffs for the sale of risk coverages will be sold as part of managers' insurance, and accordingly, it is unable to estimate the aforementioned implications on the pension market as a whole.

For details regarding the uncertainty regarding the tariff approval for accidental death and accidental disability products, see section 6.2.2(f) below.

For the Company's financial information in the life insurance branch, see also Note 20 to the financial statements.

- **Customers**: During the reporting year, no material changes occurred in the mix of customers in the branch. For additional details, see section 6.4.1 below.

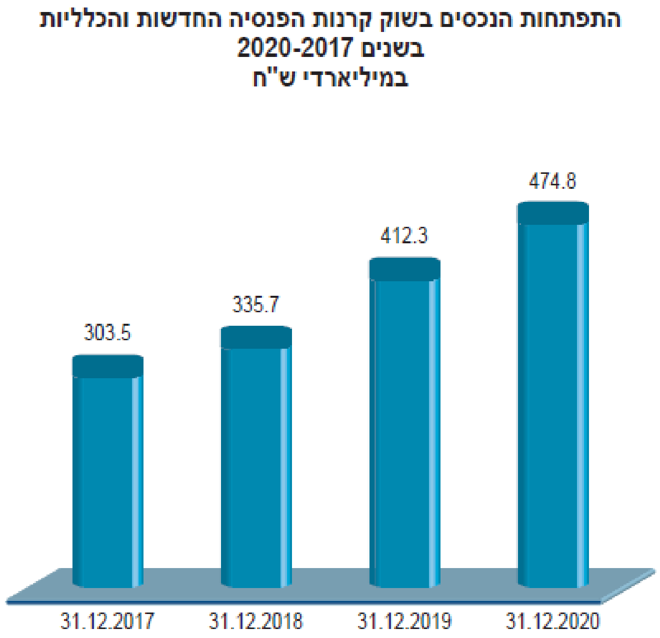
6.1.4.2. Pension funds branch

- **Trends in supply and demand**: Over the years, the state has encouraged pension savings in the annuity paying channel, inter alia, by backing part of the investments in pension fund through designated bonds; the Compulsory Pension Ordinance, in which it was determined that the default, so long as the policyholder has not chosen otherwise, is to join the pension fund; restrictions on the possibility for insurers to sell new life insurance plans with annuity factors which include a life expectancy guarantee; the creation of default funds (for details, see section 6.2.1(a) below); the crediting of designated bond returns to annuity recipients in pension funds (for details, see section 6.1.1.2 above); and the non-approval of risk product tariffs as part of managers insurance (for details, see section 6.1.4.1 above). All of the above have created a tendency among customers, in recent years, for the annuity product which is purchased in the pension fund, despite certain advantages of insurance over pension products. During the reporting year, the trend of preference for pension products over insurance and provident products continued and intensified, and pension products continued being the leading pension product marketed in the market. As a result, during the reporting year there was an increase in new members of pension products. The expected conclusion of the period of the chosen default funds which are currently operating, in 2021, creates uncertainty regarding the arrangement which will apply subsequently, and regarding its effects on the market.

- **Scope of activities**: In accordance with publications issued by the Commissioner, the scope of accrued assets in the new and general pension funds in the pension market as of December 31, 2020 amounted to approximately NIS 474.8 billion, as compared with approximately NIS 412.3 billion in the corresponding period; i.e., an increase of approximately 15.1%. The increase in the scope of accrued assets was mostly due to returns on managed assets, and due to deposits during the year. The share of the comprehensive and general pension funds in the Group out of the total market for comprehensive and general pension funds, as of December 31, 2020, amounted to approximately 15.8%, as compared with 16.1% in the corresponding period. The net accrual in the market for comprehensive and general pension funds with respect to deposits during the reporting year amounted to approximately NIS 39.6 billion, as compared with NIS 36.8 billion in the corresponding period.

•

Development of assets in the new and general pension funds market
In the years 2017-2020
NIS in billions



- **Profitability**: Profitability in pension funds is based, inter alia, on the difference between the management fees charged by managing companies, and the actual rate of expenses. The management fees and expenses are affected by the number of members, the scope of accrued assets, and the amounts of deposits, are also affected by the capital market returns.

  The intense competition in the pension market, which increased by due to regulation, is reflected in discounts on management fees to members. The creation of chosen default funds caused, and is continuing to cause, a decline in the average rate of management fees for new members, existing members and annuity recipients. The cancellation of the collective arrangements in March 2019 intensified this trend. For details regarding provisions in connection with the increased competition in the pension savings market, and the implications thereof, and regarding the competition over annuity recipients, see section 6.1.2.3 above and 6.2.1 below. For details regarding the scope of assets, accrual and average management fees, see section 6.1.2.2 above.

  For the Company's financial information in the pension fund branch, see Note 20 to the financial statements.

  The amendments to the Provident Funds Law regarding transferring while joining and the circular regarding default funds and withdrawal of funds from small accounts in provident funds (see sections 6.2.1(b), 6.2.1(a) and 6.2.2(a) below), resulted in a significant decline in the profitability of the pension branch, including Clal Pension and Provident Funds.

- **Customers**: During the reporting year, no material changes occurred in the mix of customers in the branch. For additional details, see section 6.4.3 below.

- In the old pension funds branch, no change occurred in supply and demand, in light of the fact that these funds are closed to the joining of new members.

6.1.4.3. Provident funds branch

- **Trends in supply and demand:** The demand for provident products, which are mostly savings product only, was mostly focused on the provident fund product, mainly involving the transfer of existing accruals between the different institutional entities, and the receipt of one-time deposits upon the member's retirement or death (pursuant to amendment 190[38]), with respect to study funds - in new deposits, and in transfers of existing accruals between the different institutional entities, and with respect to provident funds for investment - in new deposits only (for details regarding the amendment to the Transfer of Funds Regulations, regarding the possibility of transferring funds between provident funds for investment, see section 6.2.1(c) below); along with competition over management fees and returns.

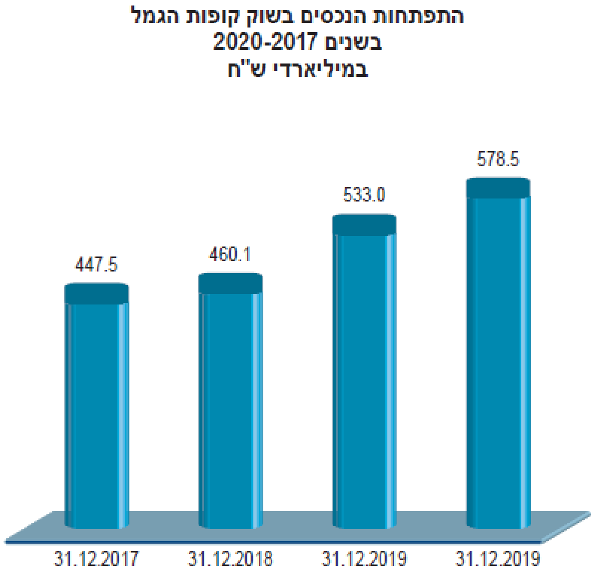
- **Scope of activities**: In accordance with the Commissioner's publications, the total assets in provident funds in the provident fund market amounted as of December 31, 2020 to approximately NIS 578.5 billion, as compared with approximately NIS 533.0 billion as of December 31, 2019, an increase of approximately 8.6%. This increase was due to returns on managed assets, and the net positive accrual of approximately NIS 24.8 billion, which resulted (after deducting the collection of management fees) in an increase of approximately NIS 55 billion in the funds of provident funds in the market.

  As of December 31, 2020, the scope of provident fund assets managed in the Group constitute approximately 6.5% of total assets in the provident fund market, as compared with approximately 7.0% as of December 31, 2019.

---

[38] An amendment to the Income Tax Ordinance and transitional provision ("**Amendment 190**"), which included an expansion, inter alia, of the tax benefits which are given upon the withdrawal of funds from an annuity savings channel, and provisions were also determined in connection with members' entitlement to severance pay funds, and beneficiaries' entitlement to funds of deceased persons.

Development of assets in the provident fund market
In the years 2017-2020
NIS in billions



- During the reporting year, the trend involving the transition of members and accrual between the provident funds continued. According to the Group’s estimate, this trend us due to the competition between the funds over returns, the competition over management fees, and the increased transparency in the branch.

  For the Company’s financial information in the provident fund branch, see section 6.1.2.2 above.

- **Profitability**: Profitability in the provident funds is based, inter alia, on the difference between the management fees charged by the managing companies, and the actual rate of expenses. The management fees are affected by the competition on the market, the scope of accrued assets and returns in the managed assets, as well as regulatory changes. During the reporting year, management fees declined, mostly in the study funds.

- **Customers**: During the reporting year, no material changes occurred in the mix of customers in the branch. For additional details, see section 6.4.4 below.

6.1.5. Material expected changes in the Company’s share in the main markets, with respect to the main products and services and the mix thereof, in consideration of, inter alia, the demand and seniority of current products

Life insurance policies, pension funds and provident funds serve as alternative products to one another, in light of the fact that they are long term savings products, which confer entitlement to tax benefits, and in which insurance coverages can be combined. Following the regulatory changes which have taken place in recent years, the uniformity between the various products has increased, as reflected, inter alia, in the structure of management fees, in the ability to sell insurance coverages to members and in the absence of guaranteed annuity factors. According to the Group's estimate, the pension product will continue being the leading product in the market, inter alia, in light of the Compulsory Pension Ordinance, the Compulsory Pension for the Self-Employed Law (for details, see section 6.1.4 below), the provisions in connection with default funds (for details, see section 6.2.1(a) below), and the existence of designated bonds (for details, see section 6.1.1.2 above), and the absence of tariff approval for risk products within the framework of directors' insurance products (for details, see section 6.1.4.1 above). The impact of various regulatory changes which are in the initial stages of adoption, and the preferences of customers and distributing entities, may result in the strengthening of all or some of the alternative products.

During the reporting year, the Group was the fourth largest group in the pension market, and had a certain relative advantage, in light of the fact that it markets the entire variety of products in the segment.

6.1.5.1. **Life insurance branch -**

In accordance with the Commissioner's publications, during the reporting year, the Group was the second largest group in the life insurance branch, in accordance with the scope of managed assets, as defined by the Commissioner. The Company is not aware of any expected material changes to its overall share in the life insurance branch, which depends, inter alia, on the conduct of competing institutional entities, on the preferences of policyholders and members, on the conduct of distributing entities, and on the effects of regulatory changes in the pension savings segment, with respect to managed assets and new sales, and the feasibility of continued future sales of risk insurance as part of managers' insurance policies.

The fact that the annuity-paying insurance policies which were sold in the past and which include annuity factors which include a life expectancy guarantee (as well as policies which are currently sold to people aged 60 or older), have a relative advantage over the pension funds for customers, with respect to the period after retirement age, due to the fact that they are not subject to regulatory provisions and do not include a mechanism for actuarial balance, and on the other hand, the allocation of designated bonds for annuity recipients or for members in ages near retirement in the pension funds may affect the share of the insurance branch in the pension savings market.

The absence of approved tariffs for the sale of insurance policies in case of death (risks) in managers insurance (for details, see section 6.1.4.1 above) led to an increased preference for the purchasing of pension products, instead of insurance products; however, Clal Insurance is unable to estimate the long term effects of the above, which depends, inter alia, on the sale discontinuation period, on the conduct of competitors, and on the preferences of customers and the distributing entities.

Another advantage which may arise for the pension product is due to the relative costs of insurance coverages in the pension fund, and in light of the existence of a regulatory mechanism which entered into effect in 2019, which restricted the scope of insurance coverage (risk and loss of working capacity) which a policyholder will be entitled to acquire, according to the ratio between the cost of the policyholder's insurance coverage, to the compensation funds which have been deposited on their behalf (see section 6.2.1(f)(1) below).

The sale of life insurance products is also expected to decrease due to the adoption of the provisions of the personal accidents circular, which includes a provision stipulating that coverage for accidental death and accidental disability will be marketed in accordance with the provisions of the personal accidents circular. For additional details regarding the personal accidents circular, see section 8.1.2.1(c) below.

6.1.5.2. **Pension funds branch -**

During the reporting year, the Group was the third largest group in the pension funds branch, in accordance with the scope of managed assets, as defined by the Commissioner. According to the Company's estimate, in the coming years, the pension products will continue being leading products in the pension savings market. The Company estimates that the share of Clal Pension and Provident Funds in the pension branch will be affected, inter alia, by the rate of management fees which will be collected, by returns, by service, and by the competition between institutional entities, the conduct of distributing entities, the preferences of policyholders and members, and the relevant regulatory directives.

As stated above, the share of Clal Pension and Provident Funds in the pension branch is affected, and is expected to continue being affected, to a significant degree, by the default funds, in light of the rate of management fees collected therein (including the management fees which are collected from recipients of old age annuities), and their direct and indirect effects on competition in the market. For details, see section 6.2.1(a) below, in light of the operational advantage of those funds regarding the addition of new members, which dictate that it is not necessary to fill out a form in order to join them; the transfer of funds from inactive accounts to active accounts in pension funds, as part of the process of transferring while joining (for details, section 6.2.1(b) below); the provisions which were published regarding the clarification with respect to the pension marketing process, pertaining to the non-payment of commissions to a license holder for a pension product regarding which a pension marketing process was not performed, as specified in section 10.8.1.1 below; and the impact of the changes in the allocation of designated bonds on age groups, between the various pension funds. For details, see section 6.1.1.2 above. The Company believes, in light of the regulatory changes in recent years, and in light of the intense competition in the segment, which is reflected, inter alia, in the competition over management fees and returns, which affect the rates of retention and new sales of the various pension products, that there is uncertainty regarding the competitive conditions and the future market share of Clal Pension and Provident Funds. This uncertainty is even greater, inter alia, due to the expected conclusion, in November 2021, of the period of the currently operating chosen funds, and the arrangement which will apply thereafter, which could also affect the market share of Clal Pension and Provident Funds, particularly with respect to the pension funds, and the rate of management fees which it will collect.

The continued absence of approved tariffs for the sale of risk coverages in managers' insurance policies, as specified above, may continue to result in a continued preference for pension products.

Additionally, the continued growth of members' requests to transfer to pension funds proximate to their date of retirement could also have a significant impact on the Company's business results. During the reporting year, there was an additional increase in members' requests to transfer near retirement age, and the Company believes that this is a trend which could increase in the coming years.

6.1.5.3. **Provident funds branch -**

During the reporting year, the Group was the sixth largest group in the provident fund branch, by scope of managed assets, as defined by the Commissioner. The Company's share in the provident fund branch is affected, inter alia, by the competition between the institutional entities and investment houses, which is affected by the returns of the provident funds, the amount of management fees, and the service which will be given to members.

The study funds differ from the other pension savings products due to the fact that they provide the possibility for medium term savings, which grants eligibility for tax benefits. The Company's share in the study fund branch is affected, inter alia, by the competition between the institutional entities, which is affected by the returns of the study funds, the variety of investment tracks, management fees, and the service which will be given to members.

During the reporting year, deposits to provident funds for investment which are managed by Clal Pension and Provident Funds, were made in an immaterial scope (similarly to the deposits at most competitors in the market).

The Company's share in the provident fund branch is expected to be affected, with respect to the study funds and the annuity-paying provident funds, also by the provisions of the default fund circular In this regard, it is noted that, beginning in March 2019, new members are being added to study funds through adding the member by signing a new member form, or by the institutional entity's winning of an employer's tender regarding the selection of a default study fund, and not through "collective addition".

The information presented on all matters associated with the future changes in the Company's share in the markets, in the various pension products, constitutes forward looking information, which is based on the Group's estimates and assumptions as of the publication date of the report. The changes, and the effective implications thereof, may differ from those which were predicted, in light of the many regulatory changes which are at the initial stages of implementation; future regulatory changes, if any, which could affect the Company's share in the different markets; competition in the market; the conduct of the competing institutional entities and distributing entities; and the preferences of customers.

6.2. Restrictions, legislation, standardization and special constraints which apply to the operating segment

The activity in this segment is subject to the provisions of the law which apply to insurers, pension funds and provident funds which are active in the segment - including the Insurance Law, the Provident Funds Law, the Pension Advice Law and the Income Tax Regulations (Rules for Approval and Management of Provident Funds), 1964 and subject to the Commissioner's directives which are published from time to time. Provident funds and pension funds are managed by managing companies; insurance funds are managed by insurance companies.

The activity in this segment requires a license from the Commissioner, in accordance with the Insurance Law and the Provident Funds Law, and is overseen by the Capital Markets, Insurance and Savings Authority in the Ministry of Finance. A managing company of provident funds which manages a pension fund is required to obtain an insurer license, which also constitutes a managing company license, for all provident funds under its management. A managing company to which an insurer license has been given, as stated above, is currently entitled to manage all types of provident funds, excluding insurance funds. A managing company may manage one comprehensive new pension fund, one new general pension fund, one old pension fund and provident funds.

A managing company is also entitled to engage in another segment which pertains to a pension product that was approved by the Commissioner, subject to the approved terms, provided that the engagement is regulated in accordance with the provisions of the Provident Funds Law, the Insurance Law or the Pension Advice Law. Additionally, any provident fund which is managed by a managing company requires approval for the management of a provident fund, which must be renewed annually.

The Insurance Law prescribes that a permit for control of an insurer will not be given to any person if, after the issuance of the permit, that person will have a holding exceeding 15% of the total long term savings assets, as defined in the Insurance Law. The Insurance Law permits a material holding in the long term savings segment if that material holding originates from changes which are due to operating activities. To the best of the Company's knowledge, in accordance with the weighing of the information which is published on the Commissioner's website, the scope of the Company's holdings in the long term savings segment as of September 30, 2020 is approximately 12.6%.

The operating segment is characterized by significant, extensive, and frequent regulation, both with respect to products which were sold in the past and are still effective today, and with respect to products which are currently sold, which is intended, inter alia, to increase transparency, competition and quality in the market.

Presented below are details regarding significant changes which have been made to the regulatory provisions in the operating segment in recent years:

6.2.1. Increased competition in the pension savings market

In recent years, various directives and regulations were published which resulted in increased sophistication of the market, and in competition and transparency, inter alia, with the aim of allowing pension savers to better adjust the products to their particular needs, and to simplify their decision making process. Presented below are details regarding the main provisions:

A. Default funds

As part of the circular "provisions regarding the selection of provident funds" (hereinafter: the "**Default Fund Circular**"), pension funds were selected which will serve as default funds, to which members will be added who have not filled out a provident fund new member form, and whose employers have not chosen a default fund in a competitive process to be conducted by them (hereinbefore and hereinafter: "**Default Funds**" or "**Chosen Funds**"). Further to the above, in October 2018, four competing pension funds were selected to serve as chosen default funds, for a period of three years, from November 2018 to October 2021. The management fees which are collected by the default funds are 1.49% of the deposits and 0.1% of the accrual in two funds; 2.49% of the deposits and 0.05% of the accrual in one fund; and 1.68% of the deposits and 0.0905% of the accrual in the fourth fund.

Additionally, the management fees which will be collected by the managing company of the fund that was chosen as a default fund, from annuity recipients who retire during the winning period (even if they joined through methods other than the default), will not exceed a rate of 0.3% per year (as compared with a maximum rate of 0.5%, in accordance with the law).

The creation of the default funds, and the competitive advantages which are available to them, have a significant sector-wide impact on the pension fund market. The provisions of the default fund circular, including the provisions in connection with the determination of management fees as a primary criterion, resulted in a decrease of the average management fees which are collected in annuity-paying provident funds and in study funds, in cancellation of new members of the pension fund of Clal Pension and Provident Funds through collective addition, in increased transfers from the pension fund of Clal Pension and Provident Funds (including due to the entry of default funds for employers, against which Clal Pension and Provident Funds competes), in changes to the business model of the managing companies, and accordingly, also in changes to the market shares of the current competitors, including Clal Pension and Provident Funds.

The undertaking to provide a discount on management fees to annuity recipients increased the competition between institutional entities, with respect to members who are near retirement age. For details regarding the Draft Management Fees Regulations - Annuity Recipients, see section 6.1.2.3 above.

The aforementioned effect was intensified due to the combined impact of the aforementioned provisions, together with the provisions regarding the automatic expiration of some of the collective arrangements, and together with the **clarification regarding the “pension marketing process”**, which determines that an insurance agent, when performing a transaction (including addition) involving a pension product, must perform a pension marketing process as a condition for receiving a distribution commission with respect to the aforementioned product, and is not entitled to a distribution commission in case of adding members who have not filled out a provident fund new member form (addition by way of an “collective arrangement”) (see section 10.8.1.1 below), and the provisions regarding transferring while joining (see section **6.2.1(b)** below).

However, due to the increased scope of pension marketing performed by the Company and/or by agents, and due to the absence of approved tariffs for the sale of risk coverages as part of managers’ insurance (for details, see section 6.1.4.1 above), there was an increase in new member deposits to pension products, including the pension funds which are managed by Clal Pension and Provident Funds, relative to last year, although at a scope which does not represent a decline in the sales volume of managers insurance in the Group.

The Company is unable to estimate the additional future effects, inter alia, in light of the uncertainty regarding the arrangement after the end of the period of the chosen funds which are currently operating, in November 2021.

B. Transferring while joining pension funds

Amendment 13 to the Provident Funds Law included, inter alia, a provision stipulating that, when a new member joins a new pension fund, and so long as the member has not requested otherwise, the savings funds which are available to him in inactive accounts in other new pension funds, will be transferred to the new pension fund which he intends to join, while maintaining continuity of insurance, and with the aim of creating savings in management fees and improving the member’s control of the management of their savings funds (hereinafter: “**Transferring While Joining**”).

The directives regarding transferring while joining continue and will continue to affect, on all matters pertaining to the accruals of members who join pension funds, and where, as a result of there joining, the savings funds which are available to them will be transferred from inactive accounts to other new pension funds.

The combination of the provisions regarding transferring while joining pension funds, with respect to members who joined in the past, and who will join pension funds in the future, together with the creation of the default funds, has resulted, and is expected to continue to result, in a significant increase in the scope of assets of the default funds, at the expense of the other entities which are engaged in the market, and are expected to continue to adversely affect market shares, accruals and the rate of management fees which are collected in the pension funds that are managed by Clal Pension and Provident Funds (inter alia, because the rate of management fees in inactive accounts which are transferred to other pension funds is significantly higher than the rate of management fees which is collected from inactive monies which are transferred to the pension fund which is managed by Clal Pension and Provident Funds).

The information presented on all matters associated with the possible implications of the provisions regarding transferring while joining constitutes forward looking information, which is based on assumptions and estimates made by the Group as of the publication date of the report. Actual implementation may differ significantly from the forecast, and is significantly dependent on the following factors: the steps which will be taken by the member companies in the Group, including as regards dealing with the increasing competition in the market, and changes in the market shares; the conduct of the competing institutional entities; the preferences of members and policyholders and their conduct with respect to their products; Their impact combined with other regulatory changes in the segment, and first and foremost the establishment of default funds, beginning in November 2021.

C. Reduction of restrictions on transfer of funds between provident funds

In August 2020, the Knesset Finance Committee approved the **Control of Finance Services Regulations (Provident Funds) (Transfer of Funds Between Provident Funds) (Amendment), 2016** (hereinafter: the "**Amendment to the Transfer of Funds Regulations**"), which provide the possibility for members of retirement age to transfer funds from a provident fund for investment to an annuity paying provident fund, in order to allow members to enjoy the tax benefits included in that product, and the possibility to transfer funds from one provident fund for investment, to another provident fund for investment.

The Company believes that the Transfer of Funds Regulations will result in the removal of existing barriers to transition in the market for transfer of funds, and in increased competition, also over the provident funds for investment product, with respect to the accrued funds, and to reduced management fees.

The information presented on all matters associated with the possible implications of the amendment to the Transfer of Funds Regulations reform constitutes forward looking information, which is based on assumptions and estimates made by the Group as of the publication date of the report. Actual implementation may differ significantly from the forecast, which depends on the competitive conditions; the conduct of the competing institutional entities; the preferences of members and policyholders and their conduct with respect to their products; the implications of other legal provisions in the segment; and their combined impact, together with the aforementioned provisions.

D. Lifting of operational barriers

Over the years, the Authority adopted a series of measures which were intended to lift operational barriers and facilitate the receipt of information, the creation of transparency and the lifting of barriers to transition between different products.

(1) Transfer of information in the pension savings segment and the pension clearing house

The pension clearing house (hereinafter: the "**Pension Clearing House**") is used to transfer information between the various entities in the pension savings market (institutional entities, license holders, employers, policyholders and members), and to perform a series of actions (some of which must be performed through the pension clearing house only). Since the establishment of the pension clearing house, provisions were added and updated with respect to the information and requests which must be transferred through the pension clearing house.

For the purpose of implementing the provisions pertaining to the transfer of information through the pension clearing house, a circular gradually entered into effect which determines the structure of a standard record, which is intended for use by the institutional entities, license holders and other consumers of information in the pension savings segment, as part of the various business activities which are performed between them (hereinafter: the “**Standard Structure Circular**”). The provisions of the standard structure circular are updated from time to time, and their implementation involves operational and automational preparation over time.

The standard structure circular includes the events interface through which requests are transferred[39], the holdings and pre-consulting interface[40], the severance pay balances interface, the mobility interface[41], the employer’s information interface[42], and feedback.[43]

(2) Employers interface and circular regarding the payment deposit method

In November 2017, a **circular was published regarding the method for depositing of payments to provident funds** (hereinafter: the “**Circular Regarding The Payment Deposit Method**”). The circular, and the method for execution of employers’ payments to pension products on behalf of their employees, as well as provisions regarding the method of reporting by the employer, and the obligation for the institutional entity to provide feedback, all through a structured interface (the “**Employers Interface**”). The adoption of the provisions regarding the employers interface was applied gradually to employers, and as of the publication date of the report, it applies to employers of 10 or more employees. The entry into effect of the provisions regarding the employers interface, with respect to employers of up to 10 employees, was gradually to 2022.

The institutional entities in the Group have prepared, and are continuing to prepare, in operational terms, to implement the arrangements which were determined for the purpose of operating the clearing house, including in connection with the circular regarding the payment deposit method.

---

[39] The events interface is an interface which expresses all of the requests that are received by the Company from the clearing house, whether these are requests for information, or requests to perform actions.

[40] The holdings interface is an interface which includes data regarding the pension products of policyholders and members, which an institutional entity is required to submit to a license holder further to their request to transfer information regarding the customer.

[41] The severance pay balances interface is an interface for the provision of information regarding severance pay balances, to employers with respect to their employees, or to policyholders with respect to their periods of employment at employers.

[42] The mobility interface regulates the process of transfer funds between institutional entities, and determines that the transfer of funds which takes place between the institutional entities will be performed through the pension clearing house only.

[43] The information interface for employers establish information which the employer is entitled to receive from the institutional entity through the interface, and deadlines for the institutional entity to provide responses to employers.

The clearing house assists and increases the efficiency of fund clearing, lifts operational barriers and facilitates the transfer of funds between competing institutional entities, and the identification of those funds, and facilitates the joining of members and collection processes, and therefore assists in increasing competition and in increasing the efficiency of operational processes.

According to the Company's assessment, the provisions of the circular regarding the **payment deposit method**, the use of the employers interface and the regulation of the process for handling funds, are having positive effects, inter alia, by improving the information which is available to institutional entities regarding the deposits of funds to them, and accordingly, by improving the funds intake process, and reducing the dependence on marketing entities. The process of implementing the ongoing treatment of this issue in the systems of the Group's institutional entities resulted 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, including by improving the automation system and the workflows. 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 the policy), is expected to add operational difficulty to the association of the deposits to the various pension products of policyholders and members. For additional details in connection with the implications of the adoption of the employers interface and the provisions of the circular regarding the payment deposit method, see Note 41(a)(a4)(2) to the financial statements.

Improvement to the infrastructure for data and money transfers in the pension savings market

In October 2020, the Commissioner published a consultation paper involving improvements to the infrastructure for data and money transfers in the pension savings market (the "**Consultation Paper**"). In parallel, drafts were also published in amendment of three circulars: the standard structure circular, the circular regarding the payment deposit method, and the circular regarding the obligation to use the central pension clearing system (in this section below: the "**Infrastructure Circulars**"), which include provisions regarding the infrastructure for data and money transfers between entities in the pension market, and provisions pertaining to a significant shortening of the time periods for providing information and performing activities in the market, including the provision of information regarding the saver's asset portfolio, a new infrastructure for automatically adding employees to the pension product, the sending of instructions by license holders to the institutional entity regarding the manner of splitting an employee's provident funds, the method for splitting funds between policies in an insurance fund, and more. The drafts also include a proposal regarding the obligation to transfer money between provident funds through the pension clearing house, and a proposal according to which the institutional entities will be required to optimize records which were reported to employers as part of feedback in the employers interface, such that they will correspond to the actual method by which the institutional entity handles those records.

The consultation paper also includes several issues which are being evaluated by the Authority, including improvement of the quality of the data which is transferred through the pension clearing house, improvement of the process of joining the pension savings products, the method for implementing new technologies in processes of data transfer and funds clearing in the pension savings market, and increasing the accessibility of information details regarding monetary deposits in the banking system.

The process of implementing and adopting the provisions which are included in the draft infrastructure circulars, insofar as they are published as binding circulars, will include changes and additions to the interfaces with many entities, and is expected to involve in the short term operational complexity, and require extensive investments in automation, the scope of which the Company is unable to estimate at this time. However, in the long term, the proposed changes to the infrastructure for transferring data and money in the pension savings market may result in more efficient workflows and shortening of service times.

<u>Creation of IT and operational infrastructure through IT bureaus</u>

In November 2020, the Authority published a "request for information (RFI) - background checks of service and software providers for the operation of pension products (hereinafter: the "**RFI Regarding Service Providers**"), which involves the creation of an infrastructure for IT and the provision of operating services for pension products and other products in institutional entities to manage savers' rights, through an "IT bureau" which will manage the institutional entities' core activity in the insurance and savings segment, throughout the entire product lifecycle and savings period.

The creation of the joint IT bureaus, as stated above, may result in the entry of additional competitors into the pension savings segment in general, and into the pension branch in particular, and to increased competition in this area. Additionally, and due to the above, the creation of IT bureaus may lead to savings on the operating costs of institutional entities, including the Group's institutional entities.

<u>The Wage Protection Law</u>

It is noted that, in accordance with the Wage Protection Law, 1958, an amount which is owed by an employer to a provident fund, as defined in that law, with respect to the rights of the employee, or his replacement, towards the provident fund, is viewed as if it had been paid on time, unless the Regional Labor Court has decided that the arrears in the collection of the debt occurred for a reason which was not due to its negligence, or occurred under other justified circumstances, and subject to the right of indemnification which exists for the fund towards the employer, in accordance with the provisions of the law. Additionally, in accordance with the circular regarding the payment deposit method, the provident fund will receive, from an employer who has not transferred payments to the provident fund on time, interest in arrears. There are difficulties in the interpretation and implementation of the provisions of the law. The responsibility of the Group's institutional entities to collect employers' debts to such funds creates exposure in case of deficiencies in the collection process.

The information presented on all matters associated with the possible implications of the legal provisions specified above constitutes forward looking information, which is based on the Group's estimates and assumptions as of the publication date of the report, and in light of the fact that the aforementioned arrangements involve various entities. Actual implementation may differ significantly from the forecast. The implications of the aforementioned provisions of the law are largely dependent upon the institutional entities' continued preparation for the provisions of the law, and on the collaboration and conduct of employers and operating entities on their behalf; the conduct and preferences of license holders; the conduct of members and policyholders with respect to their products; the complexity of operational and business preparation regarding the provisions concerning the acceptance of reports from employers who have up to 10 employees; and regarding the proposed amendments to the infrastructure circulars, and the consequences of the request for information

regarding service providers with respect to the final wording of the amendments, insofar as they will enter into effect.

E. Commission arrangements with respect to insurance products and pension savings products

For details regarding **the Commissioner's position and the amendment to the Control of Financial Services Law (Provident Funds)(Amendment No. 20)**, regarding to the separation of commissions from management fees, the **clarification with respect to the pension marketing process**, regarding the non-payment of commissions to license holders with respect to pension products for which a pension marketing process was not performed, and regarding the proposed along with involving giving a banking corporation the possibility to provide pension advice over the phone or via digital means, see section 10.8.1.1 below.

F. Changes to products - unification of products, transparency and tariff intervention

Over the years, the Authority has implemented a series of actions with the aim of encouraging and focusing on management fees, returns and service.

(1) Guidelines for loss of working capacity

The circular "**guidelines with respect to loss of working capacity insurance plans**" (hereinafter: the "**Guidelines Circular**"), determines a standard and modular structure for loss of working capacity insurance plans, to which the policyholder is entitled to attach riders which allow expansion of the basic coverage.

Further to the guidelines circular, in December 2017, **the Commissioner's letter to the managers of institutional entities** was published, in which it was clarified that it is prohibited to sell loss of working capacity policies with respect to the part of the salary which overlaps with the salary layer for which the member has coverage in the pension fund, except for supplementary coverage to cover the disability of a member of the pension fund (hereinafter: the "**Pension Fund Umbrella**"). In December 2019, Clal Insurance began marketing a supplementary pension fund umbrella product, in accordance with the aforementioned provisions.

Additionally, in November 2019, a provision in the circular regarding the marketing of loss of working capacity insurance plans (hereinafter: the "**Circular Regarding The Marketing Of Loss Of Working Capacity Insurance Plans**") entered into effect, which establishes a mechanism for determining the maximum scope of insurance coverage (risk and loss of working capacity) which can be sold to a policyholder, with respect to the compensation amounts which are deposited on their behalf. The established mechanism restricts, in certain circumstances, the sale of insurance coverage in managers' insurance policies and compensation for the self-employed, and may result in a decrease in the sales of such policies, and in a reduction of the insurance coverage which is sold thereunder. For details regarding the restrictions on the sale of managers' insurance policies due to the absence of approved tariffs for the sale of risk coverages in those policies, see section 6.1.4.1 above.

The information presented on all matters associated with the possible implications of the circular regarding the marketing of loss of working capacity insurance plans constitutes forward looking information, which is based on the Company's estimates and assumptions, and the actual results may differ significantly from the forecast, in light of the conduct of competing institutional entities; and the preferences of members and policyholders and their conduct with respect to their products.

(2) New tariffs for life insurance products in case of death (risk)

For details regarding tariffs for life insurance products in case of death (risks), which were approved by the Authority in February 2019, and the absence of approved tariffs for the sale of risk coverages as part of managers' insurance, and the implications of the said tariffs, see section 6.1.4.1 above.

The information presented on all matters associated with the possible implications of the aforementioned circulars constitutes forward looking information, which is based on the Company's estimates and assumptions, and the actual results may differ significantly from the forecast, in light of, inter alia, the steps taken by the Group's member companies; the conduct of the competing institutional entities, following the legislative amendments; and the preferences of members and policyholders and their conduct with respect to their products.

Implications of provisions pertaining to increased competition in the pension savings segment

Beyond the implications specified above, the entry into effect of the arrangements as part of the regulatory changes pertaining to the increased competition in the pension savings segment (sections A to G above) have aggregate implications, and affect, and may continue to affect, the Group's activities on a cumulative basis, as specified below:

- **Changes in profitability** - During the reporting year, the various regulatory changes involving increased competition had an impact on the scope of managed assets and on the Company's income from management fees with respect to all of the Group's group long term savings products. For additional details, see Part B of the Report - Board of Directors' Report, section 2.1.1.

  The future income from management fees and premiums in long term savings products depend, inter alia, on the conduct of policyholders and members, on the conduct of the capital market, and on the possible effects of changes in regulatory provisions, including the Commissioner's policy regarding the approval of tariffs and the reduction thereof relative to the different products, as reflected with respect to the loss of working capacity and risk of death product. Thus, for example, the implementation of the changes specified below have resulted and/or may result, directly or indirectly, in a reduction of the Company's income from management fees and from premiums, and in reduced profitability: creation of default funds, in accordance with the provisions of the default fund circular; transferring while joining pension funds; the clarification regarding the pension marketing process when marketing a pension product; and the reduction of risk tariffs, which may result in the replacement of current risk insurance products with cheaper insurance products. The Draft Management Fees Regulations - annuity recipients, insofar as they enter into effect, may also lead to a continuation of the trend of lower profitability. (For details, see section 6.1.2.3 above.) For details regarding the average rate of management fees from premiums and from accrual which were collected during the reporting year, and the scope of managed assets, see section 6.1.2.2 above and Note 20 to the financial statements.

- **Competition** - The creation of the default funds, the entry and strengthened position of new market players, the increased transparency, the removal of operational barriers which delay money transfer processes between institutional entities, such as the creation of the pension clearing house and the increased use thereof, as well as the continued trend of preferring pension products, the discontinuation of sales of risk insurance products as part of managers insurance, have resulted in increased competition in the segment, while focusing the competition on management fees, returns, service and operation, and accordingly, may affect the scope of mobility between the various pension products, the scope of new sales, the retention and profitability of the current portfolio. Draft infrastructure circulars including provisions regarding the infrastructure for transferring information and funds between entities in the pension market, the request for information regarding service providers based on the creation of an infrastructure for IT and for the provision of operating services for pension products and other products, and the amendment to the Transfer of Funds Regulations, regarding the possibility of transferring funds between provident funds for investment, could also lead to increased competition between the institutional entities.

The information presented on all matters associated with the possible implications of the provisions of the law regarding increasing competition in the pension savings segment, including in connection with the Company's profitability, constitutes forward looking information which is based on the Group's estimates and assumptions, as of the publication date of the report. The uncertainty is due, inter alia, to the fact that not all of the arrangements were accepted, and some of the arrangements are in the beginning stages, actual implementation may differ significantly from the forecast. The implications of the aforementioned provisions of the law are significantly dependent upon the following factors: the steps which will be taken by the member companies in the Group, including as regards dealing with the various provisions aimed at increasing competition in the market, and which may result in changes in the market shares and income of the Group's institutional entities; affect the relationships with the distributing entities, agents, and banks which have not yet begun advising regarding insurance products; and affect the relationships with the reinsurers. The aforementioned possible implications also depend on the conduct of the competing institutional entities, following the legislative amendments; the preferences of members and policyholders and their conduct with respect to their products; the conduct of employers and operating entities on their behalf; The final wording of the provisions of the law, which have not yet published as a binding version, the implications of other legal provisions in the segment, and their combined impact, together with the provisions pertaining to increased competition; and the complexity of the operational preparations with respect to the various provisions.

6.2.2. Other

(A) Withdrawal of funds from small accounts in provident funds

Further to the directives regarding proactive withdrawal from member accounts in provident funds, with an accrued balance of less than NIS 1,350, in June 2020, an amendment was published to the circular regarding "withdrawal of funds from small accounts in provident funds", in which the threshold was increased at which managing companies will be obligated to perform an initiated withdrawal, and to send to members who own small accounts a check by mail with respect to the accrued balance in their accounts, such that it will gradually increase, and will amount to NIS 8,000 (excluding accounts of members with whom contact has been lost). Provisions were also determined regarding the provision of notice to members on the subject.

The aforementioned amendment is expected to result in a decrease of the Company's income from management fees, and a certain decrease in long term operating expenses.

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

For details regarding the summary of additional final provisions of the law, which were published during the reporting year and thereafter, and a summary of the draft provisions of the law which were published, which apply to the operating segment, beyond the provisions of the law which were specified in this chapter above, see also section 10.2 below.

(B) Update to the series of demographic assumptions in life insurance and mortality improvement model

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

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

For details regarding the consequences of the mortality tables circular, see Note 38(e)(e1)(d)(2) to the financial statements.

For details regarding the Company's sensitivity to changes in mortality rates, see Note 38(e)(e1)(c) to the financial statements.

(C) Retirement Age Law Memorandum

In November 2020, the Proposed Retirement Age Law (Amendment - Increasing Retirement Age for Women and Determining Supportive Measures for Women of Working Age), 2020, in which it is proposed to increase the retirement age at which women may retire, from 62 to 64. In accordance with the proposal, the increase of the retirement age would be spread over a period of 10 years, until 2039. The proposed amendment includes increasing the retirement age for women broadly, across the entire economy (and not within the specific context of insurance and pension laws); however, it may have an indirect effect, inter alia, with respect to the period for deposits and receipt of annuities in managers' insurance policies and in pension funds, and, subject to the terms of insurance coverage, throughout the insurance coverage period in case of death or loss of working capacity.

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

(D) **Circular regarding the settlement of loss of working capacity claims**

In December 2020, a circular was published regarding the "settlement of loss of working capacity claims" (hereinafter: the "**Circular Regarding the Settlement of Loss of Working Capacity Claims**"), which includes provisions regarding the settlement of loss of working capacity insurance claims, which are intended to guarantee a claim settlement process which is fair, efficient, transparent and professional, inter alia, through an objective investigation of the loss of working capacity claims by an independent external entity, similarly to the model which currently exists for disability claims in pension funds, while reducing, as much as possible, the burden on the policyholder.

The circular included, inter alia, provisions with respect to the order of activity and timetable which will apply to the insurer in the claim settlement process, including investigating the claim within 20 business days after the date of receipt of the documents which were submitted by the policyholder to the insurer; and restrictions in cases where investigations can be made, and regarding the methods used to make them. Inter alia, it was determined that an investigation will include only documentation of the policyholder's actions as they occurred, and that, within the framework of a decision to reject a claim, which also relies on findings of an investigation, the insurer should be required to attach to its decision the date and location of the investigation, as well as a picture from the investigation, which allows verification of the policyholder's identity.

The circular requires that insurance companies create a list of medical consulting service providers, including specialized physicians with appropriate geographical distribution who are not employees of the insurance company ("**Medical Consulting Service Provider**"). A doctor will be selected from the list in a random and cyclical manner, and any provider of medical consulting services who chooses to do so may be added to the list, in accordance with the rules specified in the circular.

The circular includes an option to refer policyholders, as part of the investigation of their claims, for medical examination by a company physician or by a provider of medical consulting services, in the Company's discretion. Appeals against the medical opinion will be heard a medical committee (which will include physicians from the list of medical consulting service providers, and insofar as the policyholder has so requested - also including a physician on their behalf). Appeals against the decisions of the medical committee will be heard by a medical appeals committee, which will be coordinated by a private company or hospital.

The application date of most of the circular's provisions is September 1, 2021, and they will apply to loss of working capacity claims which are first received by an insurance company after the date of the circular's entry into effect.

The described processes, provisions and restrictions set forth in the circular with respect to the settlement of loss of working capacity claims are expected to have an impact on the entire claim settlement process with respect to loss of working capacity claims, both from the operational perspective, and on all matters associated with claim settlement and the tools which will be available to the insurer to ascertain its liability, and as a result, are expected to increase claim settlement costs. At this preliminary stage, the Company is unable to estimate the entire impact of the aforementioned provisions, which could be significant.

The information presented on all matters associated with the possible implications of the circular regarding the settlement of loss of working capacity claims, as described above, constitutes forward looking information, which is based on assumptions and estimates made by the Group, and actual results may differ significantly from the forecast, and depend, inter alia, on the manner of actual implementation of the circular's provisions, and the implications of the loss of working capacity claim settlement process, including with respect to claims which will be settled after the application date, based on policies which were marketed and priced before the circular entered into effect.

(E) **Change in the mortgage market**

In December 2020, the Bank of Israel updated an directive which it had issued regarding the provision of housing loans, in a manner which canceled the restriction which applied to the part of the loan in the track linked to changes in the prime interest rate, in order to facilitate matters for borrowers, and to save on the monthly payments. As a result, those taking out housing loans (mortgages) will be able to increase the part of the loan which will be linked to changes in the prime interest rate, relative to the situation prior to the update.

The change in the loan linkage option may result in an increase in total outstanding loans, and may therefore lead to increased cancellation of mortgage life insurance, including insurance policies of this kind which were sold by Clal Insurance, with the aim of replacing them with new insurance policies, due to the competition in the segment.

The Company's estimate in connection with consequences of the change in the mortgage market constitutes forward looking information, which is based on the information which is available to the Company as of the reporting date. Actual results may differ from the estimated results, and depend, inter alia, on the development of competitive conditions in the market, including in connection with the terms of loans which may be given, and on the actions of competing entities, distributing entities, and the choices of policyholders.

(F) **Personal accidents circular**

The provisions of the personal accidents circular, which was published in June 2020, include a provision stipulating that coverage for accidental death and accidental disability will be marketed in accordance with the provisions of that circular. The provisions of the personal accidents circular impose burdens on the process of selling accidental death and accidental disability policies, both with respect to obligations will apply to the entity performing the activity of addition to insurance, and in light of the complexity of the sale process itself. Clal Insurance submitted to the Authority, for approval, accidental death and accidental disability policies which were adjusted according to the provisions of the personal accidents circular, including updates to these coverage tariffs. There is uncertainty regarding the tariffs which will be approved for the Company for the sale of accidental death and accidental disability coverages, insofar as they are approved, and it may affect the continued marketing of accidental death and accidental disability products, and their profitability.

For additional details regarding the consequences of the personal accidents circular, including a provision stipulating that coverage for accidental death and accidental disability will be marketed in accordance with the provisions of the personal accidents circular, see section 8.1.2.1(c) below.

(G) Regulatory changes due to the coronavirus crisis

A series of measures were announced due to the coronavirus pandemic, including:

Amendment to the circular regarding management fees - transitional provision

- **Transitional provision - amendment to the management fees circular** regarding the extension of the period for provision of discounts to policyholders and members who do not make deposits, and the Commissioner's letter regarding management fees. For details on this subject, see section 6.1.2.3 above.

- **Extension of the temporary risk period** - In June 2020, the **Control of Financial Services Regulations (Provident Funds)(Insurance Coverages in Provident Funds)(Transitional Provision), 2020** were published in the Official Gazette, which mostly include an extension of the temporary risk period (the automatic insurance coverage which is given to holders of managers' insurance policies and to members in pension funds when discontinuing deposits) to 12 months, instead of 5 months, and applying it also to policies which do not include that mechanism, except regarding classic policies - with reference to temporary risk events which occur beginning in 2020. In February 2021, regulations were published which extended the validity of the aforementioned provisions until the end of June 2021.

- **Extension of the period for non-performance of deposits by members**, for which an institutional entity is entitled to increase the management fee rate, from 6 months to 12 months.

- **Providing the option to withdraw monies from study funds** - including with respect to illiquid funds, and subject to a limit of up to NIS 7,500, without payment of tax.

- **Providing the possibility for the self-employed to withdraw monies From pension funds** - With respect to self-employed individuals who are unemployed or who closed their businesses, subject to a limit of up to NIS 7,500 per month, without payment of tax.

Further to the above, in February 2021 the Authority published a transitional provision entitled "**provisions regarding the rights and obligations of members in regulations of new pension funds**", which stipulated that the terms set forth in the pension fund regulations will be read according to the option for self-employed members to withdraw the savings component, in order to avoid adverse changes to the insurance coverages of those members, due to the aforementioned withdrawal of funds.

For details regarding the effects of the coronavirus pandemic on the Company's business results, see section 6.1.4.1 above and Note 1(d) to the financial statements.

6.3. **Competition**

6.3.1. The competitive conditions in the operating segment and names of the significant competitors in the segment

This segment is characterized by intense competition between all of the institutional entities.

Life insurance, pension and provident products are partially alternative products with specific emphases in each of them. In light of a series of reforms in the segment, which reduced the variability between the products, and gave preference to annuity products, the cancellation of the guaranteed factors in the insurance funds, the relatively low cost of the insurance coverages in the pension fund, the management fees which are collected, the guaranteed returns on some of the assets in the pension funds, and the creation of default funds, pension funds are the main product which is being marketed to the general public. For details regarding trends in supply and demand during the reporting year, see section 6.1.4 above.

Insurance products which do not receive tax benefits, such as individual policies or pension savings funds which became liquid, as well as provident funds for investment (the investment in which has a tax advantage, insofar as the funds are withdrawn upon the saver's retirement, see section 6.1.1 above), are products which also compete amongst themselves and against other investment products which are also marketed by financial entities that are not entities overseen by the Commissioner, mostly including banks, portfolio managers and mutual funds.

The competition in the segment is focused on returns, on existence or absence of annuity or guaranteed return factors, the amount of the management fees (and the given discounts), the insurance coverages, the service level, and supplementary insurance solutions.

In accordance with the Commissioner's publications, as of December 31, 2020, the Group is the fourth largest in the life insurance branch, the third largest in the pension fund branch, and the sixth largest in the provident fund branch, and in total, the Group is the fourth largest in the pension market, in accordance with the scope of managed assets, as defined by the Commissioner. It is noted that preference was given, in the default fund selection process, for introducing and strengthening small players in the pension market.

The competition in risk and loss of working capacity products takes place between the various insurance companies, and is focused on the given tariffs and discounts, due, inter alia, to the significant similarity between the terms of the products (on this matter see, inter alia, the provisions of the guidelines circular, in section 6.2.1(f)(1) above, and the provisions regarding the determination of tariffs in risk insurance, as specified in section 6.1.4.1 above). Additionally, pension funds which include survivors insurance (in case of the member's death) and disability insurance also constitute competition to the risk and loss of working capacity products, as a supplementary product to managers insurance.

The competition between the products in the segment intensified due to the combined impact of regulatory changes which were made in recent years, including the creation of default pension funds (and the cancellation of the collective arrangements) (for details, see section 6.2.1(a) above), the trend of unification between the different products, the creation of the pension clearing house (see section 6.2.1(d)(1) above), the addition to insurance circular[44], the publication of comparative benchmarks[45] and the removal of barriers to mobility. For details regarding additional directives which have affected and continue to affect the competition and profitability in the segment, see section 6.2 above.

The competitive conditions described above affect the mobility of the pension products which are managed by the Group's institutional entities. For details regarding the transfer of funds from and to the Group's institutional entities in long term savings branches during the years 2018 to 2020, see section 6.4.5 below.

The competition over the aforementioned products was reflected, inter alia, in the retention ability, in returns, in the amount of collected management fees and in commissions paid to agents. For additional details, see Part B of the Report - Board of Directors' Report, section 2.1.1.

Additionally, during the reporting year there was a trend of acquisition of insurance agencies by institutional entities, which may result in strengthening of their sales branches. For details regarding the acquisition of Davidoff Agency by Clal Agency Holdings, a subsidiary of the Company, see section 10.8 below.

1) Life insurance branch

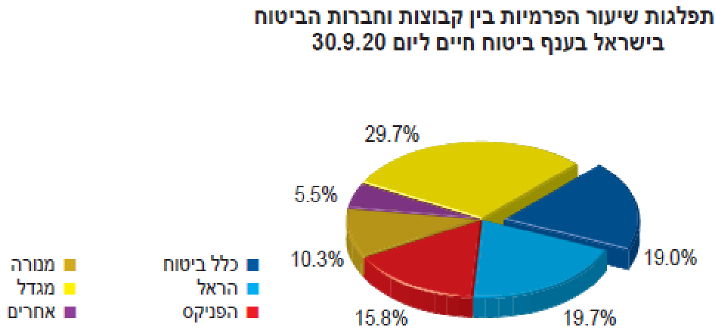
Approximately 95.0% of the life insurance market, in terms of gross premiums earned, is controlled by the five large insurance companies (Clal Insurance, Migdal, Harel, Menorah and Phoenix). Clal Insurance primarily competes against these insurers, against pension funds and against provident funds which provide alternative products. Clal Insurance also competes in the individual insurance segment against the other insurance companies.

---

[44] The circular regarding addition to insurance, which regulates the conduct of insurance companies and insurance agents when adding an insurance applicant to an insurance plan, included the determination, inter alia, of provisions regarding the process of tailoring the insurance to the customer's specific needs, by querying on the Insurance Mountain website in order to receive information regarding the policyholder's additional insurance policies through other companies; and provisions prohibiting the addition of an insurance applicant to individual insurance which provides compensation, when the policyholder has another policy which provides compensation for an insurance event, except in exceptional cases and/or with the policyholder's consent.

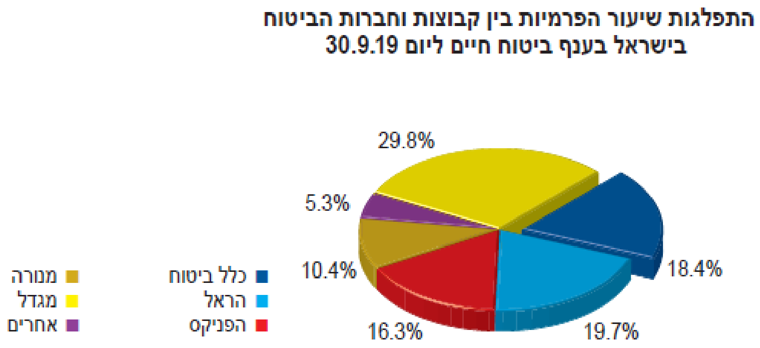
[45] The Authority publishes, on the Ministry of Finance website, comparative figures with respect to returns and the risk indicators of provident funds, pension funds and insurance funds, information regarding the composition of investment assets and expenses which are deducted from members' assets with respect to the performance of investments, and statistical information regarding the claim settlement method and the time required to handle requests for withdrawal, transfer, transition between tracks and receipt of annuities, as well as comparative figures in connection with the service level indicator.

Distribution of premium rates between insurance groups and companies in Israel in the life insurance branch as of September 30, 2020



Dark blue – Clal Insurance
Turquoise – Harel
Red – Phoenix
Beige – Menorah
Yellow – Migdal
Purple – Others

Distribution of premium rates between insurance groups and companies in Israel in the life insurance branch as of September 30, 2019



Dark blue – Clal Insurance
Turquoise – Harel
Red – Phoenix
Beige – Menorah
Yellow – Migdal
Purple – Others

* The scope of premiums in the life insurance branch reflects the premiums which are paid with respect to all policies which are in effect and which were sold over the years, and changes therein do not necessarily indicate a change in supply and demand during the reporting year.

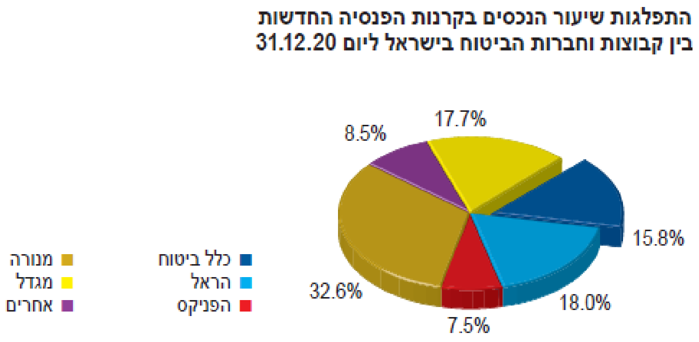
2) Pension funds branch

According to the Group's estimate, Clal Pension and Provident Funds primarily competes against the chosen default funds and the large funds, Mivtachim (Menorah) and Makefet (Migdal), and Harel Pension and Phoenix Pension.

During the reporting year, two transactions were signed for the acquisition of managing companies of chosen pension funds and the merger thereof with managing companies operating in the market. The closing of these transactions will result in a reduction of the number of competitors in the market; however, the Company is unable to estimate the impact that these processes could have on competition in the market.

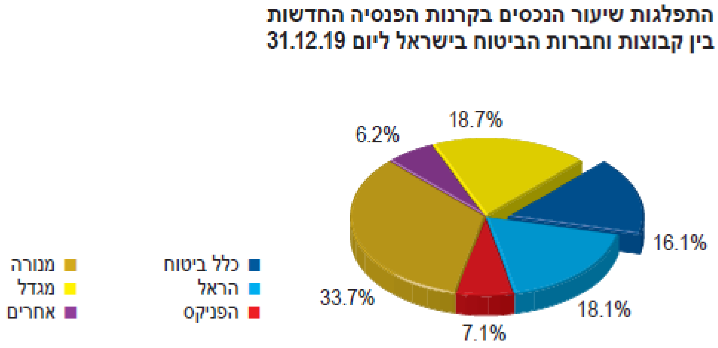
The creation of IT bureaus to manage the core activities of institutional entities in the insurance and savings segment (as indicated in the request for information regarding service providers, see section 6.2.1(d)(2) above) may result in the entry of additional competitors into the pension savings segment in general, and into the pension branch in particular.

Distribution of asset rates in new pension funds between insurance groups and companies in Israel as of December 31, 2020



Dark blue – Clal Insurance
Turquoise – Harel
Red – Phoenix
Beige – Menorah
Yellow – Migdal
Purple – Others

Distribution of asset rates in new pension funds between insurance groups and companies in Israel as of December 31, 2019



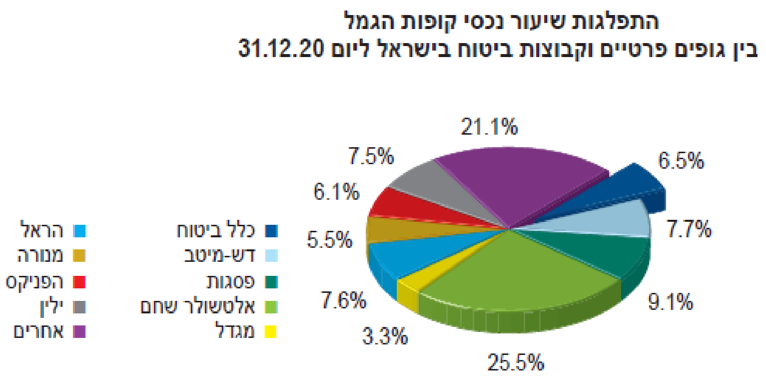
Dark blue – Clal Insurance
Turquoise – Harel
Red – Phoenix
Beige – Menorah
Yellow – Migdal
Purple – Others

The decrease in the Company's market share was due to the increased competition in the market, and the strengthened position of the chosen default funds.

3) Provident funds branch

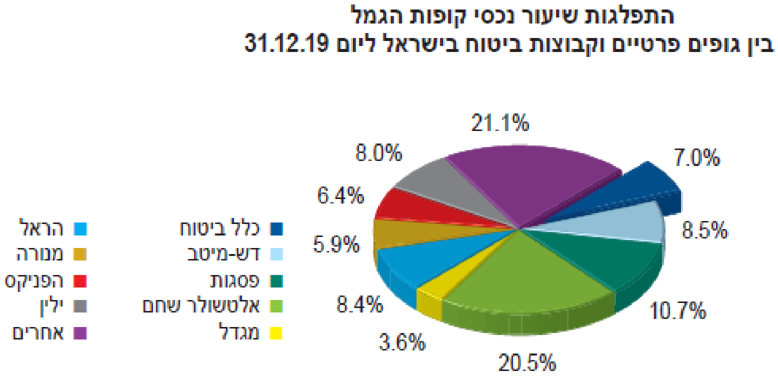
As of the reporting year, the competition in the branch takes place primarily against the other provident funds for savings. According to the Group's estimate, its main competitors are Altshuler Shaham, Psagot, Meitav DS, Harel, Phoenix, Menorah and Migdal.

Distribution of asset rates in provident funds between private entities and insurance groups in Israel as of December 31, 2020



Dark blue – Clal Insurance
Light blue – DS-Meitav
Dark green – Psagot
Light green – Altschuler Shaham
Yellow – Migdal
Turquoise – Harel
Beige – Menorah
Red – Phoenix
Grey - Yellin
Purple – Others

Distribution of asset rates in provident funds between private entities and insurance groups in Israel as of December 31, 2019



Dark blue – Clal Insurance
Light blue – DS-Meitav
Dark green – Psagot
Light green – Altschuler Shaham
Yellow – Migdal
Turquoise – Harel
Beige – Menorah
Red – Phoenix
Grey - Yellin
Purple – Others

6.3.2. Methods for dealing with competition and factors affecting the Company's competitive position

Dealing with competition in this operating segment takes place on several levels:

- Synergy between the Group's member companies - provision of integrative solutions to customers in all long term savings channels.

- The use of regulatory changes, in order to receive exposure to potential new customers, and to add them as customers.

- Increased operational efficiency - through the improvement of work methods and the improvement of automation systems. For details regarding the improvement of automation and digitization systems, see section 10.10.3.2 below.

- Retaining customers in the existing portfolio and improving customer service – by digitization, activating designated units to handle an issue, creating designated service hotlines, including claims hotlines and employers' hotlines, while presenting a range of existing possibilities in the Group to the customer.

- Expansion of the customer base, both by expanding the distribution channels, including directly, and by increasing the sales volume, product types, and the scope of insurance coverage to existing customers.

- Maintaining a significant scope of activity, and expanding it based on the operations network and the output database.
- A professional and highly skilled investments unit, which aims to achieve maximum returns for policyholders and members, through informed risk management.
- Expansion of the distribution and marketing units, both direct and through agents, by conducting sales promotion campaigns, improving service to agents (including technological improvement in interfaces vis-à-vis agents, and the provision of digital service), recruiting new agents and buying agencies.
- Branding and positioning of the Group.
- Innovation, development of products and adjustment of product to the needs of customers and to changing market conditions, under the regulatory restrictions.
- Competitive tariffs.

The main factors affecting the Company's competitive position include:

- Many years of experience in the life insurance and long term savings segment.
- The Group's reputation in the segment.
- Long term relationships with agents marketing the Group's products.
- Direct distribution network.
- The variety of pension products which are sold under one roof.
- Financial stability.
- Returns achieved on savings funds, as compared with the returns of competing entities.
- The service given by the Company to customers and agents, and the claim settlement method.
- Transparency and price - as part of the Commissioner's policy in recent years, significant reforms have been promoted which pertain to transparency, tariff reductions, and increasing competition. These reforms are affecting, and will continue to affect in the coming years, the long term savings segment and the profitability thereof.
- Competitive barriers - for details regarding the lifting of barriers to entry to the market and to the entry of competitors, see section 10.3.1.2 below.

6.4. **Customers**

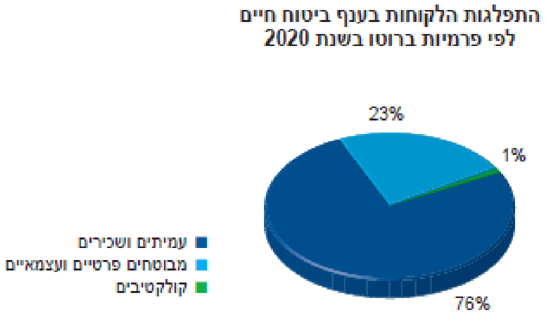
The main types of customers in the long term savings segment include employers, members, individual policyholders, self-employed workers and collectives.

In this segment, the Company is not dependent on any individual customer, or on a limited number of customers. The Company does not have individual customer whose income constitutes 10% or more of the Company's total income in the consolidated reports.

6.4.1. Distribution of Company customers in the life insurance branch by premiums in the years 2020 and 2019

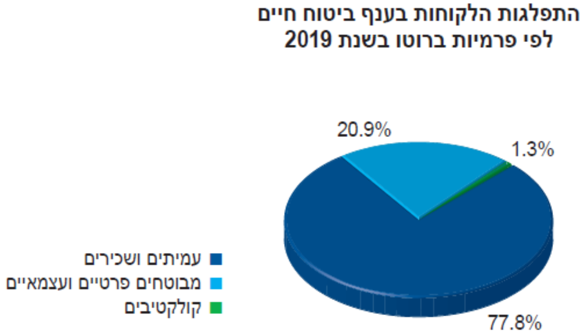
Customer type	**2020**		**2019**	
	Gross premiums (NIS in thousands)	**Proportion of total sales**	**Gross premiums (NIS in thousands)**	**Proportion of total sales**
Members and salaried employees	4,354,747	76%	4,655,858	78%
Private and independent policyholders	1,307,610	23%	1,250,469	21%
Collectives	68,793	1%	79,665	1%
Total	**5,731,150**	**100%**	**5,985,992**	**100%**

Distribution of customers in the life insurance branch by gross premiums in 2020



Dark blue – Members and salaried employees
Light blue – Individual and self-employed policyholders
Green – Collectives

Distribution of customers in the life insurance branch by gross premiums in 2019



Dark blue – Members and salaried employees
Light blue – Individual and self-employed policyholders
Green – Collectives

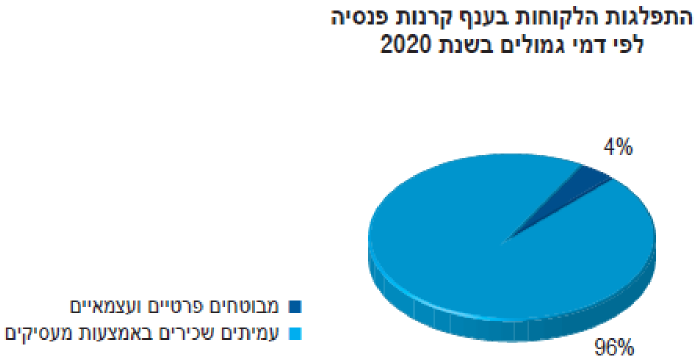
6.4.2. <u>Redemptions in the life insurance branch</u>

In the life insurance branch, the redemption rate from the average reserve during the reporting year was 1.6%, as compared with 1.8 in 2019.

6.4.3. Distribution of the Company's customers in the pension funds branch by contributions for the years 2020 and 2019

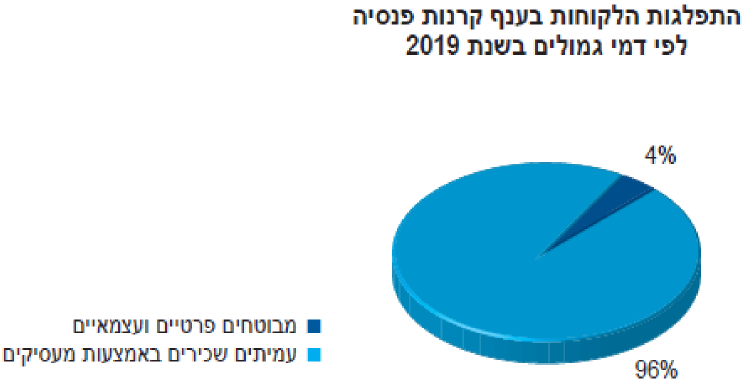
Customer type	2020		2019	
	Contributions (NIS in thousands)	Proportion of total sales	Contributions (NIS in thousands)	Proportion of total sales
Salaried employee members	6,024,847	96%	5,894,817	96%
Individual and self-employed policyholders	282,917	4%	270,659	4%
Total	**6,307,764**	**100%**	**6,165,476**	**100%**

Distribution of customers in the pension fund branch by contributions in 2020



Dark blue – Individual and self-employed policyholders
Light blue – Salaried employee members through employers

Distribution of customers in the pension fund branch by contributions in 2019



Dark blue – Individual and self-employed policyholders
Light blue – Salaried employee members through employers

6.4.4. Distribution of the Company’s customers in the provident funds branch according to contributions in 2020 and 2019

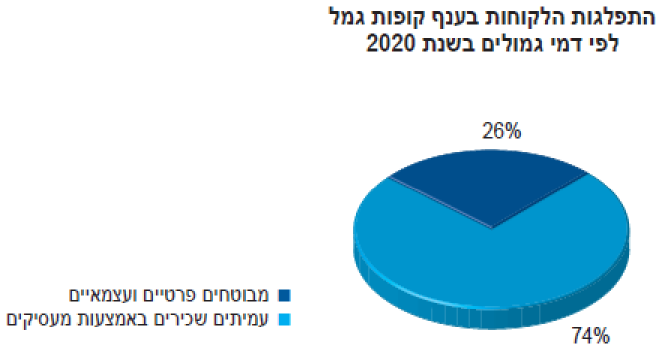
2020

Customer type	Contributions and provident funds (NIS in thousands)	Central severance pay contributions (NIS in thousands)	Contributions / deposits to study funds (NIS in thousands)	Provident funds for investment (NIS in thousands)	Total contributions (NIS in thousands)	Proportion of total contributions (NIS in thousands)
Salaried employee members	284,008	398	1,272,700	-	1,557,106	74%
Individual and self-employed policyholders	192,093	-	137,876	228,037	558,006	26%
Total	**476,101**	**398**	**1,410,576**	**228,037**	**2,115,112**	**100%**

2019

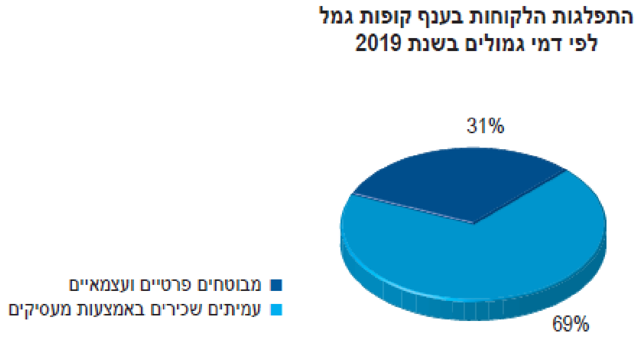
Customer type	Contributions and provident funds (NIS in thousands)	Central severance pay contributions (NIS in thousands)	Contributions / deposits to study funds (NIS in thousands)	Provident funds for investment (NIS in thousands)	Total contributions (NIS in thousands)	Proportion of total contributions (NIS in thousands)
Salaried employee members	306,376	417	1,197,787	-	1,504,580	69%
Individual and self-employed policyholders	304,053	-	130,679	254,435	689,167	31%
Total	**610,429**	**417**	**1,328,466**	**254,435**	**2,193,747**	**100%**

Distribution of customers in the provident fund branch by contributions in 2020



Dark blue – Individual and self-employed policyholders
Light blue – Salaried employee members through employers

Distribution of customers in the provident fund branch by contributions in 2019



Dark blue – Individual and self-employed policyholders
Light blue – Salaried employee members through employers

6.4.5. Information regarding the transfer of funds from and to the Group's institutional entities in the long term savings branch during the years 2018 to 2020:

2020

NIS in thousands	**The Group's activity**			**Total**
	Life insurance	**Provident funds**	**Pension**	
Transfers to the Group from other entities				
Transfers from other insurance companies	111,701	129,294	150,869	391,864
Transfers from pension funds	66,408	81,039	1,982,382	2,129,829
Transfers from provident funds	62,339	1,089,713	34,134	1,186,195
Total transfers to the Group	**240,448**	**1,300,046**	**2,167,385**	**3,707,879**

Transfers from the Group to other entities				
Transfers to other insurance companies	213,467	61,517	91,713	366,697
Transfers to pension funds	478,118	40,145	2,811,681	3,329,944
Transfers to provident funds	710,211	2,393,677	245,006	3,348,894
Total transfers from the Group	**1,401,796**	**2,495,339**	**3,148,400**	**7,045,535**
Net transfers	**(1,161,348)**	**(1,195,293)**	**(981,015)**	**(3,337,656)**

2019

NIS in thousands	**The Group's activity**			**Total**
	Life insurance	**Provident funds**	**Pension**	
Transfers to the Group from other entities				
Transfers from other insurance companies	134,308	73,015	87,350	294,673
Transfers from pension funds	131,135	40,175	1,458,925	1,630,235
Transfers from provident funds	112,287	1,623,078	29,144	1,764,509
Total transfers to the Group	**377,730**	**1,736,268**	**1,575,419**	**3,689,417**
Transfers from the Group to other entities				
Transfers to other insurance companies	214,745	71,090	123,108	408,943
Transfers to pension funds	231,361	20,972	2,236,890	2,489,223
Transfers to provident funds	515,754	1,496,887	141,711	2,154,352
Total transfers from the Group	**961,860**	**1,588,949**	**2,501,709**	**5,052,518**
Net transfers	**(584,130)**	**147,319**	**(926,290)**	**(1,363,101)**

2018

NIS in thousands	**The Group's activity**			**Total**
	Life insurance	**Provident funds**	**Pension**	
Transfers to the Group from other entities				
Transfers from other insurance companies	61,879	3,912	55,196	120,987
Transfers from pension funds	94,148	32,064	1,779,639	1,905,851
Transfers from provident funds	35,307	1,147,050	9,748	1,192,105
Total transfers to the Group	**191,334**	**1,183,026**	**1,844,583**	**3,218,943**
Transfers from the Group to other entities				
Transfers to other insurance companies	173,990	77,282	175,338	426,610
Transfers to pension funds	123,641	7,121	2,231,492	2,362,254
Transfers to provident funds	291,095	1,722,270	39,269	2,052,634
Total transfers from the Group	**588,726**	**1,806,673**	**2,446,099**	**4,841,498**
Net transfers	**(397,392)**	**)623,647)**	**(601,516)**	**(1,622,555)**

7. Non-life insurance segment

7.1. Products and services

7.1.1. Description of the insurance branches and the insurance coverages included in the segment

This segment includes the Group's operations in the non-life insurance branches. The non-life insurance segment is traditionally divided into 2 main categories: (a) property insurance and (b) liability insurance.

Operations in property insurance are considered characterized by "short tail claims", due to the fact that the obsolescence period is only three years after the occurrence of the insurance event, and due to the fact that these claims are submitted, in most cases, during the insurance period. On the other hand, compulsory insurance and liability insurance are considered characterized as "long tail claims", due to the fact that the obsolescence period is seven years after the occurrence of the insurance event, and due to the fact that the insurance claim does not become obsolete so long as the third party claim against the policyholder has not become obsolete, and due to the extended period of time which passes between the date of materialization of the cause of action against the policyholder, and the date of the discovery and/or the filing date of the claim, inter alia, in light of the aforementioned obsolescence period, and/or due to the time period which is required to investigate the claim. The obsolescence period of claims for insurance benefits, in case of disability which was caused to the policyholder due to an illness or accident, will begin on the date when the policyholder earns the right to claim insurance benefits in accordance with the terms of the insurance contract. Therefore, personal accidents policies which include accidental disability coverage may also be considered as having "long tail claims".

Presented below is a review of the main branches which are included in the non-life insurance segment:

7.1.1.1. Compulsory motor insurance branch

A. General

compulsory motor insurance is insurance which is compulsory for all vehicle owners or drivers to purchase pursuant to the Motor Vehicle Insurance Ordinance (New Version), 1970 (hereinafter, respectively: "**Compulsory Motor**" and the "**Motor Vehicle Insurance Ordinance**"), to cover physical injury of the vehicle owner, all vehicle passengers, and pedestrians injured by the vehicle, due to the use of a motor vehicle, pursuant to the Road Accident Victims Compensation Law, 1975 (the "**RAVC Law**"). The purchasing of this insurance is compulsory, and failure to do so constitutes a criminal offense. The terms of insurance coverage are in accordance with the wording of the standard policy which was established in the **Control of Financial Services Regulations (Insurance) (Contract Terms in Compulsory Motor insurance), 2010** (hereinafter: the "**Standard Compulsory Motor Policy**").

This operating branch has several unique characteristics, including, inter alia:

Product uniformity: The scope of liability and the scope of coverage for physical harm corresponds to the provisions of the standard compulsory motor policy, which determined binding standard phrasings.

No fault principle: In accordance with the provisions of the RAVC law, the liability of the vehicle driver or of the individual holding possession of the vehicle is absolute and total liability, with no need for proof of guilt.

Designation of cause of action: Any person who was injured in a road accident, and upon whom the RAVC law confers cause of action, must claim their right in accordance with the RAVC law only, and is not entitled to claim their damages in accordance with any other law. Any person who does not have does not have in accordance with this law may sue the party that caused the damage through a tort claim. In general, the insurer of the involved vehicle is required to cover the injured persons in the insured vehicle, and is not entitled to claim subrogation from the party which caused or contributed to or exacerbated the damage, of the compensation which the insurer paid to the injured party.

Special methods of compensation: The RAVC law, and accordingly, the compulsory insurance policy, do not specify the insurance amount, and the compensation due to physical injury is calculated in accordance with the RAVC law and the regulations which were enacted in accordance therewith. These determine, inter alia, in contrast to the Civil Wrongs Ordinance, the maximum compensation limit for the damage components which are not monetary damages, and limit the wage losses which can be claimed to three times the average salary on the market. Except for the aforementioned two heads of damage, the coverage is not restricted as to amount.

B. Special arrangements in the compulsory motor insurance segment

Several arrangements are in effect in the compulsory motor insurance segment which affect insurance tariffs, as specified below:

(1) Residual insurance arrangement (arrangement through the “Pool”):

In light of the fact that, on the one hand, compulsory motor insurance is a legal obligation, while on the other hand, there is no obligation to insure all parties who request to acquire such insurance, by virtue of the Motor Vehicle Insurance Regulations (Residual Insurance Arrangement and Tariff Establishment Mechanism), 2001, the residual insurance arrangement was established, which covers individuals using motor vehicles who did not obtain insurance coverage directly from the commercial insurance companies (such as drivers with an insurance past indicating high risk, drivers with a history of license revocations, high risk vehicles such as motorcycles, all-terrain vehicles and/or additional vehicles which were rejected by the insurance companies). Following the reduction of the tariffs of the Pool, as part of the 2016 and 2017 amendments to the compulsory motor insurance circular (see section 7.1.1.1(c)(1) below), the sales volume increased with respect to insurance for private and commercial vehicles of up to 3.5 tons through the Pool. The residual insurance arrangement is based on co-insurance of all of the insurance companies operating in the compulsory motor insurance branch, according to which the aforementioned companies are required to participate in the residual insurance arrangement, and jointly bear its losses or profits, in accordance with their share in the total premiums in compulsory motor insurance (the “**Compulsory Market Share**”). The Group’s share in the residual insurance arrangement as of the 2020 underwriting year amounted to a total of approximately 8.64%[46], as compared with a rate of approximately 8.65% in the 2019 underwriting year.

The insurance companies finance their share in the residual insurance arrangement (within the framework of the “pool”) by loading the residual insurance cost onto the other policyholders in compulsory motor insurance in the insurance company through avenues other than residual insurance.

In July 2018, the **Law in Amendment of the Motor Vehicle Ordinance (No. 23), 2018**, was published, which updated the legislative arrangement with respect to the loading component (hereinafter: the “**Amendment to the Loading Component Range**”) which the insurance companies participating in the residual insurance arrangement are entitled to collect for the purpose of financing the cost for residual insurance, such that the loading component, until July 2020, will be in the range from 5.5% to 8.5% of the

---

[46] The specified rate is a temporary rate which is based on the data for September 2019, as published by the Pool.

cost of pure risk[47] of the insurer's compulsory insurance which are not under residual insurance, and after July 2020, it will be in the range from 5.5% to 8%.

(2) Karnit Road Accident Victims Compensation Fund

Karnit Road Accident Victims Compensation Fund ("**Karnit**") is a corporation which was established in accordance with the RAVC law, for the purpose of paying compensation to eligible individuals in accordance with the RAVC law, who are unable to claim compensation from an insurance company, due to one of the following cases: **(1)** Injury caused by an uninsured vehicle; (2) Unknown insurer (such as "hit and run" accidents); (3) Insurer in liquidation proceedings, or for which an authorized manager has been appointed.

The fund is financed by loading a rate of 1% of net premiums[48] on the holders of compulsory motor insurance policies. This amount is transferred by the insurance companies to Karnit.

(3) Liability regarding the provision of medical services -

In accordance with a legislative amendment from 2009, in which the insurance liability for the provision of medical services which are included in the basket of services set forth in the Second Addendum to the National Health Insurance Law, 1994 (hereinafter: the "**National Health Insurance Law**") and in the Drugs Ordinance, in accordance with section 8(g) of the National Health Insurance Law, due to physical injuries caused to road accident victims, was transferred from the insurers to the health funds, the insurance companies collect 9.4% of the premiums in order to finance the cost of financing the cost of providing services to road accident victims (hereinafter: the "**Participation Amount**"). The insurers will continue being liable for the remaining medical services that are not included in the Second Addendum to the National Health Insurance Law and in the Medicines Ordinance. The foregoing does not apply to certain population groups, including, inter alia, soldiers and work accident victims, where the insurance liability to cover their medical treatment expenses in case of a road accident remains with the insurers. The participation amount is transferred to the health funds by the insurers, through Karnit and the National Insurance Institute.

C. Tariffs and oversight thereof, the statistical information database and the database to identify insurance fraud in the compulsory motor branch

(1) Tariffs reform in compulsory motor insurance - maximum and variable (net) premiums to determine tariffs in the compulsory motor branch

The insurance companies determine the premiums using variables which were approved by the Commissioner as variables which an insurer will be entitled to use for the purpose of determining the tariff (hereinafter: the "**Variables**"). The variables are intended to adjust the risk premium to the insured risk.

---

[47] "Cost of pure risk " - The part of an insurance tariff which does not include profit, expenses and service provision costs, excluding claim settlement costs. The cost of pure risk is based on the past claims experience in the insurance branch for motor vehicles subject to compulsory insurance, plus an estimate of future payments with respect to those claims, and in consideration of the trends which affect the prevalence and cost of claims, in accordance with section 7a of the Motor Vehicle Insurance Ordinance (New Version), 1970.

[48] Net (insurance) premiums - premiums which reflect the cost of risk, without external loading, such as expenses and commissions.

In January 2016, the Commissioner published an amendment to the provisions of the consolidated circular in the compulsory motor insurance branch, which entered into effect in March 2016 (the "**2016 Amendment to the Compulsory Motor Insurance Circular**"). As part of the 2016 Amendment to the Compulsory Motor Insurance Circular, the residual insurance premiums for private and commercial vehicles which are sold by the managing company of the residual insurance arrangement (the "**Pool**") were updated in a manner which reduces the cost of compulsory insurance which is sold by the "Pool", and makes us of additional variables which were previously not used by the "Pool".

In September 2016, the Commissioner published an additional amendment to the provisions of the consolidated circular in the compulsory motor insurance branch, in which an update was implemented to the residual insurance premiums for private vehicles, beginning in January 2017 (hereinafter: the "**2017 Amendment to the Compulsory Motor Insurance Circular**").

As a result of the compulsory motor tariffs reform, in 2016 and 2017 Clal Insurance was required by the Commissioner to submit to her, for approval, updated insurance tariffs which reflect, after neutralizing the implications of the Winograd committee and the amendment to the Discounting Regulations (for details, see section 7.1.1.1(d)(2) below), a significant reduction of the compulsory insurance tariff.

The compulsory motor tariffs reform in itself has resulted in a substantial reduction of profitability. However, it is not yet possible to assess its full impact, inter alia, in light of moderating effects, which are mostly non-recurring, which occurred during the reporting year and during the preceding year, due to the Supreme Court's decision regarding leaving the discount rate unchanged, as specified in section 7.1.1.1(d)(2) below, in light of the fact that the branch characteristically includes long tail claims, and in light of the uncertainty regarding the Commissioner's policy upon tariff approval, the conduct of competitors and customers, the underwriting results which will result in the future, and regulatory changes, including as specified in section 7.1.1.1(d)(2) below.

Maximum fees

The consolidated circular establishes arrangements regarding the determination of premiums in the compulsory motor branch, which an insurer is entitled to collect, and the manner by which they are to be submitted to the Commissioner for approval. In accordance with the non-life insurance chapter in the consolidated circular, the risk premium component in the compulsory motor insurance tariff (net insurance premiums) is standard for all policyholders with the same characteristics at the insurer. The insurer is also entitled to collect premiums at a rate of up to 16.25% of the risk premium, which are intended to cover the insurer's administrative expenses, agent fees and profit. The insurer is entitled to provide discounts with respect to the fee component only, except for vehicle fleets, regarding which the insurer is entitled to provide a discount also on the net insurance premiums (insurance premiums less fees). On this matter – a vehicle fleet includes at least 40 vehicles under the same ownership and insured by the same insurer.

(2) Databases

Statistical database -

In the compulsory motor insurance branch, a statistical database operates which is used to estimate the cost of risks in the compulsory motor insurance branch, and which was created by virtue of the **Motor Vehicle Insurance Regulations (Residual Insurance Arrangement and Tariff Determination Mechanism), 2001**.

The statistical database and the insurance fraud handling database, as specified in this section below, are managed by an third party which is unrelated to the Company and the insurance companies (the “**Database Operator**”).

The database operator is authorized by law to collect information from insurers in the insurance branch, and to use it to determine the cost of pure risk (the “**Risk Tariff**”). The risk tariff does not directly obligate the insurance companies; however, the “Pool” tariff is determined by the Commissioner in reference thereto, and additionally, constitutes a relevant indicator, from the perspective of the Commissioner, for the approval of the insurance companies’ tariff. For details regarding the residual insurance arrangement, see section 7.1.1.1(b)(1) above.

Insurance fraud handling database -

In the compulsory motor insurance branch, an insurance fraud handling database is operated in accordance with the **Motor Vehicle Insurance Regulations (Creation and Management of Databases), 2004**. The database, which concentrates information from all insurance companies, is used to identify suspected cases of fraud in compulsory motor insurance claims, and to prevent insurance fraud in the underwriting process in compulsory motor insurance policies. The cost of financing the operation of the database applies to all insurance companies, in accordance with the rules which were determined by the Commissioner. In accordance with the provisions of the consolidated circular, in general, a certificate of compulsory motor insurance will not be issued for a private or commercial vehicle up to 3.5 tons, or for motorcycles, if the data were not verified through an online database query during the underwriting process.

D. National Insurance

(1) Subrogation rights of the National Insurance Institute

Pursuant to the **National Insurance Law (Consolidated Version), 1995** (hereinafter: the “**National Insurance Law**”), in the event that the National Insurance Institute has paid to an individual who is entitled to a stipend, based on grounds which also constitute grounds for requiring a third party to pay compensation to that entitled individual, in accordance with the Civil Wrongs Ordinance, or in accordance with the RAVC law, the National Insurance Institute will be entitled to claim from that third party compensation for the stipend which it paid, or which it will pay (hereinafter: the “**Third Party**”). The third party will be entitled to deduct from the compensation the stipends which are being paid and/or which will be paid by National Insurance.

The third party which deducted, or which was entitled to deduct, any amount from the compensation which they are required to pay with respect to payments which the National Insurance Institute is entitled to claim from them, must report such amounts to National Insurance, and sanctions for non-reporting were established.

In March 2018, the Economic Efficiency Law (Legislative Amendments to Achieve Budgetary Goals for 2019), 2018 (hereinafter: the “**2019 Economic Efficiency Law**”) was published, in which changes were made to the mechanism for the settling of accounts between the National Insurance Institute and the insurance companies, with respect to the subrogation right of the National Insurance Institute from the insurance companies in claims by virtue compulsory motor policies. In accordance with the legislative amendment, the specific subrogation arrangement mechanism was canceled, according to which the settling of accounts is performed separately with respect to each claim, and instead it was determined that the insurer will submit to the National Insurance Institute, each year, a fixed annual amount to cover its liability with respect to all of the subrogation claims by virtue of compulsory motor policies both with respect to the past period, from 2014, and from this point forward (hereinafter: the "**New Subrogation Arrangement**" and the "**Fixed Amount**"). In June 2019, the Draft National Insurance Regulations (Transfer of Annual Amount from Insurers to the Institution for Road Accidents), 2019 (hereinafter: the "**New Draft Subrogation Arrangement Regulations**") were published, which were intended to regulate the mechanism for determining the effective amount, and to allow the entry into effect of the 2019 Economic Efficiency Law. Following a hearing which was conducted for the insurance companies regarding the Draft New Subrogation Arrangement Regulations, and assertions which were raised by the insurance companies in the hearing with respect to difficulties in implementing the proposed settlement with respect to the past, negotiations are being conducted between the National Insurance Institute, with the support of the Ministry of Finance, and the Israel Insurance Association, through the insurance companies, with the aim of reaching a new agreed-upon arrangement, according to which the Economic Efficiency Law for 2019 and the New Subrogation Arrangement Regulations will be amended such that the new subrogation arrangement will apply with respect to future events only, while with respect to the past, the parties will continue operating similarly to the situation which existed prior to the enactment of the Economic Efficiency Law for 2019, and to settle each subrogation claim separately. As part of the agreed-upon arrangement which is being formulated, the insurance companies will provide to the National Insurance Institute an advance amount for the payment of subrogation claims, in a total amount equal to 4.0271% of the insurance premiums which were collected by each company during the years 2014-2018, and the insurance companies will also undertake to extend the prescription period with respect to claims in accordance with section 328 of the National Insurance Law, with respect to cases which occurred during the years 2014 and 2015, by one more year (hereinafter: the "**Amended Subrogation Arrangement**"). To the best of the Company's knowledge, the implementation of this arrangement has not yet developed into practice.

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

The information presented on all matters associated with the Draft New Subrogation Arrangement Regulations and the amended subrogation arrangement constitutes forward looking information, which is based on the information which is available to the Company as of the reporting date. Actual results may differ from the estimated results, and depend, inter alia, on the development of the final version of the New Subrogation Arrangement Regulations, on understandings regarding the amended subrogation arrangement, and on the premiums which will be collected in the future.

At this stage, prior to the completion of the amended subrogation arrangement, Clal Insurance and the National Insurance Institute are continuing to act as before.

(2) Interest rate for discounting National Insurance annuities

In June 2016, an amendment to the National Insurance (Discounting) Regulations, 1978 (the "**Discounting Regulations**") was published, which included, inter alia, updates to the mortality tables and the discount rates which are used to calculate annuities.

In accordance with the amendment, the interest rate for the purpose of determining the annual annuity which is paid by National Insurance 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.

The amendment to the Discounting Regulations entered into effect in October 2017, and the courts subsequently evaluated the impact on the change in the discount rate, as stated above, also 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 interest rate for tort damages which is used, inter alia, to discount insurance benefits for policyholders, remain at the fixed rate of 3% for all injured parties (hereinafter: the "**Determined Discount Rate**"). The committee also recommended that it will be possible to change the discount rate which was determined, in accordance with 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, in 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, the Supreme Court gave a ruling regarding the specific case, which adopted the main conclusions of the Kaminetz Committee report (hereinafter: the "**Ruling Regarding the Pool**"), 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 regarding the Pool, 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**").

A motion to conduct an additional hearing regarding the ruling was filed in September 2019, and dismissed in November 2020.

In September 2020, an additional ruling was given by the Supreme Court, in the case to which the National Insurance Institute was a party, in which the Court again determined that the National Insurance Institute is obligated to comply with the presumption which was determined in the ruling regarding the Pool, and to address the damaging party using a discount rate of 3% (hereinafter: the "**Ruling Regarding the National Insurance Institute**") .

For the impact of the rulings regarding the Pool and the National Insurance Institute on the Company's financial results during the reporting year, see Note 38(e)(e2)(4)(f) to the financial statements. At this stage, before the legislative amendment has been completed, and in light of the uncertainty regarding the implementation of the Kaminetz Committee's recommendations, including as regards the update mechanism, the application of which has not yet begun, and in consideration of the developments in the interest rate environment after the balance sheet date, as specified in Notes 42(a), 38(e)(e1)(d)(1) and 38(e)(e2)(4)(a) to the financial statements, it is not possible to predict the full effects on the insurance liabilities and on the insurance tariffs.

E. Outline regarding light-heavy clearing

In accordance with the RAVC law, each insurer is required to compensate the passengers who were riding in a vehicle which was insured by it. The RAVC law further provides that, with respect to any person who was injured in an accident outside of the insured vehicles, in an accident in which several vehicles were involved, the various insurers will be liable (without proof of guilt), jointly and severally, and amongst themselves the insurers will bear the burden, in equal parts. In accordance with the RAVC law and the **Compensation for Road Accident victims Ordinance (Arrangements for Distribution of Burden of Compensation Between Insurers), 2001**, exceptions were made to the foregoing rule, which pertain to accidents between vehicles which are significantly different from one another, i.e., a motorcycle and another vehicle, or a light vehicle and a heavy vehicle. In these cases, the division orders determine the insurers' "balance payments", i.e., the indemnification which the insurers are entitled to receive from one another with respect to these accidents, for the purpose of balancing out the burden of payment between the insurers, in cases where the risk of the involved vehicles causing damage in a road accident is not clearly balanced. The Israel Insurance Association operates a clearing system which is intended, inter alia, to transfer payments automatically between vehicle insurers in compulsory motor insurance, with respect to the foregoing balancing payments. The outline manager has the authority to serve as an arbitrator in cases where disputes have arisen between the insurers, regarding the involvement of an insured vehicle in an accident. The arrangement was given a conditional exemption from the approval of a restrictive arrangement by the Antitrust Commissioner until August 2020, which was extended to August 2025, through a self-assessment mechanism, in accordance with the **Antitrust Rules (Block Exemption for Joint Ventures) (Transitional Provision), 2006**. The conditions include, inter alia, the restriction of the system's operations to the aforementioned purpose only, the operation of the system by an independent entity which is not related to the insurers, a prohibition against the transfer of information between the parties to the agreement, and giving the possibility for each insurer to join the system.

7.1.1.2. Motor property insurance branch

A. General

The motor property insurance branch includes the Group's activity in insurance to cover loss or damage of insured vehicles and damages caused to third party property by the insured vehicles.

Motor property insurance provides a basket of insurance coverages, including: theft, fire, accidental collision, overturn and accidents of any kind whatsoever, damages caused with malicious intent, and the policyholder's liability due to damage which may be caused to third party property as a result of the use of the vehicle during the insurance period ("**Third Party Insurance**"). During the insurance proposal stage, the policyholder is entitled to choose coverage through one of the following alternatives: (1) Comprehensive insurance; (2) Comprehensive insurance without theft coverage; (3) Comprehensive insurance without accident coverage; and (4) Third party insurance only.

The premium tariff with respect to motor property insurance is generally differential, and was determined, inter alia, in consideration of the vehicle's characteristics (primarily the model of the insured vehicle, and its production year), and the characteristics of its drivers (primarily the age of the main driver, drivers who are authorized to drive the vehicle, the license period and the claims experience of the policyholder).

The motor property insurance branch is divided into two main categories:

A) Insurance for private vehicles and commercial vehicles weighing up to 3.5 tons, whose insurance policy is subject to the terms of the standard policy, as determined in the regulations which were enacted on the matter (hereinafter: the "**Standard Motor Property Policy**" and the "**Motor Property Regulations**", respectively)

B) Insurance for vehicles which is not included in the first category (such as trucks, motorcycles, buses, forklifts and all-terrain vehicles), he insurance policy for which is not subject to the terms of the standard motor property policy.

The standard motor property policy sets forth minimum terms and conditions for motor property insurance, which the insurer is entitled to amend only if the amendment is in favor of the policyholder, or at the request of a vehicle fleet owner. Expansions can be added to the scope of coverage given under the standard policy, with the Commissioner's approval.

In February 2020, the Commissioner published the draft provisions of the Control of Insurance Law (Contract Terms for Private Motor Insurance)(Amendment), 2020 (hereinafter: the "**Draft Amendment to the Standard Policy**") in which it was proposed to amend the standard policy, inter alia, on the following subjects: providing the possibility for policyholders to benefit from reduced premiums, in exchange for a reduction of the scope of insurance coverage in case of total loss of the vehicle; determination of compensation for devices and units which are included in modern vehicles; updating the provisions which pertain to the reimbursement of proportional premiums in case of cancellation of the policy by the policyholder, independent of the remaining insurance period, and without a penalty; and correction of an insurance history report (a report which is used to acquire insurance in the future), such that any claims below the premium amount will not be included.

At this preliminary stage, Clal Insurance is unable to estimate the implications of the draft amendment to the standard policy. However, insofar as the draft amendment to the standard policy is enacted as binding law, it may result in an increase in the frequency of claims in motor property insurance, and accordingly, may increase claim settlement costs, due, inter alia, to the expected increase in claims for insurance benefits in low amounts, which, following the amendment, will not be included in insurance history reports.

The Company's estimate regarding the impact of the draft amendment to the Standard Policy constitutes forward looking information, which is based on the information which is available to the Company as of the reporting date. Actual results may differ from the estimated results, and depend, inter alia, on the final version of the draft, on the conduct of customers, competitors and agents, on the Commissioner's approval of tariff updates, on claim settlement costs and on the insurance tariffs which will be determined over time.

B. Special arrangements regarding the settlement of motor property claims

B1 Arrangement regarding loss adjusters

In order to increase efficiency and shorten claim settlement processes in motor property, and in accordance with the provisions which were determined in the consolidated circular which is published by the insurance companies out of the list of loss adjusters[49] (the "**List of External Loss Adjusters**"), at the policyholder's request. In accordance with the provisions of the consolidated circular, a proposed repair or an assessment by an external loss adjuster who has been chosen by the policyholder out of the list of external loss adjusters (hereinafter: "**External Loss Adjusters**"), constitutes a proposed repair, or an effective assessment, and will be binding towards the party, subject to the right of the insurer and the policyholder to bring remarks towards external loss adjusters regarding technical matters. Additionally, the insurer and the policyholder have the option to appeal the assessment, in accordance with the arrangement set forth in the loss adjusters arrangement.

B2 Arrangement garages

In order to increase efficiency, reduce processing times and reduce prices involved in loss adjustment with respect to motor property claims, the Company engaged with "arrangement garages" with respect to the repair of partially damaged vehicles of policyholders (non-total loss). An arrangement garage is a garage which has engaged with the Company in a service provision agreement as an arrangement garage, in consideration of discounts which are given to the insurer (in replacement part prices and/or in work hour prices) and/or including an undertaking to make use of replacement parts which are provided by it to the insurer, and which can be obtained at a reduced cost relative to the "book price" on the market (hereinafter: "**Arrangement Garage**"). Clal Insurance allows its policyholders to choose the garage where the vehicle will be repaired; however, it offers to its policyholders various benefits, such as discounts on deductibles and/or the provision of alternative vehicles during the period of the repair, in order to incentivize the policyholders to have their vehicles repaired in one of the arrangement garages with which the Company has engaged. The policyholder has the possibility to agree, when signing the agreement, that in case of an insurance event, the vehicle will be repaired at an arrangement garage, and in exchange, the policyholder will also receive a discount on premiums, and other benefits upon the occurrence of the insurance event (hereinafter: the "**Select Garages Policy**").Clal Insurance also offers a unique insurance track called "Clal VAR", in which the policyholder receives a road camera for installation in their vehicle, which they then connect to the application "Nexar". The application allows the submission of real time reports, and therefore, allows representatives of Clal Insurance to support the policyholder upon the occurrence of an insurance event, and to assist them, as required, inter alia, in ordering towing services, in ordering a taxi home, providing an alternative vehicle, and rescue services for the injured (hereinafter: "**Clal VAR**").

B3. Proposed reform regarding arrangement garages and the loss adjusters arrangement:

In May 2019, the Commissioner published a second draft of the circular regarding an "**amendment to the provisions of the consolidated circular - provisions in the motor property branch**" (hereinafter: the "**Draft Circular Regarding Garages and Loss Adjusters**"), which regulates the loss adjustment method

---

[49] External loss adjusters include anyone who is not a home loss adjuster. Home loss adjusters are those who may have a conflict of interests due to a special connection with the insurer, such as in case of a loss adjuster who is an employee of the insurance group; a loss adjuster whose income is 30% or more comprised of loss adjustment and other businesses with insurers from the insurance group; and a loss adjustment company in which the insurance group holds over 5% of the means of control.

for insurance claims in the motor property branch, with respect to the engagement with loss adjusters and with garages, as well as various provisions regarding the processes of policy marketing and loss adjustment.

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

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

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

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

Clal Insurance is unable to predict the consequences of the draft circular regarding garages and loss adjusters, insofar as it is published, which may affect claim settlement costs in motor property insurance, due, inter alia, to the multiplicity of proposed amendments, and their possible implications, which could have effects in opposite directions, in consideration of, inter alia, the conduct of companies, agents, garages, loss adjusters and customers.

B4. **Draft amendment to Regulation 309 of the Transport Regulations, 1961, entitled "use of damaged vehicle" ("Regulation 309"):**

In January 2021, the Ministry of Transport published a document referring to professional unions (hereinafter: the "**Explanatory Remarks**"), in which it is proposed to amend Regulation 309 in a manner which could lead to the requirement that any safety damage, as defined in the regulations, must be reported (as opposed to the situation prior to the amendment, according to which only significant safety damage required reporting). The amendment was proposed in light of sparsity of reports which were submitted regarding vehicle safety damage in accordance with Regulation 309, in light of the difficulty of determining what constitutes significant safety damage, and in order to increase the transparency of a used vehicle's condition to the buyer.

At this preliminary stage, Clal Insurance is unable to estimate the full implications of the amendment to Regulation 309. However, insofar as the draft amendment to Regulation 309 enters into effect, this change is expected to result in an increase in the number of vehicle recognized as total losses (instead of partial damage), in an increase in the rate of impairment which will be determined with respect to vehicles for which a remark regarding safety damage to the vehicle has been registered, and may result in increased average claim costs. Additionally, in case a safety damage remark is recorded regarding a vehicle, this could reduce the consideration which Clal Insurance will receive from the suppliers of scrap parts, which buy from it scrap parts of vehicles which have been declared as a constructive total loss.

The Company’s estimate regarding the effect of the amendment to Regulation 309 constitutes forward looking information, which is based on the information which is available to the Company as of the reporting date. Actual results may differ from the estimated results, and depend, inter alia, on the final version of the amendment to the regulation, and on the actions of loss adjusters, customers, garages and scrap part providers.

C. Entitlement to information and disclosure in the motor branch

C.1. Motor property database

Beginning in December 2013, the database created by the Israel Insurance Association and the Clearing Center of the Insurance Companies Ltd. (the “**Clearing Company**”) is in operation, which primarily involves the registration of historical vehicle accidents (hereinafter: the “**Motor Property Database**”). The information is available both to the public of used vehicle buyers and to insurers who chose to join the database, and is intended for location of information and transparency regarding accidents which occurred to used vehicles during the period prior to their acquisition.

The Israel Insurance Association and the clearing company received an exemption from approval of a restrictive arrangement from the Antitrust Commissioner, until February 2021, which was extended until August 2025 through a self-assessment mechanism, in accordance with the **Antitrust Rules (Block Exemption for Joint Ventures) (Transitional Provision), 2006**.

As of the publication date of the report, the motor property database includes information from most of the insurance companies which provide motor property policies in Israel, including Clal Insurance. Any insurer may join an arrangement (i.e., submit data to the database, and submit queries), or leave the arrangement, once per year, by giving advance notice of 90 days.

As of the publication date of the report, Clal Insurance makes use of the information stored in the motor property database for the purpose of claim settlement and underwriting, in accordance with its requirements. The possibility to make use of the information in the database reduces the information gaps in the market.

C.2. Motor property claims report

In August 2018, an amendment was published to the circular regarding the “Insurance Mountain” online interface for the identification of insurance products, in which it was determined, beginning with the report for March 2019, that the insurance companies will be required to report to the Insurance Mountain also the number of insurance events for which motor property insurance claims were filed by the policyholder or by a third party, in order to create a centralized claims report through the Insurance Mountain, and to simplify, for policyholders who are required by the insurance companies, for underwriting purposes, the process of presenting an authorization regarding the number of such claims, before joining the insurance (hereinafter: the "Addition of Motor Property Claims Report Data to the Insurance Mountain"). Since February 2020, the information regarding motor property claim report data is available on the Insurance Mountain website.

The addition of data from the motor property claims report to the Insurance Mountain improved the reliability of the data, facilitated the process of addition to insurance, lifted operational barriers, and, as a result, increased competition.

D. Arbitration of motor property claims

In July 2020 a proposal was published, within the framework of draft proposed decisions under the Economic Arrangements Law for 2020, involving an amendment to the Courts Law (Consolidated Version), 1984, in a manner which would impose an obligation to conduct arbitration in order to resolve disputes in connection with property damages in the motor property branch, between the insurance companies themselves, and between the insurance companies and the leasing companies (hereinafter: the **"Draft Proposed Decision Regarding Arbitration In Motor Property Claims**").

In the draft proposed decision regarding arbitration in motor property claims, it was proposed to determine that a claim which has been filed with the Magistrate's Court for payment of damages due to property damage caused in a road accident, will be transferred for mandatory arbitration, provided that the litigants in the claim are an insurance company or a company whose main activity is the leasing or rental of motor vehicles, whereby the litigants must offer policyholders to join as a party to the proceedings in order to claim their losses.

It is further proposed to determine that the dispute will be resolved online, through an arbitrator who will be appointed by the parties, by consent, out of a list which will be created, and if they are unable to agree by consent - by the Court. The proposal also includes rules regarding the determination of the arbitrator's fees, and the minimum requirements they are required to meet in order to be appointed.

The mandatory arbitration award will not be binding towards any party which is not a party to the proceedings in practice, and which has not agreed to join as a party to the proceedings.

According to the assessment of Clal Insurance, insofar as the draft proposed decision regarding arbitration in motor property claims is approved, as currently phrased, it could lead to an increase in the Company's settlement costs regarding motor property claims, impose difficulties on the resolution of disputes through settlement methods, impose difficulties on the collection of deductibles from policyholders, and lead to additional litigation vis-à-vis relevant parties which are not party to the arbitration proceedings.

The information presented on all matters associated with the possible implications of the proposed decision regarding arbitration in motor property claims constitutes forward looking information, which is based on the Company's estimates and assessments, and actual results may differ significantly from the forecast, inter alia, in light of the final wording of the legislative amendment on the matter, the characteristics of the arbitration mechanism which will be created, and the conduct of competitors, leasing companies and customers.

7.1.1.3. Liabilities insurance branch

In liabilities insurance policies, insurance is conventionally applied according to one of two coverage bases:

- **Coverage on an occurrence basis** - In these policies, the coverage is given for events which occurred during the insurance period, when the claim can also be filed after the end of the insurance period, subject to a statute of limitations.

- **Coverage on a claims made basis** - In these policies, the coverage is given based on the filing date of the claim, in other words, for claims which were initially filed against the policyholder during the insurance period, even if the cause of action against the policyholder materialized before the insurance period start date, provided that it was created after a certain date which was specified in the policy.

The main insurance sub-branches in the liabilities insurance branch include:

- **Third party liability insurance**: This insurance is intended to cover the policyholder's liability - generally liability in accordance with the Civil Wrongs Ordinance - towards third parties (in case of a policyholder which employs employees, the insurance does not cover liability towards the policyholder's employees), due to accidental events which caused physical injury and/or property damage, including resultant damage due to the accident, and which took place during the insurance period (occurrence basis policy).

  Third party liability insurance is sold as an independent product or as additional coverage within the framework of other insurance policies, such as business and office insurance policies, home and condominium insurance policies, and contract works insurance.

  The premiums in policies of this kind are determined as a function of several variables, including the policyholder's activity type, the construction type of the business building, the scope of activities, the number of employees, the presence of dangerous materials used in the business, the number of sites in which the policyholder conducts its activities, adjacent businesses, the overall maintenance condition of the business, the liability limits requested by the policyholder, the deductible and the policyholder's claims history.

- **Product liability insurance:** This insurance is intended to cover the employer's liability with respect to physical injury and/or property damage to a third party, including resultant damage caused by a defect product which was manufactured, imported or provided by the policyholder, after the product has left the possession of the policyholder, and where a claim with respect thereto was filed for the first time during the insurance period, and the insurance event itself occurred after the retroactive date which was determined in the policy (claims made basis policy).

  The policy is based on the **Defective Products (Liability) Law, 1980**, which imposes on the manufacturer (as defined in the Law, which includes, for example, also an importer and/or supplier), liability for physical injury; and the Civil Wrongs Ordinance, which imposes tort liability on the manufacturer with respect to physical injury and property damage.

  The premiums in policies of this kind are determined as a function of several variables, such as the policyholder's activity type, and the types of products which are manufactured, imported or provided by it, the scope of activities (in accordance with the sales turnover of the business), the requested liability limits, the deductible amount, the coverage period for claims which were first reported during the insurance period, but which refer to a specific preceding date, the claims history, and the scope of territorial coverage (in Israel or including also exporting to foreign countries).

- **Professional liability insurance**: This insurance is intended to cover the policyholder's debt with respect to physical injury and/or property damage caused to a third party and/or monetary damage caused to a third party, as a result of a breach in good faith of professional duty, which is due to an action or omission which constitute negligence, error or omission of the policyholder within the framework of the policyholder's profession, for which coverage was given in the policy, and for which a claim was first filed during the insurance period, and where the insurance event itself occurred after the retroactive date which was determined in the policy (claims made basis policy). The coverage in the policy is not limited to accidental events.

The premiums in policies of this kind are determined as a function of several variables, including: the area of engagement, the scope of activities, the coverage period for claims which were reported for the first time during the insurance period, but which refer to a specific date beforehand, the requested liability limits, the deductible amount, the revenue cycle, the number of employees, seniority in the profession, claims history, during the insurance territorial area and jurisdiction.

- **Employers' liability insurance -** This insurance is intended to cover the policyholder's liability towards its employees due to physical injury, which was caused to an employee during and due to the work at the policyholder, due to negligence by the policyholder during the insurance period, as a result of an accident and/or illness (occurrence basis policy). The liability covered under this policy applies pursuant to the Civil Wrongs Ordinance. Broader policies also cover the liability of the insured employer towards its employees, also pursuant to the Liability for Defective Products Law.

  Employer's liability insurance is a supplementary product to the compensation paid by the National Insurance Institute to a person who was injured due to a work accident or work-related illness, which, in the law, are restricted by type and limited in amount. This policy covers the surplus exposure, beyond the National Insurance coverage, and no more than the liability limit specified in the policy.

  Employers' liability policies may be acquired as an independent product or integrated as additional coverage in the framework of other insurance policies, such as: policies insuring businesses, policies insuring apartments, and contract works insurance policies.

  Insurance fees in these types of policy are determined as a function of a number of variables such as: the number of workers employed, the annual wages the employer pays, the business risk level according to its business, and its claims experience. Additionally, the premiums are affected by the adherence to the safety policies applied by the employer in the business, the general maintenance condition of the business, and the extent of its exposure to dangerous materials.

- **Directors and officers (D&O) liability**: This insurance is intended to cover the legal liability of directors and corporate officers with respect to monetary damages which were incurred due to an action or omission which they performed, or did not perform, in good faith, or due to negligence, subject to the exceptions specified in the policy, by virtue of their status as corporate officers in the Company, and for which claims were first field during the insurance period, while the insurance event itself occurred after the retroactive date which was determined in the policy (claims made basis policy). The liability which is covered under this policy is by virtue of the Companies Law and additional provisions of the law, which impose personal liability on officers including breach of their duty of care and breach of fiduciary duty in good faith, which can be insured by law.

  The insurance company will pay insurance benefits to the policyholder (the corporate officer), or will indemnify the policyholder (generally the Company buying the coverage for its corporate officers), with respect to payment which is paid to the corporate officer, and was entitled to do so by law.

  The premiums in policies of this kind are determined as a function of several variables, including: The area of activity, composition of shareholders, territorial exposure, financial stability, exposure to trading on stock exchanges, liability limits, deductible amounts, coverage period for claims which were reported for the first time during the insurance period but which refer to a specific time beforehand, the claims history and the terms of the reinsurance agreements.

During the reporting year there was a significant increase in final tariffs for policyholders, and a decrease in the supply of insurance and the sold liability limits, in light of the policy of reinsurers, the decision by some reinsurers around the world to exit the field of insurance due to losses they incurred, and in light of the risk assessments which changed - which accordingly also affected the market in Israel. The professional liability insurance branch is almost entirely backed by reinsurance.

- **Amendment to the National Insurance Law (Consolidated Version), 1995**

  For details regarding amendments to the National Insurance Law from 2013 and 2015, see section 7.1.1.1(d) above.

- **Interest rate used to discount National Insurance annuities**

  For details regarding the interest rate which is used to discount National Insurance annuities, see section 7.1.1.1(d)(2) above.

7.1.1.4. Property and others insurance branch -

- This branch includes several sub-branches, as specified below:

A. Apartment insurance sub-branch

- This sub-branch includes apartment, contents and structure insurance, in various plans, of which the primary one is a comprehensive apartment insurance plan. This sub-branch includes coverage for the policyholder's apartment against loss or physical damage which have been caused to the structure of the apartment or to its contents, due to risks which are specified in the policy. This policy is subject to the minimum terms which were determined within the framework of the **Addendum to the Control of Insurance Business Regulations (Contract Terms Regarding the Insurance of Apartments and the Contents Thereof), 1986** (hereinafter: the "**Standard Apartment Insurance Policy**"). The terms of the standard apartment insurance policy can only be amended in favor of the policyholder, and expansions can only be added to it with respect to the insured property and risks, the scope of coverage and the types of liability insurance which are associated with the residential apartment (such as third party liability insurance). The insurance is intended for residential apartments in the private sector and includes, inter alia, apartment insurance policies for policyholders who took out mortgage-backed loans, some of which were sold through agencies of mortgage banks, and in such cases, their premiums are restricted by the Commissioner.

  Clal Insurance offers several apartment insurance plans, which are differentiated from one another by the scope of coverage and the premium amount. The premiums are for the most part differential, and are primarily derived from the requested scope of coverage, the insurance amounts and the risk level.

B. Other property insurance sub-branch

This sub-branch includes policies which are primarily intended for the business segment, and cover loss or direct physical damage to the policyholder's property, or to property with which the policyholder is associated, due to risks which may be caused to the insured property, such as fire, lightning, and various other risks. In this sub-branch, insurance policies for electronic equipment, mechanical-engineering equipment, mechanical breakdowns and construction works (contract and construction works) are also sold, as well as cargo insurance in international land transport (sea and air), marine insurance, terrorism damage insurance and various other types of insurance (such as funds and trust).

The most common policy is the household insurance - "extended fire" insurance policy, which is a policy for specific risks included therein - covering damages which may be caused to the policyholder's property, including fire and lightning, explosion, collision, strikes, malicious damages, break-in and robbery. The policy also allows coverage for natural disasters, including earthquakes. "Extended fire" insurance is provides coverage for the restoration of the business, while providing reimbursement for the physical damage. Fire damages, including natural disasters and earthquakes, are characterized by low prevalence but high severity, as compared with break-in damages, which are characterized by high prevalence but low severity.

"**Resultant loss**" insurance coverage can be acquired as an addition to an "extended fire" insurance policy (loss of profits) which is due to the physical damage that was caused to the policyholder's property. Premiums in "resultant loss" coverage are generally determined as a proportion of the insurance amount which was determined in the policy, according to the activity type of the insured business, the scope of coverage provided to it, and the requested indemnification period.

The "**extended fire**" coverage can be expanded to "**all risks supplementary**" coverage (which covers all risks, except for the risks which are excluded in the policy). For the most part, the expansion involves the payment of an addition premium, and is in a limited amount. An "all risks industrial" policy is also available, which is sold in special cases for specific risks, in which accidental damage to the policyholder's property is covered, except for the damages which are excluded under the policy.

In most cases, other property insurance policies are issued for a period of one year.

C. **Guarantees sub-branch-**

This sub-branch mostly includes guarantee policies in accordance with the Sales (Apartments) (Securing Investments of Apartment Buyers) Law, 1974 (the "**Sales Law**"), which are issued by Clal Insurance, which involve an undertaking to indemnify the beneficiary with respect to the breach of the undertaking of the debtor and/or the policyholder, towards it. Policies in accordance with the Sales Law are intended to secure the investments of buyers of residential units whose construction has not yet been completed, in case the apartment seller is unable to transfer to the buyer ownership or other rights to the apartment, as agreed in the sale agreement, due to the fulfillment of one of the causes of action specified in the Sales Law. The wording of the policies in accordance with the Sales Law which are marketed by Clal Insurance is adjusted, mutatis mutandis, to the provisions which were published on the matter within the framework of the amendments enacted by virtue of the Sales Law. These policies are issued these policies against collateral, and the insurance period in these policies is usually long (several years may pass until the expiration of the policy, according to one of the alternatives under the Sales Law, and until the cancellation of the coverage provided therein). The risk in the policies decreases as construction progresses, until the transfer of possession of the property. The recognition of income with respect to these policies is deferred over 3 years. In some of the cases where the Company sells policies pursuant to the Sales Law, it also provides, in parallel, financing to the entrepreneur for the purpose of building the project. From time to time, Clal Insurance also issues guarantees of other types.

The Company mostly provides loans to accompany residential construction, along with sale guarantees, in collaboration with banks or independently, and from time to time, also guarantees of other types. In the past, Clal Insurance also issued performance and quality guarantees. As of the publication date of the report, there are no performance guarantees remaining in effect.

In recent years the Company increased its activity in this sub-branch, inter alia, by engaging with Michlol Urban Real Estate Renewal Solutions Ltd. ("**Michlol**") in an agreement according to which Clal Insurance provided a credit facility and Sale Law guarantees to Michlol for the purpose of its activity. For additional details, see section 9.2 below.

Clal Credit Insurance also commenced an activity involving the issuance of guarantees for periods of up to three years, including, inter alia, in guarantees of the tender advance and performance types, to beneficiaries including government authorities, government entities, municipalities or companies owned by them. **At this stage, the activity is in the preliminary stages, and is immaterial.**

D. Accident, illness and disability insurance sub-branch -

This sub-branch includes **personal accidents insurance policies** which are policies for set insurance periods of up to 12 months, which provide compensation in case of death and/or disability (full or partial) due to an accident and/or temporary loss of working capacity due to an accident, according to the chosen scope of coverage.

These policies are sold as individual insurance and as collective insurance.

Following regulatory changes which were made in recent years in this sub-branch, which resulted in significantly increased operational burdens, the activity of Clal Insurance in short-term personal accidents insurance (up to 12 months) decreased.

In June 2020, an "amendment to the provisions of the consolidated circular - volume 6, part 3, chapters 2, 3 and 4 - personal accidents insurance" was published (hereinafter: the "**Circular Regarding Personal Accidents**"), which includes provisions which are intended to regulate the process of sale and insurance coverage in the personal accidents branch. The personal accidents circular is expected to enter into effect in May 2021.

During the reporting year, due to the entire set of regulatory changes which apply to personal accidents insurance, and particularly the personal accidents circular, Clal Insurance decided to concentrate the sale of short-term personal accidents insurance policies on cases in which the policy is excluded from the provisions of the personal accidents circular, as part of the health division. The Company believes that the aforementioned decision will not have significant effects on the Company's financial statements.

For additional details regarding the personal accidents circular and its implications, see section 8.1.2.1(c) below.

The information presented on all matters associated with the personal accidents circular constitutes forward looking information, which is based on the information which is available to the Company as of the reporting date. Actual results may differ from the estimated results, and depend, on the entry into effect of the personal accidents circular on the determine date, in the determined wording, and on the actions of customers and competitors.

In general, Clal Insurance stopped marketing and insuring students personal accident insurance policies beginning in September 2016. The liabilities in personal accidents for students policies are characterized as very long tail claim, due to the fact that the obsolescence period for minors begins, at the earliest, when they reach age 18. Therefore, despite the departure from the operating segment of marketing students personal accident insurance, Clal Insurance still has exposure to these policies, which were in effect until August 2016.

7.1.1.5. Credit and foreign trade risks insurance branch

This branch includes insurance policies to cover credit risk in the local market and foreign trade risks abroad, which are marketed by Clal Credit Insurance, and provide to policyholders - companies which sell on credit in Israel and abroad - coverage for commercial risks, against insolvency and ongoing default of the buyer from the insured company in Israel and abroad, as well as coverage for political risks abroad only. Political risks include a general moratorium declared by the state from which the payment of consideration to the policyholder was intended to take place (the "**Importing Country**"); a prohibition against importing by the country of import, or cancellation of an import license, which prevent the implementation of the agreement between the insured company and its customer; a political event, or economic difficulty in the importing country, which prevent the transfer of the consideration and non-payment of the consideration by a public customer in the country of import (i.e., the government or any local authority or entity overseen by any of them).

The engagement with the policyholder is made through a basic insurance policy which constitutes the framework for the engagement between the parties, and defined the terms of the insurance coverage. Under the basic policy, the Company approved credit ceilings for the policyholder in varying amounts and conditions, in a specific underwriting process for each individual customer of the policyholder. The policies in this branch are usually short-term - one year, and are generally renewed automatically.

The policy grants stability to the policyholder by reducing lost debts and stability in cash flows, while managing the credit risks of the policyholder's customers and handling difficult to collect debts.

Additionally, based on the policyholder's insurance policy, the policyholder can choose to receive factoring services from banks or from other financial companies, and can also contact the financing entity of the policyholder (bank, factoring company or any other entity), in order to increase the policyholder's credit facility, by establishing the financing entity as a beneficiary to receive insurance benefits under the policy.

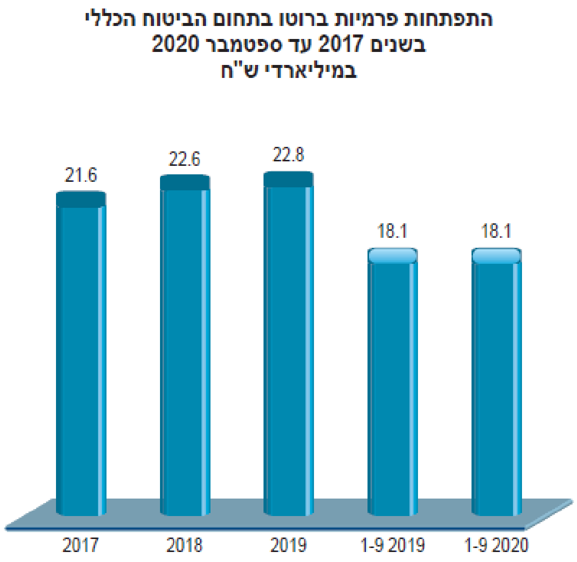
The activity in the credit and foreign trade risks insurance branch is performed through Clal Credit Insurance, a company controlled by Clal Insurance, which holds 80% of its shares, where 20% of the additional shares are held by Atradius Participation Holdings SL ("**Atradius Group**"). An agreement is in place between the shareholders of Clal Credit Insurance, which formalizes the Group's business collaboration with Atradius Group as a strategic partner, and allows Clal Credit Insurance to insure credit transaction in many countries (the agreement between the shareholders, including the amendments thereto, shall hereinafter be referred to as: the "**Shareholders Agreement**"). For details regarding the shareholders agreement, which is renewable periodically, see section 10.17.3 below.

7.1.2. Main markets, trends and changes in supply and demand

The non-life insurance market was stable in terms of the scope of premiums during the reporting year, while maintaining a mix of products which was similar to the corresponding period last year.

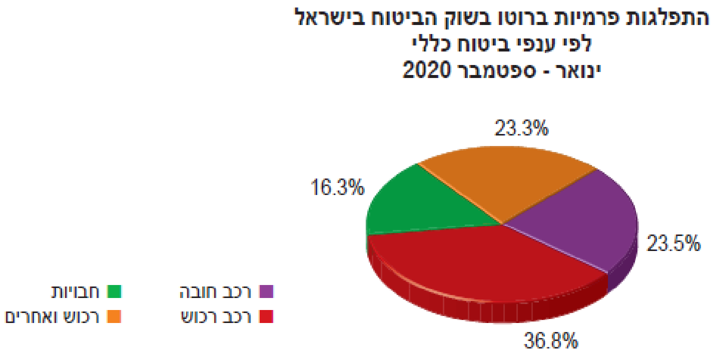
In accordance with the Commissioner's publications, as of September 30, 2020, gross premiums in the non-life insurance segment in Israel amounted, in the first nine months of 2020, to approximately NIS 18.1 billion, similarly to the corresponding period last year.

Development of gross premiums in the non-life insurance branch from 2017 to September 2020
NIS in billions



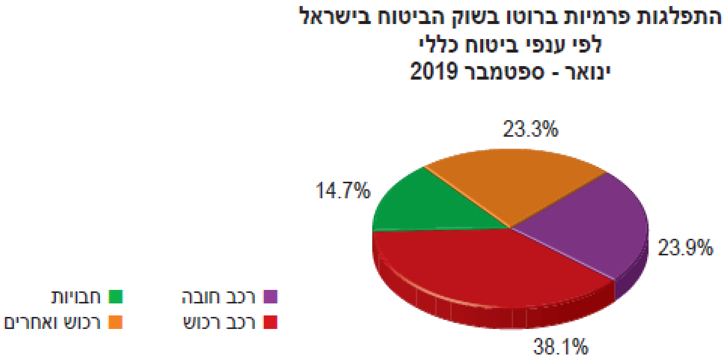
Presented below the distribution of gross premiums in the non-life insurance market in Israel, by non-life insurance branches, as described in this segment (excluding the short term illness and hospitalization branch, as described in the section regarding health insurance (section 8.1.1.1 below), with variability between the companies regarding its inclusion in the health segment or in the non-life insurance segment), in January to September of 2019 and 2020:

Distribution of gross premiums in the Israeli insurance market by non-life insurance branches
January-September 2020



Purple – Compulsory motor
Red – Motor property
Green – Liabilities
Orange – Property and others

Distribution of gross premiums in the Israeli insurance market by non-life insurance branches January-September 2019



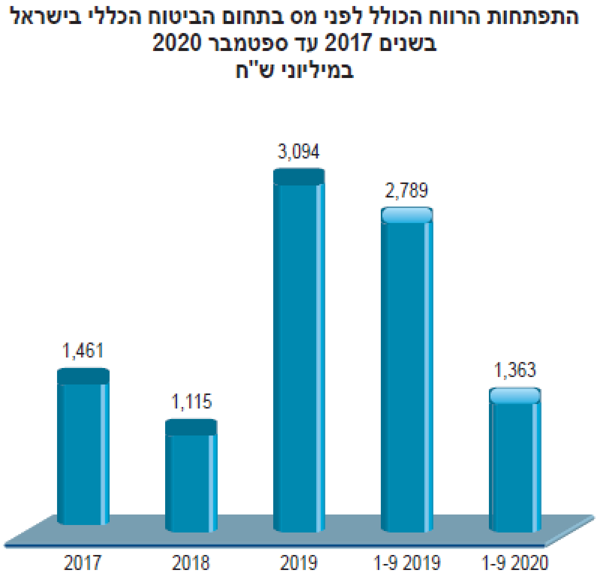
Purple – Compulsory motor
Red – Motor property
Green – Liabilities
Orange – Property and others

In accordance with the Commissioner's publications, as of September 30, 2020, profit in the non-life insurance segment in Israel in the first nine months of 2020 amounted to approximately NIS 1.36 billion, as compared with income of approximately NIS 2.79 billion in the corresponding period last year.

The decrease in profitability was mostly due to the decrease in investment income and the reduction of the liabilities with respect to implications of the Winograd committee, relative to the corresponding period last year. For additional details regarding the development of profit in the non-life insurance segment in Clal Insurance, see Part B of the Report - Board of Directors' Report, section 2.1.2.

During the reporting year, and due to the coronavirus pandemic, there was a one-time decrease both in average premiums in the motor property branch and the property and others insurance branch, and in the prevalence of claims in these branches.

Development of comprehensive income before tax in the non-life insurance segment in Israel
2017 to September 2019
NIS in millions



A. <u>Compulsory motor insurance branch-</u>

Most of the insurance companies in Israel operate in this branch, which is generally characterized by a uniform product, and by significant price competition. The demand in this segment is a result of the number of vehicles, which gradually increases each year, in light of the fact that it constitutes compulsory insurance, and due to the competitive conditions in the segment. The competitive conditions are affected, inter alia, by the entry of new players into the market, and by regulatory intervention. The possibility of conducting a comparison of tariffs through the website of the Capital Market, Insurance and Savings Authority, and through various digital means, which allow the use of price comparison search engines in the market, is also contributing to the competitive environment. For details regarding the insurance tariffs reform in compulsory motor insurance, and its impact of the tariffs and the competitive conditions in the market, as well as the entry of new competitors, see section 7.1.1.1(c)(1) above.

Beyond pricing, which is affected by considerations of competition, the profitability in this branch may be affected, inter alia, by changes in the number of road accidents, and the severity of injuries therein, by changes in the scope of subrogation claims, and by changes in legislation and in case law which pertain to the branch.

The obtained profitability is affected by the underwriting results and by tariffs, and also by the results of the investments, which are affected by changes in the capital market, changes in interest rates and inflation rates. The aforementioned changes in interest and inflation rates particularly affect profitability in liabilities insurance and in compulsory motor insurance, in light of the fact that these branches are characterized by a relatively high level of reserves, due to the significant time difference between the premium receipt date and the completion of claims handling. For additional details regarding the reform in compulsory motor insurance tariffs, and the changes to the discount rate, see sections 7.1.1.1(c)(1) and 7.1.1.1(d)(2) above. For additional details regarding the National Insurance subrogation arrangement, see section 7.1.1.1(d)(1) above.

B. Motor property insurance branch

Most of the insurance companies in Israel operate in this branch, which is generally characterized by uniform products with respect to private and commercial vehicles weighing up to 3.5 tons, and in significant price competition. The increase in this segment is a result of the number of vehicles, which gradually increases each year.

The profitability in this branch may be affected, inter alia, by various changes to the components, including the underwriting policy, the number of vehicle thefts and road accidents, changes in the prices of replacement parts and in repair costs, changes in standardization and in regulation, changes in the prices of new vehicles, prices of work hours in garages, and damages due to natural disasters. For additional details, see section 7.1.1.2(b) above.

For details regarding expected regulatory changes in the motor property insurance branch which may affect the profitability in this branch, see section 7.1.1.2(b) above.

For details regarding the effect of the coronavirus pandemic on the prevalence of claims in the motor property branch, see Part B of the Report - Board of Directors' Report, section 2.1.2.

C. Liabilities insurance branch

Most of the insurance companies in Israel operate in this branch, which features products with similar characteristics, and significant price competition. The demand in this branch is a result, inter alia, of the legal situation, including case law which was determined in connection with the interpretation of provisions of the law regarding physical injury and property damage caused to third parties which are covered under the policies.

The profitability in the liabilities branches may be affected by the competition in the branch, regulatory changes, the quality of underwriting and the degree of legal certainty. For additional details regarding legislative amendments which regulate the National Insurance Institute's subrogation rights, and regarding changes to the discount rate, see sections 7.1.1.1(d)(1) and 7.1.1.1(d)(2) above. For additional details regarding the change in the supply of directors and officers (D&O) liability insurance, see section 7.1.1.3 above.

For details regarding the impact of investment income on profitability in this branch, see subsection A above, "compulsory motor insurance branch", which has similar characteristics in this regard.

D. Property and others insurance branches-

The demand for the property branches, and the profitability thereof, may be affected, inter alia, by the rate of break-ins, fires and water damages to apartments and businesses, and to damages due to natural disasters.

The demand in these branches may be affected by the competition in the segment.

Guarantee insurance policies are sold by insurance companies, and Sale Law guarantees are also issued through banks. The demand for these insurance policies is affected, inter alia, by the development in the construction segment, and by the alternatives which are evaluated by contractors, and may be affected, inter alia, by the economic, political and security situation in Israel and abroad, by the status of the capital market and the quality of underwriting, including assessment of the risks in the branch where the creditor operates, and determining the debtor's repayment ability. During the reporting year, the Company increased its activity in the Sale Law guarantees segment. For additional details, see section 7.1.1.4(c) above.

E. Credit and foreign trade risks insurance branch -

The demand and profitability in the credit and foreign trade risks insurance branch may be affected, inter alia, by the economical, political and security situation in Israel and abroad, by the state of the capital market, by the risk level in the branch where the debtor operates, and by the state of competition in the Israeli credit insurance market.

For details regarding the possible effects of the coronavirus pandemic on the credit insurance and foreign trade risks branch, see Note 1(d)(3) to the financial statements.

F. Personal accidents insurance sub-branch

The demand for this sub-branch may be affected by the competition in the segment. Additionally, insurance policies of the personal accidents type may constitute alternatives through the acquisition of different products in life and health insurance which provide long term coverage. significant changes to the regulatory environment in recent years have imposed difficulties on the policy sale and retention processes. For additional details, see section 7.1.1.4(d) above. For details regarding students personal accident insurance, see section 7.1.1.4(d) above.

7.1.3. Material expected changes in the Company's share in the main markets, with respect to the main products and services and the mix thereof, in consideration of, inter alia, the demand and seniority of current products.

In accordance with the data which are published on the Commissioner's website, the Group is the fourth largest group in the non-life insurance segment.

According to the Company's estimate, Clal Insurance's share in the markets will be affected by the intense competition in the segment, which will remain focused on the amount of premiums and on the provision of services to policyholders, and also by the entry of new insurance companies into this operating segment in recent years. For details on this matter, see section 7.2.1 below. Additionally, changes to arrangements vis-à-vis providers (garages and loss adjusters) following the draft circular regarding garages and loss adjusters may affect the market shares in the markets. For details on this matter, see section 7.1.1.2(b3) above. For additional details regarding the effect of the competition, see section 7.2 below.

Clal Insurance is working on business growth, particularly in individual business operations, in a competitive and aggressive business environment.

The Company's estimates constitute forward looking information, which is based on the information which is available to the Company as of the reporting date. Actual results may differ from the estimated results, depending, inter alia, on the competitive conditions in the segment, on the manner of implementation of the regulatory provisions, as well as the conduct of competing entities and license holders, and the impact on tariffs.

7.1.4. New products

During the reporting year, Clal Insurance marketed a new product called Family Cyber. The product is marketed to individuals and families, and provides insurance coverage with respect to various damages which may be caused due to online activity, such as shaming, harassment, cyber bullying, identity theft, use of personal details, restoration of digital policyholder information, ransom demands, fraud, phishing, and online theft of funds.

Clal Insurance worked during the reporting year to correct and improve various products, including opening insurance tracks tailored to the customers' specific needs in motor property insurance. As part of the above, an option was added to purchase third party coverage in online sales of motor property policies, as well as an option to purchase insurance coverage for temporary drivers, including new drivers or young drivers, for holders of comprehensive motor property insurance policies up to 3.5 tons, for the period, and for a limited number of times.

7.2. Competition

7.2.1. Factors encouraging competition

According to the Company's estimate, the significant competition in non-life insurance, and particularly in the individual branches, will continue in the near future, due to the entry into the market of new insurance companies, which are engaged in the non-life insurance segment, to the ongoing impact of regulatory reforms which are unique to the segment, as specified above and below, and to industry-wide regulatory directives. Additionally, during the reporting year the credit card companies created, for the first time, insurance agencies owned by them, which use the data of their customers, in accordance with the terms which were determined by the Commissioner. To the best of the Company's knowledge, these agencies are entitled to sell products in the non-life insurance branches.

Transparency and price -

- As part of the Commissioner's policy in recent years, significant reforms were promoted which involve the reduction of tariffs, promoting transparency and increased competition. These reforms affect, and will continue to continued in the coming years, the non-life insurance segment, and the profitability thereof. For additional details regarding section 2.5.2 above, and for details regarding the 2017 amendment to the compulsory motor insurance circular, see section 7.1.1.1(c)(1) above.

- **Availability of data by digital means** - In recent years, the Commissioner has promoted various provisions on the subject of the transfer of information by digital means. As part of the above, an amendment to the addition to insurance circular regarding "addition to insurance" entered into effect in 2018, which obligated the marketing entity, when making inquiries regarding an insurance applicant's needs, to check at the Insurance Mountain (a platform concentrating information with respect to all of a policyholder's insurance products at the insurance companies) whether the insurance applicant already has similar insurance products, which increases competition in the market.

  For details regarding the use of a digital platform for marketing and distribution, see section 10.8.1.2(b) below.

The Commissioner also promoted the reporting of claims experience in motor property claims to the Insurance Mountain, with the aim of creating a central claims report, which will facilitate matters for policyholders who are required to submit a claims report for underwriting purposes, before joining insurance. For additional details regarding the addition of data from the motor property claims report to the Insurance Mountain, see section 7.1.1.2(c2) above.

- **Calculators** - Some of the competition in the segment is focused on competition over the amount of premiums. On the website of the Capital Markets, Insurance and Savings Authority, a compulsory motor insurance calculator is available which presents the insurance tariffs of all of the companies, which are determined according to the relevant variables (of each company) to insure the vehicle for which a query is performed using the calculator (the "**Compulsory Motor Calculator**"). The compulsory motor calculator allows interested parties to compare tariffs for compulsory motor insurance between the companies. Additionally, on the aforementioned website, the apartment insurance tariff calculator is published ("**Apartment Insurance Calculator**"). The apartment calculator is intended to present comparative insurance tariffs of insurers, in accordance with the coverages given in the standard insurance policy for apartments and their contents.

- Price comparison aggregators - in recent years, various aggregators have been developed in the market, which are used by insurance agents and/or end customers as a comparative sales tool for motor insurance. The aggregators allow the receipt of insurance price quotes from several insurance companies in parallel, a feature which is increasing competition in the compulsory motor branch and in the motor property sub-branch.
- Service and claim settlement - According to the Company's estimate, in the reporting year and in the coming years, the competition in the segment will continue to increase, and will also address additional components, beyond the pricing issue, such as the issue of service and the claim settlement method. These data constitute an additional measurement tool available to policyholders for choosing the insurance product. The Commissioner publishes, on the website of the Capital Market, Insurance and Savings Authority, comparative figures regarding the claim settlement method of insurance companies, as well as comparative figures regarding benchmarks for the evaluation of the service which is provided by insurance companies to policyholders.

During the reporting year, Clal Insurance launched an application called "Clal Emergency Button", which allows Clal policyholders to receive emergency calls 24 hours a day in case of a vehicle accident or an incident abroad (in connection with international travel policies), or in case of plumbing damages in an insured apartment, at the push of a button. It is also possible to submit claims through the application, to check claim status, to review the personal file, and to perform various actions with respect to the personal file.

The information presented on all matters associated with the possible implications of the development of competition constitutes forward looking information, which is based on the Company's estimates and assumptions, and the actual results may differ significantly from the forecast, inter alia, due to the conduct of competitors and customers in the market.

Lifting of barriers to competition -

For details regarding the lifting of barriers to entry to the market, see section 10.3.1.2 below.

According to the Company's estimate, the competition-encouraging factors listed above had a significant impact, during the reporting year, on the Company's activity in the non-life insurance branches, and accelerated the competition in the individual branches, which increased significantly during the reporting year, in combination with business decisions, aggressive price competition, and the conduct of competing players in the market, distributing entities and customers. According to the Company's estimate, the competitive conditions in the segment will continue in the near future as well.

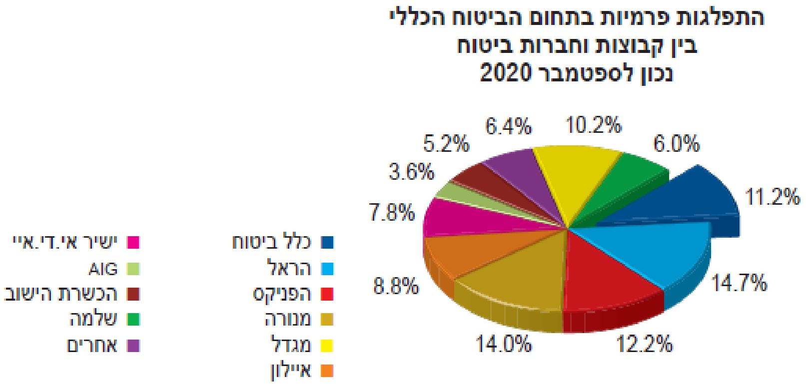
Clal Insurance's estimate in connection with the competing entities, as specified above, partially constitutes forward looking information, which is based on the information which is available to the Group as of the reporting date. Actual results may differ materially from the estimated results, due to the reasons presented above.

7.2.2. Competitive conditions in the operating segment

Most of the insurance companies in Israel are engaged in this segment.

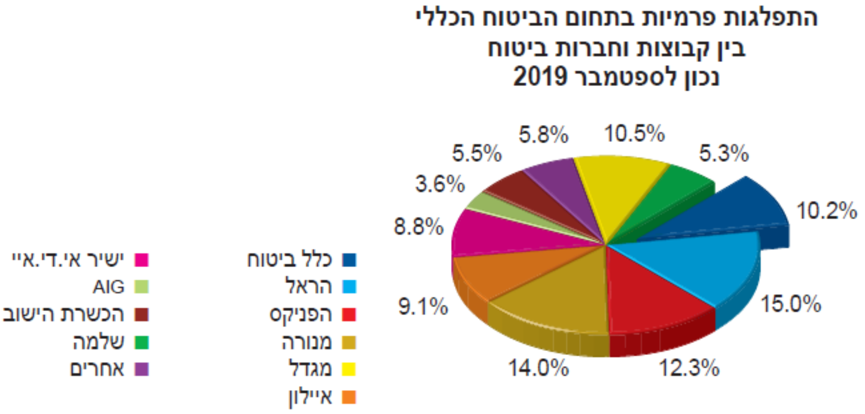
Total gross premiums in the non-life insurance segment in the Group amounted, as of September 30, 2020, to approximately NIS 2,028 million, and constituted, according to the data in the financial statements of the insurance companies as of September 30, 2020, which are published on the website of the Capital Markets, Insurance and Savings Authority, approximately 11.2% of the activity in the market's non-life insurance segment, as compared with gross premiums at a scope of NIS 1,843 million, which constituted approximately 10.2% in the first nine months of 2019. The increase in market share was mostly due to collectives in the compulsory motor branch, and large employers in the liabilities and property and others branches.

Distribution of premiums in the non-life insurance segment between insurance groups and companies as of September 2020



Dark blue – Clal Insurance
Light blue – Harel
Red – Phoenix
Beige – Menorah
Yellow – Migdal
Orange – Ayalon
Pink – Direct IDI
Light green – AIG
Brown – Israel Land Development Company
Dark green – Shlomo
Purple – Others

Distribution of premiums in the non-life insurance segment between insurance groups and companies as of September 2019



Dark blue – Clal Insurance
Light blue – Harel
Red – Phoenix
Beige – Menorah
Yellow – Migdal
Orange – Ayalon
Pink – Direct IDI
Light green – AIG
Brown – Israel Land Development Company
Dark green – Shlomo
Purple – Others

A. Individual branches

Most of the insurance companies sell most of the products in the segment in individual insurance branches (compulsory motor insurance, motor property insurance and apartment insurance). Some only through agents, others only through direct sale channels, and others through both channels. The market in the individual insurance branches involves significant competition. The competition in the activity branches is increasing in branches where there is uniformity between the products, and therefore, there is excess sensitivity to the tariffs in those products.

B. Business branches

Some of the insurance companies sell the business branch products. The competition in the liabilities and property branches is affected by the general competition in the business insurance segment. The sale of these insurance types requires specialization, and sometimes involvement of reinsurers in the specific risk.

The competition over large businesses is affected, inter alia, by the preparation of insurance tenders by customers, and the involvement of consultants, and the capacity and pricing of reinsurance.

For an analysis of the Company's business results in the individual segments and business insurance segments, see Part B of the Report - Board of Directors' Report, section 2.1.2.

7.2.3. Significant competitors in the segment

There is intense competition in vehicle and apartment insurance between all of the insurance companies which are engaged in this segment. The entry into the market of new insurance companies operating through a direct digital sales platform, along with the trend of growth in the market share of direct platforms which are held by the traditional insurance companies, have resulted in increased competition in the motor insurance market, and in the reduction of insurance premiums.

There is intense competition in the other products of non-life insurance (non-motor and apartment), mostly between the traditional insurance companies. According to the Group's estimate, the Group's main competitors in these products are the large insurance groups: Harel, Migdal, Phoenix and Menorah, which hold, jointly with the Group, approximately 62.3% of the market share in non-life insurance as of September 30, 2020, in accordance with the data which are published on the website of the Capital Markets, Insurance and Savings Authority.

In certain branches in the non-life insurance segment in Israel, there are significant competitors in the same branch. In the credit and foreign trade risks insurance branch, the main competitor of Clal Insurance is ICIC - The Israel Credit Insurance Company Ltd. Other competitors include Compagnie Française d'Assurance pour le Commerce Extérieur (Coface), which began operating in Israel in 2015, and several foreign credit insurance companies which insure Israeli companies in the credit insurance segment and which perform their sales activities through brokers.

7.2.4. Methods for dealing with competition and factors affecting the Company's competitive position

The Company deals with competition on several levels:

Improvement in pricing, underwriting and risk management methods - Data analysis using actuarial models, analysis of current business data and basing operations on an extensive database, which provide a picture that allows responding to market changes, including through differential tariffs and improvement of underwriting processes.

Improved service to customers and agents - Inter alia, thanks to the operation of systems which enable the issuance of policies at agents' offices, technological improvements to interfaces vis-à-vis agents (such as a system which enables the printing and direct mailing of policies, collaborations with motor insurance aggregators to streamline the production process), and the provision of digital services.

Operational improvements - for the purpose of complying with the regulatory directives, Clal Insurance developed automational tools in order to facilitate the agents' work in the required actions. Clal Insurance also worked to improve work methods, improve agreements with service providers, partial transition to digital mailing to policyholders, etc.

Products - Creation of designated products tailored to certain market segments and/or certain demographics, and expansion of existing policies, and adjusting them to customers' needs. For additional details, see section 7.1.4 above.

Marketing - Sales promotion through an extensive marketing campaign in various media, publications intended for agents, publications in professional media, targeted campaigns, initiated visits of professional entities on behalf of Clal Insurance at agent offices, professional conferences and professional training seminars. The Company operates a digital platform for the marketing of compulsory motor, motor property, apartment insurance and individual cybersecurity products. The Company also markets unique tracks in the comprehensive policy, called "Select Garages" (for details, sees section 7.1.1.2(b2) above), "Clal VAR" and "Clal Meterage".

According to the estimate of Clal Insurance, the factors which positively affect its status in the segment include: the Group's stability and financial soundness, which are particularly significant in long tail claim insurance branches, professional specialization, the ability to offer a broad variety of solutions, and to tailor products to the customers' requirements, including providing innovative and unique solutions in the segment, advanced policy production systems in the individual branches, good relationships with reinsurers, including reinsurance agreements which allow the Company flexibility in the receipt of various businesses, and high quality service to agents and customers.

7.3. **Customers -**

7.3.1. General

Customers in the non-life insurance segment include individual and business customers: the motor property and compulsory motor insurance branches, and the apartment insurance sub-branch, primarily include individual policyholders. The liabilities insurance branch, the property and others (excluding apartments) insurance branch, the credit and foreign trade risks insurance branch, and the Sales Law guarantees and policies branch (in which the apartment buyer is the beneficiary, and the contractor is the policyholder) primarily include business policyholders.

In some of the insurance branches in the segment, which are individual insurance branches, a significant component of the sales aimed to collectives, including the (short term) personal accidents insurance sub-branch, the compulsory motor insurance branch and the motor property insurance branch.

Additionally, in the compulsory motor and motor property insurance branches, there are customers which are companies that own vehicle fleets, including companies which are engaged in vehicle rentals / leasing companies.

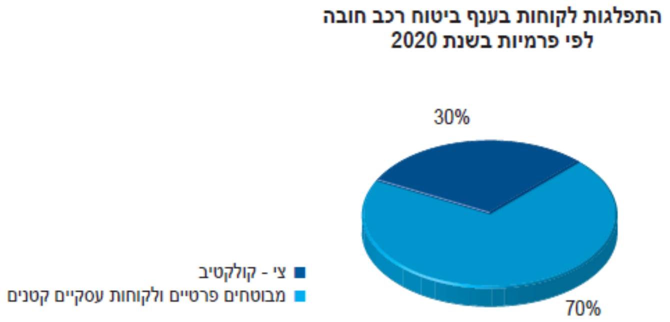
The Group's types of customers in the liabilities insurance branch are divided according to the insurance type: third party liability insurance and employer's liability insurance are intended both for the private sector (households and condominiums) and for the business sector (businesses, corporations, local authorities and other institutional entities). Directors and officers insurance, professional liability insurance and product liability insurance are intended for the business segment only.

Distribution of gross premiums (NIS in thousands) by types of customers in the various branches in the non-life insurance segment, in the years 2019 and 2020

A. Compulsory motor insurance branch

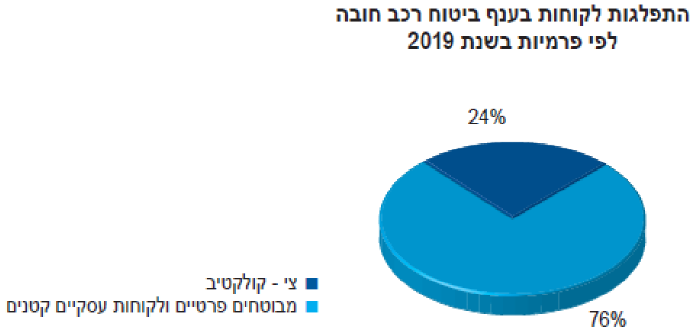
Customer type	**2020**		**2019**	
	Premiums in thousands of NIS	**Proportion of total sales**	**Premiums, NIS in thousands**	**Proportion of total sales**
Individual policyholders (not fleets or collectives)	370,521	70%	348,545	76%
Fleet - collective	161,420(50)	30%	111,467	24%
Total	**531,941**	**100%**	**460,012**	**100%**

Distribution of customers in the compulsory motor insurance branch by premiums in 2020



Dark blue – Fleet – collective
Light blue – Individual customers and small business customers

Distribution of customers in the compulsory motor insurance branch by premiums in 2019



Dark blue – Fleet – collective
Light blue – Individual customers and small business customers

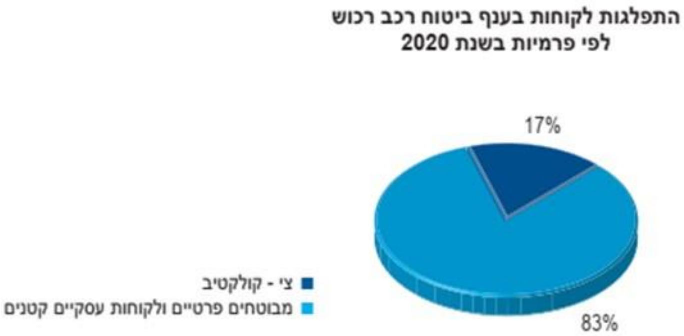
---

(50) The increase in collectives is backed by special reinsurance arrangements.

B. Motor property insurance branch

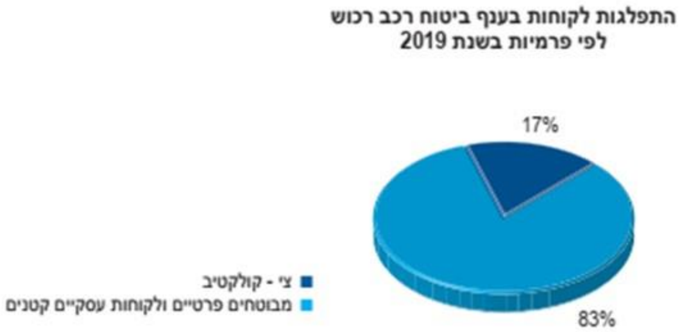
Customer type	2020		2019	
	Premiums, NIS in thousands	**Proportion of total sales**	**Premiums, NIS in thousands**	**Proportion of total sales**
Individual policyholders (not fleets or collectives)	570,127	83%	559,896	83%
Fleet - collective	116,004	17%	117,240	17%
Total	**686,131**	**100%**	**677,136**	**100%**

Distribution of customers in the motor property insurance branch by premiums in 2020



Dark blue – Fleet – collective
Light blue – Individual customers and small business customers

Distribution of customers in the motor property insurance branch by premiums in 2019

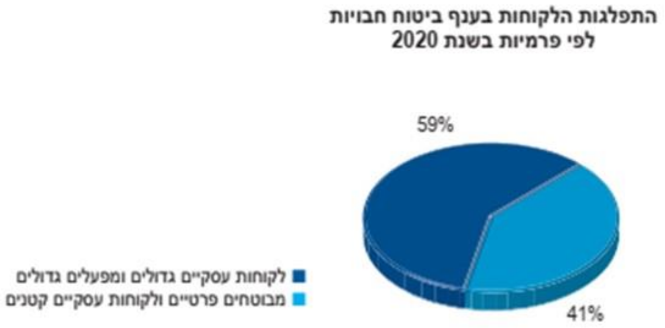


Dark blue – Fleet – collective
Light blue – Individual customers and small business customers

C. Liabilities insurance branch

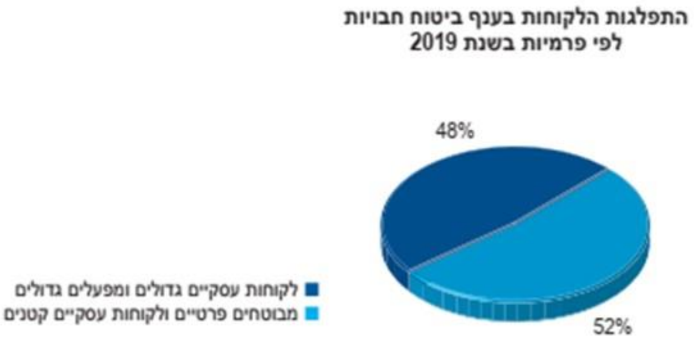
Customer type	2020		2019	
	Premiums, NIS in thousands	Proportion of total sales	Premiums, NIS in thousands	Proportion of total sales
Individual policyholders and small business customers	174,064	41%	172,442	52%
Large business customers and large plants	248,916(51)	59%	161,338	48%
Total	**422,980**	**100%**	**333,780**	**100%**

Distribution of customers in the liabilities insurance branch by premiums in 2020



Dark blue – Large business customers and large enterprises
Light blue – Individual customers and small business customers

Distribution of customers in the liabilities insurance branch by premiums in 2019



Dark blue – Large business customers and large enterprises
Light blue – Individual customers and small business customers

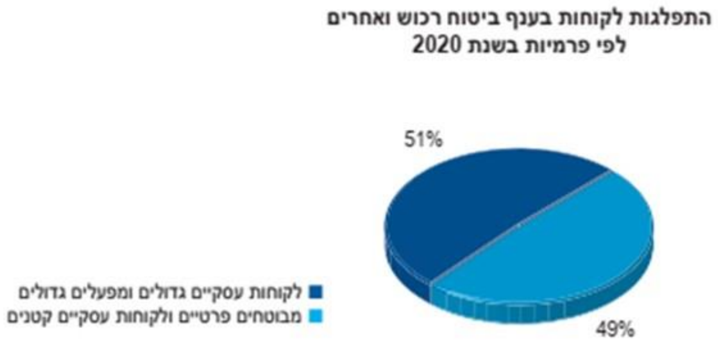
---

[51] This is mostly an increase in the liabilities branches of the directors and professional liability insurance types, which are mostly backed by reinsurance policies that became more expensive.

D. Property and others insurance branch

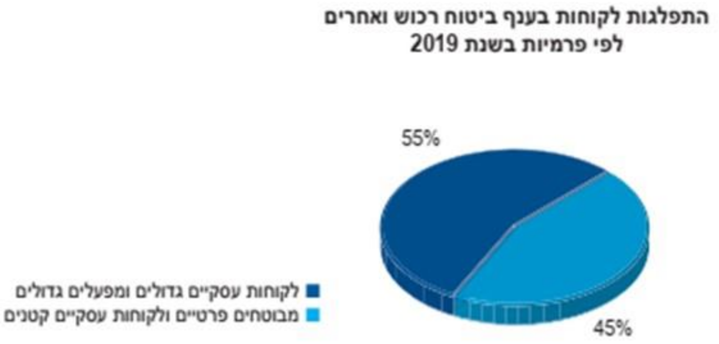
Customer type	2020		2019	
	Premiums, NIS in thousands	Proportion of total sales	Premiums, NIS in thousands	Proportion of total sales
Individual policyholders and small business customers	411,749	49%	354,060	45%
Large business customers and large plants	424,265	51%	432,864	55%
Total	**836,014**	**100%**	**786,924**	**100%**

Distribution of customers in the property and others insurance branch by premiums in 2020



Dark blue – Large business customers and large enterprises
Light blue – Individual customers and small business customers

Distribution of customers in the property and others insurance branch by premiums in 2019



Dark blue – Large business customers and large enterprises
Light blue – Individual customers and small business customers

E. **Credit insurance branch**

Customer type	2020		2019	
	Premiums, NIS in thousands	Proportion of total sales	Premiums, NIS in thousands	Proportion of total sales
Business policyholders	115,303	100%	107,112	100%
Total	**115,303**	**100%**	**107,112**	**100%**

7.3.2. Dependence on customers in the segment, renewal rates and seniority

- In the non-life insurance segment, the Group is not dependent on any individual customer or on a limited number of customers.

- The Group does not have any individual customer whose income in the segment constitutes 10% or more of the Company's total income in the consolidated reports.

- The rate of individual policyholders who purchased compulsory motor insurance together with motor property insurance in 2020, out of the total customers who purchased compulsory motor insurance in the Group, amounts to approximately 69%. The rate of individual policyholders who purchased compulsory motor insurance together with motor property insurance in 2020, out of the total customers who purchased motor property insurance in the Group, amounts to approximately 93%.

- Presented below are data regarding the renewal rate (customers who renewed policies in which the insurance had terminated) in the mandatory motor insurance, motor property insurance branches and the housing insurance sub-sector in 2020, 2019 and 2018 out of the total insurance fees in respect of policies that terminated in 2020, 2019 and 2018, respectively:[52]

Branch	Rate of renewals from total premiums with respect to policies whose conclusion date is in 2020	Rate of renewals from total premiums with respect to policies whose conclusion date is in 2019	Rate of renewals from total premiums with respect to policies whose conclusion date is in 2018
Compulsory motor insurance	**70.7%**	**71.3%**	**69.7%**
Motor property insurance	**69.4%**	**68.9%**	**70.1%**
Apartment insurance	**85.4%**	**86.4%**	**86.2%**

---

[52] The rates are presented in terms of gross premiums.

- Presented below are data regarding premiums (NIS in thousands) which were paid by customers during the reporting year, according to the number of years of seniority in Clal Insurance (according to the policy acquisition and renewal date, **in the compulsory motor insurance branch**[53]**:**

	Premiums, NIS in thousands			Proportion of total sales		
Number of insurance years (years of seniority)	**2020**	**2019**	**2018**	**2020**	**2019**	**2018**
First insurance year (no seniority)	227,789	149,872	154,759	42.82%	32.59%	33.16%
Second insurance year (one year of seniority)	89,299	90,530	133,060	16.79%	19.68%	28.51%
Third insurance year (two years of seniority)	59,069	98,443	59,218	11.10%	21.40%	12.69%
Over three years of seniority	155,784	121,167	119,688	29.29%	26.34%	25.64%
Total	**531,941**	**460,012**	**466,725**	**100.00%**	**100.00%**	**100.00%**

- Presented below are data regarding premiums (NIS in thousands) which were paid by customers during the reporting year, by number of years of seniority in Clal Insurance (according to the policy acquisition and renewal date), **in the motor property insurance branch**:

	Premiums, NIS in thousands			Proportion of total sales		
Number of insurance years (years of seniority)	**2020**	**2019**	**2018**	**2020**	**2019**	**2018**
First insurance year (no seniority)	250,567	224,741	246,089	36.52%	33.19%	34.50%
Second insurance year (one year of seniority)	135,701	145,110	168,268	19.78%	21.43%	23.59%
Third insurance year (two years of seniority)	90,735	101,774	96,224	13.22%	15.03%	13.49%
Over three years of seniority	209,128	205,511	202,720	30.48%	30.35%	28.42%
Total	**686,131**	**677,136**	**713,301**	**100.00%**	**100.00%**	**100.00%**

---

[53] For details regarding premiums which were collected by Clal Insurance in the non-life insurance segment during the reporting year, see Note 5(d) to the financial statements.

- Presented below are data regarding premiums (NIS in thousands) which were paid by customers during the reporting year, by number of years of seniority in Clal Insurance (according to the policy acquisition and renewal date), **in the apartment insurance sub-branch**:

	Premiums, NIS in thousands			**Proportion of total sales**		
Number of insurance years (years of seniority)	**2020**	**2019**	**2018**	**2020**	**2019**	**2018**
First insurance year (no seniority)	48,072	42,466	39,805	18.13%	15.86%	14.77%
Second insurance year (one year of seniority)	29,230	27,338	26,402	11.02%	10.21%	9.79%
Third insurance year (two years of seniority)	22,450	22,117	24,150	8.47%	8.26%	8.96%
Over three years of seniority	165,379	175,863	179,216	62.38%	65.68%	66.48%
Total	**265,131**	**267,758**	**269,573**	**100.00%**	**100.00%**	**100.00%**

* Details regarding customer renewals do not include data regarding policies which were sold through mortgage banks (old portfolios) which entered run off beginning in 2005.

7.4. Other

7.4.1. Effects of the coronavirus pandemic and addition of pandemic exclusion

During the reporting year, Clal Insurance dealt with the consequences of the coronavirus pandemic. In response to the pandemic, Clal Insurance took action on various levels to benefit its policyholders. As part of the above, among other measures, Clal Insurance allowed flexibility in the adjustment of policies to policyholders' needs, updates to policy terms, removal and/or addition of coverages as needed, flexibility in the terms of premium payment, providing discounts upon policy renewal, for new transactions, and more. In July 2020 the Capital Market, Insurance and Savings Authority published a "solidarity index for insurance companies in motor insurance due to the coronavirus crisis". According to the results of the aforementioned index, Clal Insurance was placed second out of the 15 companies which were evaluated. For additional details regarding the motor insurance solidarity index, see https://www.gov.il/he/departments/news/car-insurance-corona. In December 2020, the Capital Market, Insurance and Savings Authority published a similar solidarity index for business insurance. In accordance with the results of the business insurance index, Clal Insurance was placed second out of the 11 companies which were evaluated. For additional details regarding the business insurance solidarity index, see https://www.gov.il/he/departments/news/solidarity11.

In December 2020, the Commissioner sent to the managers of all insurance companies a letter of guidelines regarding the establishment of exclusions in insurance policies, in light of the coronavirus pandemic. In accordance with the letter, insurance companies that wish to include in their policies exclusions pertaining to risks arising from the pandemic (hereinafter: the "Pandemic Exclusion"), must comply with the principles specified in the letter, including an instruction stipulating that the exclusion will be limited to the damage due to the illness which has been declared a pandemic by the World Health Organization, or any government authority authorized to do so, while in property insurance, it will be permitted to exclude also infectious diseases - viruses, bacteria, other microorganisms, etc. In December 2020, the Company approved, vis-à-vis the Capital Market, Insurance and Savings Authority, the wording of the pandemic exclusion clauses which it may add to its insurance policies in the property and liabilities segments (excluding for apartment and motor insurance), in a wording which complies with the principles specified in the letter.

7.4.2. Expected arrangement for autonomous vehicles

In September 2020 the Authority published a consultation paper regarding required regulations for the era of autonomous vehicles. Additionally, in February 2021 the Ministry of Justice published a request for public positions regarding tort and insurance matters, in advance of the regulation of the use of autonomous vehicles. As part of these publications, the public was requested to express its position regarding the desired arrangement outline, and regarding the main questions in light of the expected transition to the use of autonomous vehicles.

At this preliminary stage, before the expected arrangement for the market of autonomous vehicles has been published, and before the date when autonomous vehicles will commence activity in Israel, and the scope thereof, are known, it is not possible to predict the effect that this activity could have on the insurance market in Israel.

8. Health insurance segment

8.1. Products and services

8.1.1. Description of the insurance branches and the insurance coverages included in the segment

8.1.1.1. Illness and hospitalization branch

In Israel, there are several layers providing illness and hospitalization coverage: The basic health basket which is provided to the country’s citizens by virtue of the National Health Insurance Law (the “**Basic Basket**”); additional services which are provided by the health funds in accordance with the provisions of the National Health Insurance Law (hereinafter: the “**Additional Services**” or the “**Additional Health Services**”); and insurance policies sold by the insurance companies.

The Group offers to its policyholders a variety of insurance coverages in the illness and hospitalization branch, which include compensation or indemnification to policyholders with respect to medical expenses in case of harm to health due to an illness or accident. Some of these products are substitute, supplement and expand the coverages and services which are given in the basic basket and/or the additional services.

The illness and hospitalization branch includes the following primary sub-branches which are proposed by the Company:

- Illness and hospitalization insurance.
- International travel insurance.
- Personal accidents insurance.

8.1.1.2. Long-term care branch

Long-term care insurance provides solutions for situations in which the policyholder is defined as requiring long-term care, according to the definition of the insurance event in the policy, i.e., anyone who cannot independently perform part of the activities of daily living, and therefore requires assistance or supervision. A policyholder with mental incapacity is also considered as requiring long-term care.

A person requiring long-term care who resides at home, and who fulfills certain criteria (including, inter alia, health and economic criteria), may be entitled to receive services from the National Insurance Institute, including treatment hours at home, in accordance with the provisions of the National Insurance Law (Combined Version), 1995.

The Ministry of Health also participates in assisting the funding of residence in a long-term care institution among the long-term care institutions which are recognized by it for this purpose, for any person requiring long-term care who requires assistance in financing such residence.

The long-term care branch includes insurance coverages which are paid, in addition to the payments or services which are given by the state, as specified above, as individual insurance and as collective insurance (currently mostly for health fund members), in which, upon the occurrence of an insurance event, the insurance company undertakes to insurance company in funding the long-term care hospitalization or to compensate the policyholder. The policies provide insurance benefits for a defined period, or for the entire lifetime.

Beginning in October 2019, Clal Insurance stopped (along with the other market players, to the best of its knowledge) marketing individual long-term care policies to new customers, inter alia, due to the announcement of reinsurers, regarding the discontinuation of their activity in the long-term care insurance segment in Israel. For additional details, see section 8.1.2.2 below. Additionally, as of the publication date of the report, Clal Insurance is not engaging in any new agreements regarding collective long-term care insurance.

8.1.2. Details regarding the primary products and services included in the operating segment

Presented below is a description of the main coverages:

8.1.2.1. Illness and hospitalization branch

In the illness and hospitalization branch, Clal Insurance markets individual insurance and collective insurance.

- Individual insurance

Individual health insurance policies which were sold until the end of January 2016 are generally for an undefined period, regarding which, except for the cases specified in the policies and in the policies, only the policyholder is entitled to announce their termination.

In accordance with the Commissioner's directives, individual insurance in the health segment (excluding loss of working capacity, long-term care insurance, international travel, dental, and foreign employees and residents) which are sold from February 2016, are automatically renewed for all policyholders once every two years, and subject to the Commissioner's approval, the insurance company may update the tariffs and conditions in all individual health insurance policies, until the date of the next update of the tariff and/or conditions (hereinafter: the "**Date of the Change**"). An insurance company is obligated to notify all policyholders of the change around two months before the date, and to obtain their consent if the monthly premiums have increased, or if the scope of insurance coverage has been reduced, as an alternative to raising the premiums, as stated above, according to the cases and conditions which were determined by the Commissioner (hereinafter: the "**Policy Pricing Reform**").

Periodic updates to the policy terms, insofar as they are made in a manner which does not benefit policyholders, may affect the ability to retain policyholders, particularly among healthy policyholders.

The information presented on all matters associated with the possible implications of the policy pricing reform constitutes forward looking information, which is based on assumptions and estimates

made by the Group, as of the reporting date. Actual implementation may differ from the forecast, and depends on a variety of factors, including the manner in which the policies are updated, according to the requirement and/or possibility to update them, over the years, and the operating expenses associated therewith, and also depends on the conduct of competing companies, distributing entities and the preferences of policyholders over time, as well as the combined impact of the policy pricing reform, together with the standard policy regulations, as defined below.

Additionally, in accordance with the Commissioner's directives, beginning in February 2016, an insurance company which markets individual policies in the illness and hospitalization branch and in the personal accidents branch will allow a potential policyholder to purchase a base plan, a plan which, in general, when canceled, also signifies the cancellation of the associated additional plans, independently of their purchase of another, additional plan, or another base plan, unless the Commissioner has given advance written consent for the above. It was also determined that an insurance company will allow potential policyholders to purchase any of the following coverages as base plans: surgeries, transplants, drugs and critical illness. An insurance company may not make a discount in a certain plan conditional upon the purchase or holding of any other plan, and must obtain the policyholder's separate consent for the acquisition or cancellation of each of the plans.

- Collective insurance

Collective health insurance policies are generally for periods of several years, where in some of the policies, policyholders are entitled to acquire, at the end of the collective insurance period, individual policies without underwriting ("**Insurability**").

The Control of Finance Services Directives (Insurance) (Collective Health Insurance), 2009 (hereinafter: the "**Collective Heath Regulations**" or the "**Directives**"), regulate collective insurance, and determine, inter alia, that the continuous renewal of collective insurance will be done only on the condition that one or more of the basic coverage chapters, as defined in the directives, which existed in the policy prior to its renewal, have not been canceled. It was further determined that the premiums cannot be raised, during the insurance period, or on the date of renewal of the collective insurance policy, at a rate or amount higher than that specified in the directives, unless the policyholder's express consent has been received.

Insurance coverages in the illness and hospitalization branch

Presented below is a description of the characteristics of insurance coverages in the main products which are sold by the Group in the illness and hospitalization branch:

A. Illness and hospitalization insurance

- In the illness and hospitalization branch, the insurance companies offer coverages which are divided into three types:
  - **Alternative insurance** - Insurance coverage which constitutes an alternative to the services which are given in the basic basket and/or for additional services.
  - **Additional insurance –** Coverage for services which, are their date of sale, are not included in the basic basket or in the additional services.
  - **Supplementary insurance** - Coverage which expands coverage given in the basic basket and/or in the additional services.

- **The basic insurance coverages in this sub-branch include:**

  - **Insurance for surgeries, transplants and special treatments** - Provides coverage to the policyholder with respect to 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 coverage for medical expenses, inter alia, in connection with surgery, transplants and/or special treatment overseas.

    Beginning in February 2016, all of the insurance companies in Israel which market health policies, have been marketing policies which include standard insurance coverage for surgeries, alternatives to surgery, and consultations with specialized physicians regarding surgeries or regarding alternative treatments to surgery, all in Israel, the scope and terms of which were set forth in the Control of Finance Services Regulations (Insurance) (Terms of Insurance Contract for Surgeries and Alternative Treatments to Surgery in Israel), 2015 (hereinafter: the “**Standard Surgery Policy**” and the “**Standard Policy Regulations**”, respectively).

    In accordance with the Economic Plan Law (Legislative Amendments to Implement the Economic Policy for Budget Years 2015 and 2016), 2015 (hereinafter: the “**2015 Economic Arrangements Law**”), beginning in July 2016, the standard surgery policy which is marketed by all of the insurance companies in Israel includes coverage for surgeries which will only be performed by a service provider who has an arrangement with the insurer regarding the performance of the procedure (hereinafter: “**Arrangement Service Provider**”). It was further determined in the 2015 Economic Arrangements Law, in a standard manner for all insurance companies and health funds, that in general, except for an exclusion which was established with respect to insurers with low market shares (hereinafter: “**Insurers With Low Market Shares**”), the insurance company will pay in accordance with the standard policy for surgeries, with respect to a surgery, directly to the physician or to the medical institution in which the surgery was performed, according to an insurance arrangement only, and will not pay to the patient monetary reimbursement or payment for the surgery.

    The existence of a standard surgery policy at an insurance company which allows the provision of service to policyholders through providers which have an agreement with the insurance company only, resulted in competition focused on price, service (including the available doctors, which will be determined in the arrangement), and the claim settlement method.

    In accordance with the decision of the Price Committee from February 2018, and the application of Chapter F (Reporting of Prices and Profitability) of the Supervision of Products and Services Law, 1996, to the prices of privately funded surgeries, through the Supervision of Products and Services Pricing Ordinance, an obligation was imposed on the health fund and insurance companies which provide medical insurance, as well as surgical hospitals and clinics as the service providers, to submit data to the Ministry of Health regarding privately funded surgeries, in a predetermined format, for two years.

    At this stage, the Company is unable to estimate the impact of the aforementioned report, if any.

  - **Critical illness insurance** - Insurance coverage in which the policyholder, in case of the diagnosis of a critical illness insurance, is entitled to receive monetary compensation in a one-time amount.

  - **Drugs insurance** - Insurance coverage for purchasing drugs which are not included in the national health basket.

- There are also additional coverages, which do not constitute basic plans, such as **ambulatory services** - services which provide medical treatment, in a hospital or a clinic, with no need for hospitalization.

B. International travel insurance

International travel insurance is comprised of a basket of insurance coverages which are intended for policyholders during their time spent abroad, including, inter alia, base coverage which primarily includes medical expenses that allows the purchase of various extensions (such as travel cancellation, travel shortening, pregnancy, personal accidents, baggage, winter sports). The insurance period in an international travel policy is specified in days, according to the period of the policyholder's stay abroad, or for the duration of all travel days in a single calendar year. Due to the coronavirus pandemic, the Company almost entirely stopped marketing international travel policies. Before the pandemic, international travel policies were sold by insurance agents, mostly by the direct sales unit, and through the health funds.

In November 2020, an amendment to the Collective Health Regulations entered into effect, which stipulates that an insurer is entitled to reimburse, to a policyholder which is a health fund and whose members are covered by international travel insurance, amounts which the fund spent due to the management of a collective policy in international travel insurance, provided that these amounts do not exceed 10% of the total sum of all premiums which were collected from policyholders in international travel insurance, to the health fund members.

The Company is working on the development, expansion and preservation of distribution channels for international travel insurance, inter alia, by expanding the efforts on marketing through insurance agents, marketing through digital means, and renewing, preserving and updating the engagements with the health funds. The profitability in international travel policies is also affected by changes in exchange rates. For additional details, see section 8.3.2 below.

In light of the global coronavirus pandemic during most of the reporting period, the activity in this segment decreased significantly. For additional details, see Part B of the Report - Board of Directors' Report, sections 2(a)(4) and 2.1.3, and Note 1(d)(3) to the financial statements.

C. Personal accidents insurance

This sub-branch includes individual policies which grant entitlement to compensation in a one-time amount upon the occurrence of an insurance event, such as fractures, burns, disability and death due to an accident.

In recent years, the personal accidents branch has undergone comprehensive changes which are the result of various changes and regulatory processes which were adopted by the Commissioner, in order to increase competition and transparency, and to change the product terms. These processes are affecting, and will continue affecting in the coming years, the personal accidents branch, inter alia, as specified below:

In accordance with the provisions of the circular entitled "**amendment to the provisions of the consolidated circular - volume 6, parts 2, 3 and 4 - disclosure and reporting to holders of health insurance policies**" (hereinafter: the "**Disclosure And Reporting Circular**"), during the period from September 2018 to September 2020, monthly text messages were sent to policyholders informing them of the monthly payment to the insurance company with respect to personal accidents policies. The obligation to send monthly text messages, as stated above, resulted, during the year before the reporting year, in an increase in the cancellation rate; however, during the reporting year there was not another increase in these cancellations.

In June 2020, an "amendment to the provisions of the consolidated circular - volume 6, part 3, chapters 2, 3 and 4 - personal accidents insurance" was published (hereinafter: the "**Circular Regarding Personal Accidents**"), which includes provisions which are intended to regulate the process of sale and insurance coverage in the personal accidents branch. The principal provisions determined in the circular regarding personal accidents include: determining a basic level for the policy, to include covers for death, disability, hospitalization, convalescence days, fractures and burns, whereby an insurance company will be entitled to propose extensions to the basic layer, with the Commissioner's approval. Permission was also given to continue marketing plans which include coverage for accidental death only, or coverage for accidental disability only. The personal accidents circular established a standard and broad definition of an "accident"; It was determined that the insurance period in personal accidents policies will not exceed two years, except with respect to accidental death or accidental disability plans only, which are sold as an extension of life insurance - risk only, in which case the insurance period is the same as the insurance period in the base policy. Transitional provisions were established which will apply for a period of two years after the application date, according to which insurance companies will be required to send to insurance applicants, at the end of a telephone sale process, a message including an explanation regarding the insurance, in which the insurance applicant will be required to actively approve their consent to join the insurance, the imposition of an obligation on insurance companies to maintain an internal monitoring mechanism regarding the method of addition to personal accidents insurance, with an emphasis on certain population groups which were defined in the circular, and the imposition of an obligation on insurance companies to notify current personal accident policyholders, by SMS, of the option to transfer to personal accident policies according to the new format. The circular included unique and restrictive provisions regarding the addition of policyholders to personal accidents policies, including a provision stating that the addition actions will be made directly vis-à-vis the insurance applicant by an insurance company or by a license holder ("**Performance of the Addition Activity**"); a mechanism for the settlement of disability claims in personal accidents insurance, including a provision stipulating that the insurance company will not reject an opinion which has been determined for the policyholder on behalf of the National Insurance Institute, or a medical opinion which has determined a certain disability grade for the policyholder, without having conducted an examination of the policyholder by an specialized physician on its behalf; and a provision stipulating that the insurance company will not approve a claim from a policyholder with a disability grade which is less than the determined disability grade, except based on the determination of a specialized physician who has examined the policyholder. In accordance with the personal accidents circular, it will enter into effect on May 1, 2021, and will apply, in general, to individual or collective personal accidents insurance policies which will be commenced or renewed beginning on the application date and thereafter, excluding certain provisions, regarding which it is proposed to determine that they will not apply, inter alia, to students personal accident insurance and collective personal accidents insurance, as applicable. The provision stipulating that actions involving the sale of personal accidents policies will be done by an insurance company or by a license holder entered into effect on the publication date of the circular.

For details regarding the determination with respect to the marketing of personal accidents policies, which was performed in the past, see Note 41(d)(1) to the financial statements.

The entire set of changes which occurred in connection with the personal accidents branch, as specified above, have affected, and will continue affecting in the coming years, the personal accidents branch, in a manner which imposed difficulties on processes of sale and retention.

The Company is evaluating the implications of the personal accidents circular, which impose difficulties on the sale process of personal accidents policies, both on all matters associated with the identity of the entity authorized to perform the addition activity, in light of the complexity of the sale process itself, and in light of the changes in policy terms, which will affect the policy period, the scope of insurance coverage which is given thereunder, and they are also expected to increase the costs of selling, operating and settling claims. These changes to the policy terms are expected, in part, to affect also the sales of the accidental death coverage product in life insurance.

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

8.1.2.2. Long-term care branch

In the long-term care branch, policies are marketed in which, upon the occurrence of an insurance event, the Company undertakes to participate in the financing of residence in a long-term care institution, or to compensate the policyholder in a predetermined amount. The policies provide insurance benefits for a defined period, or for the entire lifetime.

In accordance with the Commissioner's directives on the matter, as expressed in the circular regarding the "preparation of long-term care insurance plan" (the "**long-term care Circular**"), an insurance event which is due to a situation wherein the individual is unable to perform at least 3 of 6 activities which are defined in the circular (getting up and lying down, getting dressed and undressed, bathing, eating and drinking, continence and mobility) will entitle the policyholder to no less than 50% of the monthly insurance benefits, and an insurance event which is situation a situation of mental incapacity" (as defined in the circular), will entitle the policyholder to receive 100% of the monthly insurance benefits. The insurance benefits are paid beginning at the end of the waiting period, for the entire lifetime of the policyholder, or for a period of several years, as defined in the policy, and so long as the policyholder continues to require long-term care. The waiting period may be a several months or several years, depending on the product purchased by the policyholder.

As of the reporting date, as a result of the combination of regulatory directives from recent years, as specified below, as well as market conditions and business considerations, Clal Insurance discontinues the marketing of long-term care policies - both individual long-term care policies and collective long-term care policies, including within the framework of collective long-term care insurance for health fund members whose activity has been transferred from the Company to other insurance companies, and excluding long-term care policies within the framework of the realization of contractual obligations towards policyholders. To the best of the Company's knowledge, also other insurance companies no longer market individual long-term care insurance policies.

At this stage, the Company is unable to predict future developments in this segment, which is affected, inter alia, by regulatory changes, positions of reinsurer, approval of new tariffs by the Commissioner, and market conditions.

The information presented on all matters associated with future developments in the long-term care insurance segment constitutes forward looking information, which depends on various factors, including the long term effects of the reforms in the long-term care branch, the conduct of Clal Insurance and competing entities, the conduct of reinsurers, and the Commissioner's policy regarding changes in the terms and/or tariffs of the long-term care product.

During the period before the reporting year, an "amendment to the provisions of the consolidated circular - Volume 6, Part 3 - long-term care insurance" (hereinafter: the "**Circular**" or the "**Circular Regarding The Settlement Of Long-Term Care Claims**") gradually entered into effect (in December 2018 and during 2019), which includes provisions regarding the settlement of long-term care insurance claims, including provisions regarding the order of activities and the timetables which will apply to the insurer in the claim settlement process; Imposition of an obligation for the insurer to appoint a representative on its behalf, to serve as the contact person vis-à-vis the policyholder; And the establishment of restrictions in cases where investigations can be made, and regarding the methods used to make them.

The circular also specifies the cases in which the insurer may refer the policyholder for the performance of functional evaluations, and it was further determined that if the insurer has a functional evaluation which was performed by the National Insurance Institute, or by another insurer, it will be considered as constituting sufficient information for the purpose of describing the performance of the actions specified therein. Appeals by insurance companies against the results of the functional evaluation will be performed through a determining provider, and only based on information which contradicts the results of the functional evaluation which was performed, and which it did not have previously. The described processes, and the provisions and restrictions set forth in the circular regarding the settlement of long-term care claims, affected the claim settlement process in general, both in the operational terms, and on all matters associated with claim settlement and the tools which are available to insurers in order to ascertain its liability, and therefore led to increased claim settlement costs during the period from the date of the circular's entry into effect, until the publication date of the report. At this stage of adoption of the provisions of the circular which entered into effect, mostly in 2019, the Company is unable to estimate the full impact of the aforementioned provisions, which could be significant over time. For additional details, see section 10.16(b)(1) above.

The Company's assessment regarding the effects of the claim settlement circular, as described above, constitutes forward looking information, which is based on the Company's assumptions and estimates, and actual results may differ from the forecast, inter alia, due to the preliminary stage of the implementation of the circular's provisions.

A. Individual long-term care insurance

Individual insurance policies in the long-term care branch are insurance policies which are purchased privately by policyholders. The insurance period in such policies is for the entire lifetime, where the maximum period of entitlement to receive insurance benefits is in accordance with the type of policy which was acquired (several years to entire lifetime). There are long-term care insurance policies which are supplementary to long-term care insurance acquired by a policyholder (generally through health funds or collective insurance), which provide insurance benefits only after the end of a waiting period of 36 or 60 months.

There are fixed premium long-term care policies which grant the policyholder the right, in cases where he stops paying the premiums, for any reason whatsoever, under certain conditions, to accrue settlement values, which allow him to receive reduced insurance benefits in case of a claim, in accordance with his age, the premium payment period, and the premium amount which was paid by him. When the settlement values are lower than a certain limit which was determined by the Commissioner, the policyholder receives, instead of the settlement values, a one-time amount. Additionally, until 2013, individual long-term care policies were also sold at variable premiums, without settlement values. In accordance with the Commissioner's directives, beginning in 2013, in addition to fixed premium policies, only policies with premiums linked to the CPI's increase of up to 4% per year can be sold, in which the price is fixed no later than age 65 ("**Restricted Variable Rate Premium**").

The long-term care policies which were marketed by Clal Insurance were mostly with fixed premiums, while others were with restricted variable rate premiums. Until 2007, Clal Insurance also marketed long-term care insurance with fixed premiums, which included a mechanism for linkage to investment portfolio returns, in a manner whereby positive returns, beyond the minimum returns determined in the policy, increased the amount of the monthly stipend to which the policyholder is entitled upon the occurrence of the insurance event. Returns lower than the minimum returns defined in the policy entitle Clal Insurance to increase the insurance premiums, in a manner whereby the amount of the monthly stipend to which the policyholder is entitled upon the occurrence of the insurance event will not be reduced. Since 2007, long-term care policies with this mechanism are no longer sold by the Group.

Further to that stated in section 8.1.3.2 below, in order to reduce the exposure to that segment, which is exposed to significant risks, including exposure to regulatory changes, significant gaps between the terms of insurance coverage and the expectations of policyholders, and complex claim settlement processes, Clal Insurance decided, during the year preceding the reporting period, to discontinue the marketing of the individual long-term care policies in Clal Insurance to new customers, inter alia, in light of the announcement of reinsurers regarding the discontinuation of their activity in the long-term care insurance segment in Israel.

B. Collective long-term care insurance (excluding collective long-term care insurance for health fund members)

In recent years, the Commissioner has published various directives, in which he regulated the conclusion of collective long-term care insurance activities, under the previously implemented framework, and the conclusion of which was eventually scheduled for December 31, 2017 (hereinafter: the “**Conclusion Date**”). Additionally, in 2017, directives of the Commissioner entered into effect with respect to the framework for collective long-term care insurance policies which will be sold beginning from the conclusion date (hereinafter: the “**New Framework**”). In accordance with the new framework, it was determined, inter alia, that the insurance period will be no shorter than 5 years, and no longer than 8 years; the type of premium which can be collected from a policyholder is the fixed premium or increased premium (variable up to 4% per year, and only until age 65); a policyholder in collective long-term care insurance will accrue settlement values from age 40 onwards, which will be determined according to the age when the policyholder first joined the insurance, where upon renewal of the collective insurance at another insurer, the reserves will be transferred between insurers; when exercising the continuity right of a policyholder aged 40 or older, for a individual framework long-term care policy, the premium of the continuing policy will be no higher than the premium which that policyholder was required to pay with respect to the collective long-term care insurance before the transition to the continuing policy. To the best of the Company’s knowledge, policies according to the new framework are not common on the market.

As of the publication date of the report, Clal Insurance does not engage in collective long-term care insurance under the new framework, and accordingly, most of the collective policies in which Clal Insurance was engaged in the past, under frameworks other than the new framework, concluded.

C. Collective long-term care insurance for health fund members

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.

During the reporting period, the impact of the Maccabi and Leumit health funds transaction amounted to loss of approximately NIS 68 million and loss of approximately NIS 4 million, respectively. During the current quarter, the Maccabi and Leumit health funds transaction resulted in profit of approximately NIS 4 million and NIS 6 million, respectively.

The termination of the engagement with Maccabi and Leumit health funds resulted in the re-allocation of indirect expenses, and in a gradual decline in the number of claims and in direct expenses with respect to the concluded activity, beginning from the end date of the insurance period, and this trend is expected to continue in 2021 as well, and in general, is expected to conclude, with respect to new claims, after the passage of the prescription period, which applies to most of the claims, 3 years after the termination of the engagement with the health funds. As of the reporting date, Clal Insurance is continuing to receive claims with respect to past periods, including at a higher rate than it initially predicted, and disputes sometimes arise vis-à-vis the health funds and/or the new insurer, regarding the correct date for attributing the initial occurrence of the insurance event.

The information presented on all matters associated with the possible future implications of the conclusion of Clal Insurance's activity as a provider of long-term care insurance to members of Maccabi and Leumit health funds constitutes forward looking information, which is based on assumptions and estimates made by the Group as of the publication date of the report, and actual results may differ.

8.1.3. Main markets, trends and changes in supply and demand

8.1.3.1. **Illness and hospitalization branch**

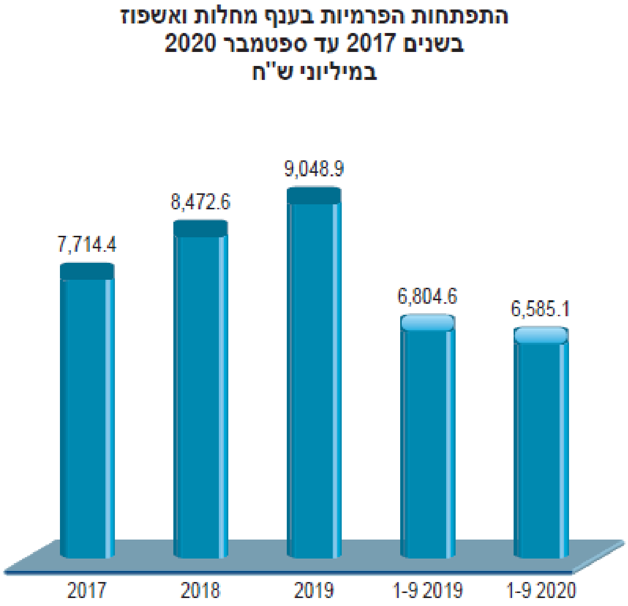
In recent years, the illness and hospitalization branch has been a developing branch, due, inter alia, to the following facts: the gap between the scope of health services provided by the state in the basket of basic health services, and citizens' need for improved health services; technological improvements in the field of medicine; Increased life expectancy and improved quality of life, which require expensive medical resources, such as advanced drugs and medical treatments; the additional health services, which are subject to change, which do not necessarily sufficiently address various issues such as transplants and drugs; and increased consumer awareness in the field of health, including awareness regarding the need for available service and by choice, the need for medical services which are not included in the basic health basket, and the additional services of health funds.

In accordance with the Commissioner's publications as of September 30, 2020, the market volume, in terms of gross premiums in the illness and hospitalization branch in the first nine months of 2020, amounted to approximately NIS 6.6 billion, as compared with approximately NIS 6.8 billion in the corresponding period last year. Premiums in the illness and hospitalization branch in the first nine months of 2020 constituted approximately 12.9% of total premiums in the entire insurance market in Israel, as compared with approximately 13.0% in the corresponding period last year.

In January to September 2020, a decrease of approximately 3.2% occurred in the market volume, in terms of gross premiums of illness and hospitalization insurance, in the insurance market in Israel relative to the corresponding period last year, as compared with an increase of approximately 6.8% in the total scope of the aforementioned premiums in 2019, relative to 2018.

In recent years, sales of illness and hospitalization insurance have been on an uptrend, inter alia due to public awareness, and the reasons specified in section 8.1.2.1 above.

Development of premiums in the illness and hospitalization branch in Israel from 2017 to September 2020



The scope of premiums in the illness and hospitalization insurance branch reflects the premiums which are paid with respect to all policies in effect which were sold over the years, and the changes therein do not necessarily indicate a change in supply and demand during the reporting year.

For details regarding the possible implications of the sale of standard surgery policies by all of the insurance companies, and the Commissioner’s directives regarding the method for sale of health policies from February 2016, including with respect to the insurance period, which is automatically renewed every two years, see sections 8.1.2.1(a) and 8.1.2.1 above.

8.1.3.2. Long-term care branch

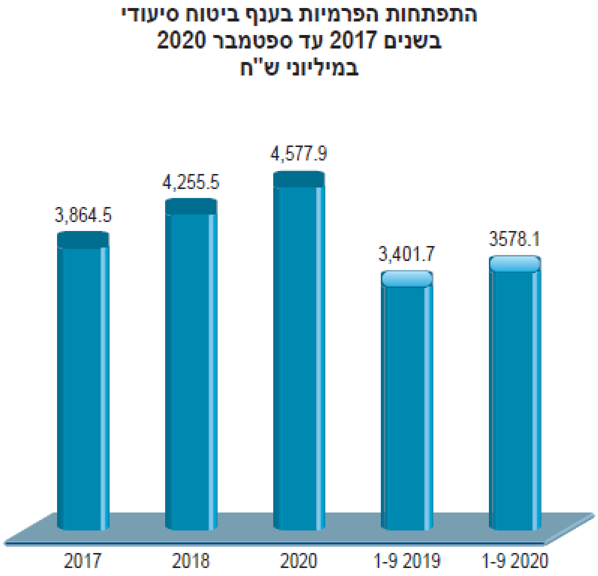
The long-term care branch has undergone significant changes in recent years, which are as a result, inter alia, of regulatory changes, significant differences between the terms of insurance coverage and policyholder expectations, and complex claim settlement processes. In recent years, a decrease has occurred in sales of individual long-term care insurance by Clal Insurance (which includes individual long-term care policies, as part of the realization of the continuity rights of policyholders in concluded long-term care collectives), due, inter alia, to its decision to reduce its exposure to this segment, which is exposed to significant risks, as stated above.

Further to the foregoing, Clal Insurance decided, during the year preceding the reporting period, to discontinue the marketing of the individual long-term care policies in Clal Insurance to new customers, inter alia, in light of the announcement of reinsurers regarding the discontinuation of their activity in the long-term care insurance segment in Israel. To the best of Clal Insurance’s knowledge, in general, insurance companies in Israel also discontinued the marketing of individual long-term care policies to new customers.

In accordance with the Commissioner’s publications as of September 30, 2020, the market volume in terms of gross premiums in the long-term care branch in the market, in the first nine months of 2020, amounted to approximately NIS 3.6 billion, as compared with approximately NIS 3.4 billion in the corresponding period last year. Premiums in the long-term care branch in the first nine months of 2020 constituted approximately 7.0% of total premiums in the insurance market in Israel, as compared with approximately 6.5% in the corresponding period last year.

In January to September 2020, an increase of approximately 5.2% occurred in the scope of gross premiums in long-term care insurance in the insurance market in Israel, as compared with the corresponding period last year, as compared with an increase of approximately 7.6% in the scope of premiums in long-term care insurance in the insurance market in Israel in 2019, relative to 2018.

Development of premiums in the long-term care insurance branch from 2017 to September 2020
NIS in millions



The scope of premiums in the long-term care insurance branch reflects the premiums which are paid with respect to policies in effect which were sold over the years, and where the changes therein do not necessarily reflect the change in supply and demand during the reporting year.

Some of the branches in the segment are characterized by the accrual of significant reserves for long periods, and therefore, the profitability in the segment is affected, inter alia, by investment income held against insurance liabilities.

8.1.4. Material expected changes in the Company's share in the main markets, with respect to the main products and services and the mix thereof, in consideration of, inter alia, the demand and seniority of current products

In accordance with the Commissioner's publications with respect to the data for the nine month period ended September 30, 2020, the Group is the fifth largest in the health segment, the fourth largest in the illness and hospitalization branch, and the fifth largest in the long-term care branch.

The health insurance market is a developing market, and the Company is a central player in this market. However, in light of the fact that the market has been subject to comprehensive regulation in recent years, in light of recent regulatory changes, and possible future changes, it is not currently possible, at this stage, to predict the full impact of the changes on the segment in general, and on the Company's future share in particular. For details regarding the draft for public comments which was published by the Competition Authority, regarding a study conducted on the individual health insurance market, see section 8.3.1 below.

The Company's estimate constitutes forward looking information, which is based on the information which is available to the Company as of the reporting date. Actual results may differ from the estimated results, and depend, inter alia, on the long term effects of the aforementioned regulatory changes, on the business results of Clal Insurance, on the conduct of competitors and distributing entities, and the preferences of policyholders.

8.1.5. New products

There were no material changes to the products during the reporting period.

8.2. Restrictions, legislation, standardization and special constraints which apply to the operating segment

The activity in this segment is subject to the provisions of the law which apply to insurers engaged in the segment, and to the Commissioner’s directives which are published from time to time. From time to time, the Commissioner publishes circulars that relate to insurance coverages that are included in policies in the segment.

The activity in this segment requires a license, in accordance with the Insurance Law, and is overseen by the Capital Markets, Insurance and Savings Authority in the Ministry of Finance.

For details regarding the summary of additional final provisions of the law, which were published during the reporting year and thereafter, and a summary of the draft provisions of the law which were published, which apply to the operating segment, beyond the provisions of the law which were specified in this chapter above, see also section 10.2 below.

8.3. Competition

8.3.1. Competitive conditions in the segment and names of competitors in the segment

According to the Group’s estimate, the main competitors in the segment are divided into two main groups:

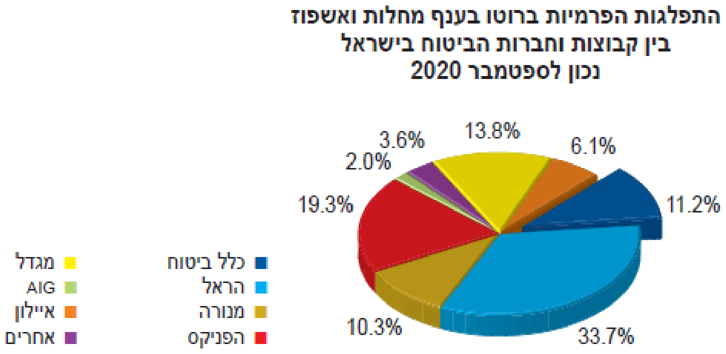
- The insurance companies, most of which operate in the segment.
- Alternatives are available to some of the coverages in the illness and hospitalization branch, within the framework of the additional services of health funds.

The competition between the insurance companies in the segment is focused on the extent of correspondence to the policyholder’s needs and wishes, and on service, claim settlement and tariffs.

Total gross premiums in the illness and hospitalization branch in the Group amounted, in the first nine months of 2020, to approximately NIS 735 million, and constituted, in accordance with the Commissioner’s data, approximately 11.2% of the activity in this branch in the insurance market in Israel. In the corresponding period last year, total gross premiums amounted to approximately NIS 733 million, and constituted approximately 10.8% of the activity in this branch in the insurance market in Israel.

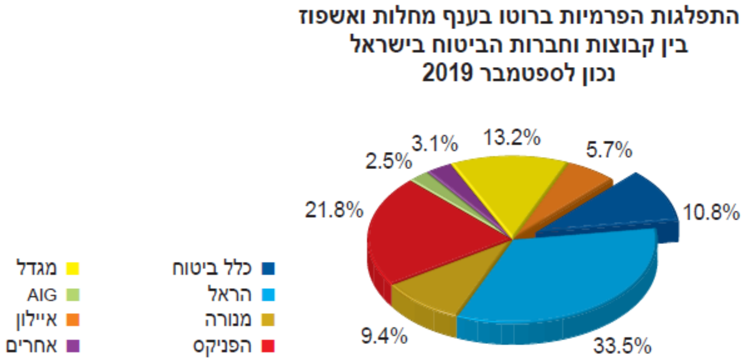
According to the Group’s estimate, the significant competitors in the segment are Harel Group, Phoenix Group, Migdal Group and Menorah Group.

Distribution of gross premiums in the illness and hospitalization branch among insurance groups and companies in Israel as of September 2020



Dark blue – Clal Insurance
Light blue – Harel
Beige – Menorah
Red – Phoenix
Yellow – Migdal
Light green – AIG
Orange - Ayalon
Purple – Others

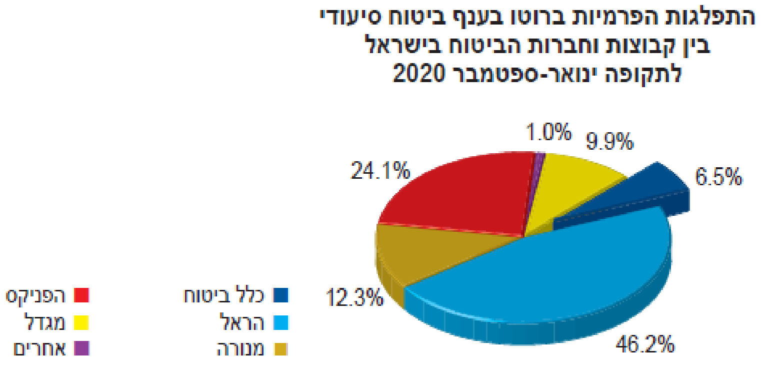
Distribution of gross premiums in the illness and hospitalization branch among insurance groups and companies in Israel as of September 2019



Dark blue – Clal Insurance
Light blue – Harel
Beige – Menorah
Red – Phoenix
Yellow – Migdal
Light green – AIG
Orange - Ayalon
Purple – Others

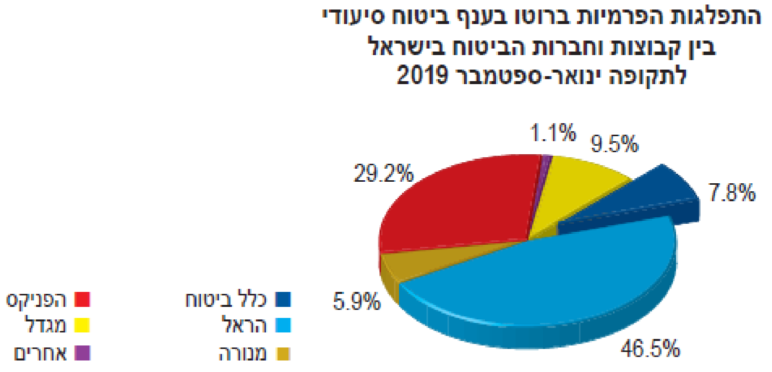
Total gross premiums in the long-term care branch in the Group amounted, in the first nine months of 2020, to approximately NIS 232 million, and constituted, in accordance with the Commissioner's data, which are published on the website of the Capital Markets, Insurance and Savings Division, approximately 6.5% of the activity in this branch in the insurance market in Israel. In the corresponding period in 2019, total gross premiums amounted to approximately NIS 266 million, and constituted approximately 7.8% of the activity in this branch in the insurance market in Israel.

Distribution of gross premiums in the long-term care insurance branch among insurance groups and companies in Israel for the period January - September 2020



Dark blue – Clal Insurance
Light blue – Harel
Beige - Menorah
Red – Phoenix
Yellow – Migdal
Purple – Others

Distribution of gross premiums in the long-term care insurance branch among insurance groups and companies in Israel for the period January - September 2019



Dark blue – Clal Insurance
Light blue – Harel
Beige - Menorah
Red – Phoenix
Yellow – Migdal
Purple – Others

During the reporting year there was a trend of acquisitions of insurance agencies by institutional entities, which could result in the strengthening of their sales branches.

The credit card companies also created, for the first time, insurance agencies owned by them, which use the data of their customers, in accordance with the terms which were determined by the Commissioner. To the best of the Company's knowledge, at this stage these agencies do not market health products, except for international travel insurance policies.

As part of the Commissioner's policy in recent years, significant reforms were promoted which involve the reduction of tariffs, transparency and increased competition. These reforms affect, and will continue to affect, in the coming years, the health insurance segment, and the profitability thereof. For additional details, see section 2.5.2 above.

According to the Company's estimate, the competition in the health segment will increase in the coming years, as a result of the competitive conditions in the market, as well as the combined future impact of regulatory reforms. Some of the reforms are unique to the segment, as specified above, while other others are reforms of industry-wide regulatory provisions, including the provisions of the circular regarding the "**Collection of statistical information regarding claim settlement and the method used to handle requests to withdraw and transfer funds**", after which comparative figures were published on the website of the Capital Markets, Insurance and Savings Authority, regarding the service level indicator of insurance companies.

Additionally, with the aim of improving the market, the competition therein, and the transparency thereof, and to help policyholders choose the most appropriate insurance for them, a calculator is available on the Authority's website for the comparison of health insurance, which is intended to allow the comparison of the main coverages sold in health insurance policies (transplants, drugs and surgeries), among all insurance companies which market those coverages. The purpose of the calculator is to increase competition in the market, and to allow policyholders to compare the tariffs which are offered to new health insurance policyholders, as stated above.

During the year preceding the reporting year, an **amendment to the addition to insurance circular** entered into effect, whose purpose is to require the adjustment of insurance, according to the needs of the insurance applicants as part of the process of marketing insurance policies, and to address the insurance products which they already have at all insurance companies, through an online interface operated by the Ministry of Finance (the "**Insurance Mountain**").

Additionally, as part of the disclosure and reporting circular pertaining to the establishment of the format for submission of information reports to insurance applicants and to policyholders, with an emphasis on making the information accessible to the policyholder simply and clearly, in order to help them understand the terms of the purchased product, the information to be submitted to policyholders was expanded, including during the insurance period, regarding the price of insurance, including an obligation to inform policyholders via text message regarding the conclusion of the discount, and the increase of the insurance price. The aforementioned regulatory reforms, including the publication of the aforementioned information, and/or parts thereof, may affect the competition in the segment, and will constitute an additional measurement tool in the policyholder's selection of the insurance product.

During the reporting year, the Competition Authority published drafts for public comments regarding a study conducted on the individual health insurance market, which was intended to evaluate the competitive conditions in the segment, which included, inter alia, an evaluation of the sales pattern of insurance agents in health insurance, and the impact of the structure of economic incentives which the insurance companies provide for sales to customers. In the draft it was found, inter alia, that in general, economic incentives which are paid by the Company to an agent affect the agents' sales, and that there is a correspondence between the agent's income from an insurer, and the sales which they make on its behalf. The Authority also raised possible alternatives regarding changes to the agent compensation model, including by way of a prohibition against payments from an insurance company to an agent, and permitting payment to an agent from the policyholders only; compensation which is not entirely derived from the premiums with respect to the policy (such as compensation which is derived from the reimbursement of claims which the insurance company has paid to the policyholder), or a prohibition against the provision of compensation in the form of bonuses, awards and benefits, thereby restricting it to monetary reimbursement only.

At this preliminary stage, Clal Insurance is unable to estimate the impact of the aforementioned provisions on the Company's market share in the segment, particularly in the long term, which depends, inter alia, on the final recommendations which will be received, on the extent and manner of their adoption by the competent entities, on the conduct of competing entities, the preferences of policyholders, and the business decisions which will be made accordingly.

8.3.2. Methods for dealing with competition

The Group deals with competition in this operating segment on several levels:

- Development of modern, innovative solutions which provide high-quality solutions for policyholders' needs.
- Appropriate pricing of products, in consideration of all of the influencing factors, including distribution and sale commissions, operating costs, policy resiliency and the cost of risk.
- The existence of high-quality information regarding past experience, which serves as the basis for risk management.
- Reinsurance contracts and distribution of risks, in collaboration with reinsurers, in a manner which allows finding appropriate solutions for the various types of consumers.
- Provision of rapid, effective, professional, fair and high-quality service, both to agents in terms of operations, and to policyholders in terms of claims handling and service.
- The ability to adjust to changing market conditions, and to the uncertainty due to expected regulatory changes, which pertains, is, to the aspects of operations, product adjustment and profitability.
- Improvement of service given to customers and agents - inter alia, by providing advanced digital services and assisting agents in exhausting the sales potential for their customers.

8.3.3. The main factors affecting the Company's competitive position include:

- Many years of experience in the field of health insurance;
- The Group's reputation in the segment;

- Long term relationships with agents marketing the Group's products.
- Direct distribution network;
- The variety of health products which are sold under one roof;
- The service given by the Company to customers and agents, and the claim settlement method.
- Competitive barriers - For details regarding the lifting of barriers to entry to the market, see section 10.3.1.2 below.

8.4. Customers

The main types of customers in the health insurance segment are collectives and individual policyholders.

8.4.1. Illness and hospitalization[54]

Presented below is the distribution of gross premiums (NIS in thousands) by types of customers in the illness and hospitalization segment, for the years 2019 and 2020:

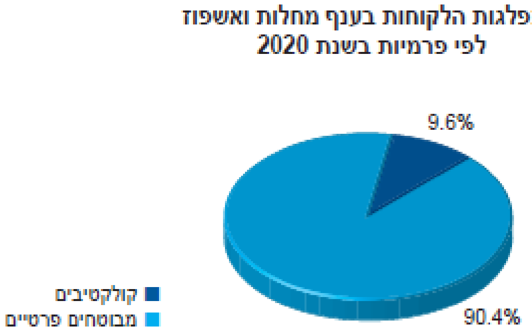
NIS in thousands	Gross premiums for 2020	Proportion of total gross premiums for 2020	Gross premiums for 2019	Proportion of total gross premiums for 2019
Collectives*	94,350	9.6%	195,694	19.9%
Individual policyholders	890,619	90.4%	788,556	80.1%
Total	**984,969**	**100%**	**984,250**	**100%**

* Includes sales of international travel insurance at the health funds.

---

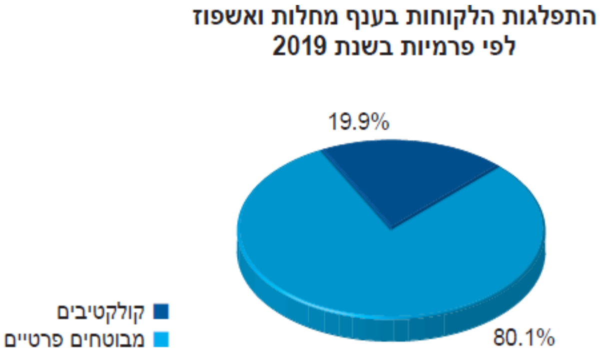
[54] The scope of premiums in the illness and hospitalization insurance branch reflects the premiums which are paid with respect to all policies in effect which were sold over the years, and changes therein do not necessarily indicate the change during the reporting year.

Distribution of customers in the illness and hospitalization branch by premiums in 2019



Dark blue – collectives
Light blue – Individual policyholders

Distribution of customers in the illness and hospitalization branch by premiums in 2019



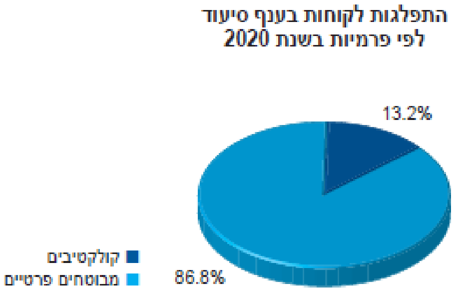
Dark blue – collectives
Light blue – Individual policyholders

8.4.2. Long-term care[55]

Presented below is the distribution of gross premiums (NIS in thousands) by types of customers in the long-term care segment, for the years 2019 and 2020:

NIS in thousands	Gross premiums for 2020	Proportion of total gross premiums for 2020	Gross premiums for 2019	Proportion of total gross premiums for 2019
Collectives[56]	40,522	13.2%	78,832	22.8%
Individual policyholders	267,251	86.8%	266,421	77.2%
Total	**307,773**	**100%**	**345,253**	**100%**

Distribution of customers in the long-term care branch by premiums in 2020



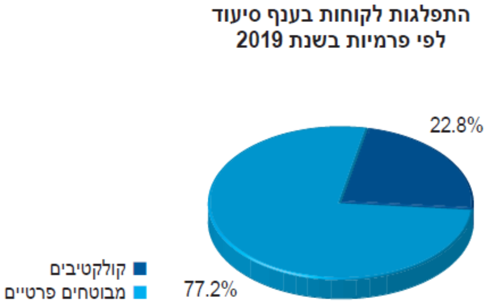
Dark blue – collectives
Light blue – Individual policyholders

---

[55] The scope of premiums in the long-term care insurance branch reflects the premiums which are paid with respect to all policies in effect which were sold over the years, and change therein do not necessarily reflect the change during the reporting year.

[56] Includes health fund policyholders.

Distribution of customers in the long-term care branch by premiums in 2019



Dark blue – collectives
Light blue – Individual policyholders

The cancellation rate (including cancellation, reduction or non-renewal of policies) per year from policies which are in effect at the start of the year, in terms of premiums, in the long term individual illness and hospitalization branch (illness and hospitalization sub-branch only) amounted to approximately 13.1% during the reporting year, as compared with approximately 12.6% in 2019.[57]

The cancellation rate (including settlement, cancellation, reduction or non-renewal of policies) for the year, from policies in effect at the start of the year, in terms of premiums, in the individual long term care branch, during the reporting year, amounted to approximately 3.9%, as compared with 4.6% in 2019.[58]

The Group is not dependent on any single customer or on a limited number of customers in the health insurance segment, the loss of which would significantly impact the operating segment.

The Group has no single customer whose income in the segment constitutes 10% or more of the Group’s total income in the consolidated reports.

---

[57] In accordance with the provisions of the Commissioner's circular, the cancellation rate is calculated by dividing the premium amount which was charged in the last month of the year, by the premium amount which was charged in the last month of the previous year. The calculation only refers to policies which commenced before the current year, after neutralization of the increase in tariffs.

[58] See footnote 57 above.

Part III - Additional Information Regarding Branches Which Were Not Included in the Operating Segments

9. Additional information regarding other operations which were not included in the operating segments

9.1. Clal Agency Holdings

Clal Agency Holdings (1998) Ltd. is a wholly owned subsidiary of the Company, which concentrated the holding of the Group's insurance agencies. For additional details, see section 10.8 below.

9.2. Michlol

Michlol Urban Real Estate Renewal Solutions Ltd. (hereinafter: "**Michlol**") is a private company founded in 2018, which is engaged in the provision of financing to entrepreneurs in various real estate projects, and particularly projects in the segment of residential property and urban renewal. In March 2020, Clal Insurance exercised an option to acquire 20% of Michlol's share capital, and signed an amendment to the credit facility agreement from 2018, in which changes were made to the terms of the credit facility and Sale Law guarantees which Clal Insurance gave to Michlol, and it also received an additional 8% of Michlol's share capital. Upon the receipt of the shares, Clal Insurance sold, at a price which was determined in a valuation, all of its shares in Michlol to Clal Finance Ltd. (hereinafter: "Clal Finance"), a wholly owned subsidiary of the Company, which was previously an inactive company. Michlol also allocated to Clal Finance 7% of Michlol shares, in accordance with Michlol's value according to a valuation which was prepared. Accordingly, as of the reporting date, Clal Finance holds approximately 35% of Michlol's share capital, and Clal Insurance is continuing to provide credit and Sale Law guarantees to Michlol, under the credit facility agreement. For details regarding Clal Insurance's activity in the guarantees segment, see section 7.1.1.4(c) above.

Part IV - Additional Information on the Level of the Corporation - Matters Pertaining to the Activities of the Group as a Whole

10. Additional information on the level of the corporation

10.1. General environment and the impact of external factors on activities

For details regarding a description of trends, events and developments in the Group's macro-economic environment, which currently affect or are expected to affect on the Group, see the specific reference under the various operating segments, and Part B of the Report - Board of Directors' Report, section 3.

10.2. Restrictions and supervision of the corporation's activities

The Group's activities in the various segments are subject to the general provisions of the law and also to the provisions of the law which apply to each operating segment, as described above.

Along with the general laws, insurance and pension savings activities in Israel, which is the main component of the Group's activities, are subject to unique laws which apply to the branch, including the Insurance Law, the Insurance Contract Law, 1981, the Provident Funds Law, the Pension Advice Law and regulations enacted pursuant thereto, and also to principle rulings of the courts, which affect activities in insurance and pension savings in Israel, including as regards the interpretation of the aforementioned laws and regulations.

Clal Insurance holds an insurer license, and Clal Credit Insurance holds an insurer license for its relevant fields of activity. For details regarding the permit for control of the Group's institutional entities, see Notes 1(a)-(b) and 16(e)(8) to the financial statements. Clal Pension and Provident Funds and Atudot Havatika have an insurer license in the pension insurance branch, in accordance with the Insurance Law, and Clal Pension and Provident Funds has approvals for the management of the provident funds which are managed by it.

The member companies in the Group are overseen by various oversight authorities, including the Commissioner, who oversees the activities of the institutional entities and the insurance agencies in the Group. Additionally, the Company and Clalbit Finance are overseen by the Israel Securities Authority. Additionally, in recent years, new enforcement / reporting authorities have been conferred upon additional regulatory authorities, including the Competition Authority (formerly known as the Antitrust Authority), and the Privacy Protection Authority. Member companies in the Group are exposed, from time to time, to administrative enforcement proceedings and to the imposition of fines by various regulators. For additional details, see Note 41(d) to the financial statements. The Group's member companies are also exposed to class actions on various matters arising from the provisions of the law, which apply to the institutional entities, including those which are included in this chapter, and those which are included in other chapters in the report regarding the description of the corporation's business. For details regarding class actions which were filed against institutional entities in the Group, see Note 41(a) to the financial statements.

As part of its enforcement plans, in recent years the Company has conducted compliance surveys, gradually and in different segments, in which gaps are identified which the Company then works to resolve, within the framework of action plans which it has established.

Presented below is a summary of the provisions of the law and the final circulars which were published during and after the reporting year, as well as a summary of drafts which were published by the Commissioner, which apply to the activities of the Group's member companies and which are material to their activities, in addition to the laws specified in the description of the operating segments, and additional sections above and below. For details regarding the regulatory restrictions which apply to the Group's institutional entities, in connection with the capital requirements and the requirements regarding the control of the Company, and for details regarding industry-wide decisions of the Commissioner, see Notes 16(d) and (f) and Note 41(d) to the financial statements.

10.2.1. Board of directors of institutional entities

Further to the consolidated circular regarding the Board of Directors of institutional entities, in which it was determined, inter alia, that joint board meetings may not be held between the institutional entity and other corporations, except for joint meetings with an institutional entity's parent company, or with an institutional entity controlled by it or by the institutional entity, for the purpose of training or exclusively for the purpose of presentation of issues which will be published by the Commissioner, and further to "announcement regarding issues for discussion in joint meetings", which includes a list of issues regarding which the Board members of an institutional entity and its committees will be entitled to hold joint meetings with the board members of the institutional entity's parent company, or of an institutional entity controlled by the parent company, or controlled by the institutional entity, and its committees, except if there is a suspected conflict of interest or suspected real harm to the independence of the board's discussion - in April 2020, the Commissioner published a transitional provision in amendment of the circular regarding the Board of Directors of institutional entities, in light of the coronavirus pandemic (hereinafter: the "**Coronavirus Event**"), including the need for institutional entities to act quickly and effectively in dealing with the consequences of the situation, while restricting their activity (including a significant increase in remote work).

The amendment includes several expedients and adjustments which gradually expired during the reporting year, regarding the work methods of the Board of Directors and of board committees, which were intended to facilitate the work of the Board of Directors and management boards of institutional entities, and to allow them to focus on critical and urgent needs. In September 2020, an extension of the foregoing transitional provision was published, in which it was decided to extend the validity period of all of the expedients (except for the validity of the expedient regarding the postponement of discussions in the Board of Directors regarding issues and reports whose deadlines are set forth in the Commissioner's directives) to December 31, 2020.

The Company worked to implement the provisions that were issued in a notice regarding the board meetings (for additional details, see section 11.4.9 below).

10.2.2. Corporate governance in public companies without a controlling shareholder

On March 10, 2020, the Ministry of Justice published the **Companies Law Memorandum (Amendment No. __) (Corporate Governance in Public Companies Without a Controlling Shareholder)** (the "**Memorandum**"), and the **Draft Companies Regulations (Affairs Which Not Constituting Ties) (Amendment No. __), 2021** (the "**Draft Regulations**").

In light of the fact that, in recent years the number of listed companies in Israel with a decentralized ownership structure has increased, it was proposed, in the memorandum, to adjust and update the rules of corporate governance which apply to companies without a controlling shareholder. The proposed amendments address, inter alia, the definition of control, by adding a rebuttable presumption according to which, in a company which has no shareholder holding over 50% over the Company's means of control, holding of 25% or more of the Company's means of control will be considered as hold control thereof; The obligation to appoint outside directors in a company without a controlling shareholder was replaced with an obligation to appoint a majority of independent directors to the board of directors and to board committees; The "prohibition against ties" applicable to an outside director was also expanded with respect to the prohibition against ties between the outside director and "any director" in the Company, and not only with respect to the Chairman of the Board; It was proposed to allow compensation to a Chairman of the Board who is an independent director, beyond the compensation cap for outside directors; It was proposed to establish a process for the proposal of candidates for tenure as directors on behalf of the Board of Directors, by an independent appointment committee; It was proposed to regulate the process for approving transactions with directors, and for approving extraordinary transactions with material shareholders who hold 10% or more of a certain type of the means of control of a company without a control core.

The Company is studying the memorandum and the Draft Regulations.

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

Further to that stated in section 10.2.3 of the chapter “description of the corporation’s business” in the Company’s periodic reports for 2019, regarding an outline which was published by the Commissioner for the implementation of the provisions of Solvency II according to the European framework, in October 2020 an “amendment to the consolidated circular regarding provisions for the implementation of a Solvency II-based economic solvency regime for insurance companies” was published, as well as additional directives of the Commissioner regarding the implementation of the economic solvency regime, including the publication of an update to the provisions of the consolidated circular regarding “public reporting - “disclosure regarding the economic solvency ratio”.

Presented below is a summary of the main changes to the provisions of the economic solvency regime, which are included in the foregoing circulars:

(A) An alternative was added, with the Commissioner’s approval, to the implementation of alternative distribution provisions relative to the current ones (which address a gradual increase of the capital requirements until December 2024). The alternative distribution provisions refer to the capital cushion, and allow deducting the difference between the economic reserves on retention (including the risk margin, and after deducting an addition with respect to the fair value of HETZ bonds), calculated as of December 31, 2019, vs. the accounting reserves on retention as of that date, with reference to certain reserves, and subject to the restrictions which were specified in the draft. The addition of the aforementioned alternative allows increasing the economic equity by reducing the amount deducted from the economic insurance reserves, as stated above. In a letter to the managers of insurance companies entitled “principles for calculating the discount during the distribution period in the Solvency II-based economic solvency regime”, provisions were established regarding the implementation of the discount during the distribution period, and regarding the calculation thereof, in a manner whereby the aforementioned discount will be reduced, on a linear basis, until December 31, 2032 (the “**Discount During the Reporting Period**”), subject to the determined adjustments. The value of the discount during the distribution period will correspond to the expected growth rate in the solvency ratio, calculated without expedients during the distribution period.

(B) Update to various directives regarding the calculation of the solvency capital requirement, including reducing the capital requirement with respect to stocks held for the long term (as defined in the circular) to 22%, instead of the usual rates, where with respect to stocks held against investment-linked liabilities, it can be assumed that up to 75% of the shares will be considered as stocks held for the long term. Additionally, an increase was made to the loss absorption adjustment with respect to deferred tax assets, beyond the balance of the deferred tax reserve which is included in the economic balance sheet, up to 5% of the basic solvency capital requirement, upon the fulfillment of the specified conditions.

(C) Establishment of a disclosure obligation regarding the economic solvency ratio, including the implementation of the transitional provisions which were determined for the distribution period. Additionally, the scope of the disclosure in the economic solvency ratio report was increased with respect to the aspects of changes in the capital surplus, sensitivity tests, capital management and restrictions on dividend distributions. The results of the sensitivity test with respect to a decrease / increase in the interest rate will be published beginning with the economic solvency ratio report as of

December 31, 2020. Details of changes in the capital surplus and the other sensitivity tests will be published beginning with the economic solvency ratio report as of December 31, 2021.

The Company submitted a request regarding the adoption of the alternative distribution provisions to the Commissioner, which was approved, and on October 29, 2020, the Company published an economic solvency ratio report as of December 31, 2019. For details, see section 2.5.1.4 above, and Note 16(e) to the financial statements.

10.2.4. The Concentration Law

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

In accordance with the provisions of the Concentration Law, a pyramid holding structure is restricted to two tiers only[59].

In accordance with the provisions of the Concentration Law, beginning on December 10, 2019, a significant real corporation, or the controller of such a corporation, may not hold control of a significant financial entity, and may not hold over 10% of a certain type of means of control in the aforementioned entity, and may not hold over 5% of a significant financial entity which has no controlling shareholder.[60]

Beginning in May 2015, a list of the concentration entities has been published in the Official Gazette from time to time, as well as a list of the significant real corporations and a list of the significant financial entities. In accordance with the provisions of the Concentration Law, the following will be considered as a concentration entity, inter alia: a significant financial entity, a significant real corporation, and any entity which belongs to a business group (a corporation, an entity holding control of a corporation, and a corporation under the control of any of the above), which includes a significant financial entity or a significant real corporation. In accordance with the lists which were published in February 2020, the member companies in the Group which are institutional entities are classified as significant financial entities, while the member companies in the Group which are not institutional entities are included on the list of centralized entities (in light of the fat that they belong to a group which includes a significant financial entity).

In December 2020, the Competition Authority published a request for comments regarding the effects of Chapter D of the Concentration Law, and the separation between significant real corporations and significant financial entities on the degree of centralization in the economy. The Group submitted its comments in response to the request for comments through the Israel Insurance Association, and addressed, inter alia, the possibility of a passive deviation due to the update to the list of centralized entities.

For additional details regarding the status of control, see Notes 1(a) and 1(b) to the financial statements.

---

[59] A "tier company" is a company or foreign company which constitute a reporting corporation, excluding companies which were excluded in accordance with the definitions of the Concentration Law. The terms "tier company", "second tier company" and "q" are as defined in the Concentration Law.

[60] The Concentration Law also prescribes that an institutional entity's holdings in a certain type of means of control of a significant real corporation may not exceed 10%.

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

For details regarding the amendment to the provisions of the consolidated circular regarding the measurement of liabilities - liability adequacy test (LAT), see Note 3(s)(2) to the financial statements.

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

On June 7, 2020, the Commissioner published a road map for the adoption of IFRS 17, Insurance Contracts (hereinafter: the "**Standard**"), which set the initial adoption date of the standard in Israel as beginning with the quarterly and annual periods beginning on January 1, 2023, and determined the main preparatory steps and timetables which are intended to ensure that insurance companies in Israel are prepared to appropriately adopt the standard, inter alia, in terms of the adjustment and operation of information systems, managing and documenting the project, formulating an accounting policy, performing quantitative evaluations, and the required method of public disclosure. Further to the above, in February 2021 the Commissioner published draft circulars regarding certain professional issues involving the adoption of the standard in Israel. In the draft, it was noted that an additional draft will be published in the future, which is expected to include new guidelines with respect to additional professional issues. For additional details, see Note 4 to the financial statements.

10.2.7. The Insurance Contract Law

In November 2020, the Knesset passed an amendment to the Insurance Contract Law, which mostly involved extension of the prescription period in life insurance in case of death, illness and hospitalization insurance, and long-term care insurance, from three years to five years. The amendment also includes provisions in connection with the delivery of notice to policyholders who submitted claims for insurance benefits regarding the expected prescription period, and another notice before the end of the prescription period.

The aforementioned amendment may lead to an increase in the Company's insurance liabilities.

The Company's estimates regarding the implications of the legislative amendment regarding the extension of the prescription period in insurance constitute forward looking information, which is based on the Company's non-final estimates which are known as of the publication date of the report, and which are expected to change in light of the fact that actual implementation may differ from the forecast, and depends, inter alia, on the conduct of policyholders, on the Court's interpretation of the provisions of the amendment, and the manner of its implementation.

10.2.8. The Civil Procedure Regulations

In January 2021, the Civil Procedure Regulations, 2018, entered into effect (hereinafter: the "**New Civil Procedure Regulations**"), which constitute a reform of the civil procedure regulations in Israeli courts. In accordance with the explanatory remarks in the Regulations, the purpose of the regulations is to establish a procedure for managing civil proceedings in court, to create procedural certainty, to prevent arbitrariness and to realize the constitutional principles which serve as the foundation of appropriate and fair judicial proceedings, in order to investigate the truth, obtain a correct result, and a just solution for the dispute. The New Civil Procedure Regulations included, inter alia, the determination of form-related provisions regarding the structure of service of process documents; A column restriction for service of process documents, and for motions submitted by the parties; An obligation to conduct a preliminary hearing between the parties, and to report its results to the Court; An obligation to hold an information, introduction and coordination meeting in order to evaluate the possibility of resolving the dispute through an alternative mechanism dispute resolution mechanism, in claims of an amount exceeding NIS 40,000 (excluding physical injury claims and road accident claims); An obligation to submit a list of witnesses prior to the first pre-trial hearing; and various provisions regarding questionnaires and disclosure of documents. Additionally, hearing tracks were canceled which had existed prior to the entry into effect of the New Regulations, such as the procedural track, and the originating motion.

Due to the fact that Clal Insurance is involved, in the ordinary course of business, in many cases of litigation as part of the claim settlement processes, it is expected to be affected by the New Civil Procedure Regulations; however, at this preliminary stage of their adoption, it is not possible to estimate the extent of their effect, which will unfold over time, inter alia, depending on the ways in which the regulations are adopted and interpreted by the courts, and the conduct of the parties to litigation.

10.2.9. Directives due to the coronavirus pandemic

Due to the coronavirus pandemic, the Commissioner published several directives, including postponing the date of entry into effect of various provisions, and postponing deadlines for reporting to the Authority on various matters. For additional details, see sections 6.1.2.3, 6.2.2(g), 7.4.1 and 10.2.1 above, and sections 10.5.5.1, 10.5.5.4, 10.5.5.6 and 10.8.1.1(b) below.

10.3. Barriers to entry and exit

10.3.1. Presented below are details regarding the main barriers to entry in the Company's main operating segments:

10.3.1.1. **Licensing obligation and permit requirement**

(A) The engagement in insurance requires a license, in accordance with the Insurance Law and the Provident Funds Law, and is overseen by the Capital Markets, Insurance and Savings Authority in the Ministry of Finance. Clal Insurance and Clal Credit Insurance hold insurer licenses in accordance with the Insurance Law. In the non-life insurance segment, a company which is active in the credit and foreign trade risks insurance branches must engage in that branch exclusively.

(B) A managing company of an annuity paying provident fund is also required to receive an insurer license in accordance with the Insurance Law, and the aforementioned insurer license will be considered as a managing company license with respect to all of the provident funds which are managed by it. As part of the products reform, it was determined that a managing company to which an insurer license has been given, as stated above, is currently entitled to manage all types of provident funds (both paying and non-paying), excluding insurance funds. A managing company may manage one comprehensive new pension fund which is entitled to designated bonds, one new general pension fund which is not entitled to designated bonds, one old pension fund and provident funds. A managing company is entitled to engage in the management of provident funds only. A managing company may engage in another segment which pertains to a pension product that was approved by the Commissioner, subject to the approved terms, provided that the engagement is regulated in accordance with the provisions of the Provident Funds Law, the Insurance Law or the Pension Advice Law.

(C) Additionally, any provident fund which is managed by a managing company requires approval for the management of a provident fund, which must be renewed annually. Also life insurance products which are managed as provident funds (insurance funds) require approval which is renewable on an annual basis.

Clal Pension and Provident Funds and Atudot Havatika hold an insurer license in the pension fund branch, in accordance with the Insurance Law, as well as approvals for the management of the provident funds which are managed by it.

(D) The holding of more than five of a certain type of means of control of an institutional entity is conditional upon the receipt of a permit for the holding of means of control from the Commissioner, and the control of an institutional entity or insurance agency also requires a permit from the Commissioner, inter alia, in accordance with the provisions of the policy document regarding control of an institutional entity, from December 2014, which were published by him. For details on this matter, see Note 1(b) to the financial statements. For details regarding the status of the control of the Company, see Note 1(a) and 1(b) to the financial statements. For details regarding the "**policy regarding the issuance of a permit for the holding of the means of control of an institutional entity without a controlling shareholder to entities which manage customers funds**", which allows, under certain conditions, certain entities to receive a permit for holding which will not exceed 75%, and regarding the expansion of that policy also with respect to institutional entities which have a controlling shareholder, and in connection with a request for issuance of a permit which was submitted by the Group's institutional entities in April 2020, and which was approved in March 2021, see section 10.5.5.4 below. The Company's control permits, and the methods for the regulation thereof, may affect, from time to time, the ability to implement changes to the required regulatory permits.

In January 2020, the "**draft policy regarding control of a corporate agent**" was published, which is intended to describe the Commissioner's policy regarding the evaluation of requests for permits for control of a corporate agent, the Commissioner's considerations in evaluating those requests, and the method for submission of such requests. The draft determines that the evaluation of the requests will include taking into account, inter alia, considerations involving the petitioner's control over the corporate agent through the insurer / the insurer's parent company, or the insurer's status as a company without a controlling shareholder, as well as considerations of competition, and considerations of the public interest. Discussions are being held between the institutional entities and the Commissioner in connection with the provisions of the draft. At this preliminary stage, prior to the publication of the final version of the provisions, the Company is unable to predict the consequences of the draft.

For details regarding the restrictions on control and holding which were determined by virtue of the Concentration Law, inter alia, regarding the separation between the holding of significant real operations and significant financial operations, see section 10.2.4 above.

10.3.1.2. Capital requirements

For the purpose of engagement in insurance operations, member companies of the Company's group are required to fulfill capital requirements. For details regarding the regulatory capital requirements which apply to member companies in the Group, and the companies' fulfillment thereof, including the regulatory capital requirements, see Notes 16(d) - (f) to the financial statements.

In April 2018, the **Control of Financial Services Regulations (Insurance) (Minimum Equity Required to Receive Insurer License), 2018**, were published (hereinafter: the "**Minimum Equity Regulations**"), which canceled the **Control of Financial Services Regulations (Insurance) (Minimum Equity Required of Insurer), 1998**, which had been in effect until that date. The aforementioned regulations include the determination of the minimum equity required to receive a license in branches featuring long insurance periods and claim periods (the life, long term health and liabilities branches), in the amount of NIS 15 million (as compared with a total of NIS 52 million, which was required until then) and the minimum Tier 1 capital required to receive a license in branches featuring short insurance periods and claim periods (non-life insurance and short term health insurance), in the amount of NIS 10 million (as compared with a total of NIS 59 million, which was required until then).

The Regulations have increased competition in the insurance market, due to the reduction of the equity requirement required to receive an insurance company license and the activity of new companies in the market.

For details regarding the entry of new competing companies into the non-life insurance segment, see section 7.2.1 above.

10.3.1.3. **Scope of activity**

In order to cover the high fixed costs associated with the Group's activity, a large scope of activity is required, and particularly in the long-term savings segment.

10.3.1.4. **Additional barriers**

(A) The ability to acquire adequate protection from reinsurers.

(B) Organizational, automational and operational infrastructure, in consideration of the complexity of some of the products and of their operation, as well as regulatory changes.

(C) A broad and skilled distribution network.

(D) In recent years, the Authority performed several actions in an effort to lessen the barriers to entry in the segment. For additional details, see section 6.2.1(a) above regarding the default pension fund and the conclusion of the collective arrangement with employers, and section 10.3.1.2 above regarding the minimum capital requirements.

10.3.2. Presented below are details regarding the main barriers to exit in the Company's various operating segments:

In the long-term savings products branch, in some of the products in the non-life insurance branch, in the long-term care branch and in some of the products in the illness and hospitalization branch, the discontinuation of operations in long tail claim policies may take many years, until all of the claims are settled with respect to policies which were sold in the period prior to the discontinuation of the operation, and until all of the rights of policyholders and/or members have been exercised (run off), a period during which the Company was required to bear all of the associated risks and operating costs, or until the operation has been sold.

The Commissioner has the authority to order an insurer that wishes to liquidate or dissolve its insurance business operations to act in a certain way regarding the dissolution of its business operations, and also has the authority to petition the Court with a motion requesting that the liquidation be implemented by the Court or under its supervision.

10.4. Critical success factors

Success factors which are common to all of the Group's operating segments

According to the Group's estimate, the critical success factors which are common to all of the Group's operating segments include:

- The mix of the policyholder portfolio, including in consideration of the past liabilities according to policies in effect for many years, retention of the profitable portfolio, and recruitment of new policyholders and members, while maintaining profitability:
- The ability to adjust to changing market conditions, regulatory changes, competitive conditions and reduced profitability, including by way of changes in products, marketing, service, pricing, the amount of management fees, and adjustment of the level of expenses;
- The quality and professionalism of underwriting and claim settlement, including broad claims;
- Service quality and the option to provide, on the level of the Group, combined solutions for all of the customers’ needs, while creating a synergy between the Group’s member companies; During the reporting year, a significant improvement was recorded in the quality service given by the Group to its customers;
- The ability to develop and implement advanced digital tools in case of sale and service;
- Efficiency and quality of operations, and quality of IT and automation systems;
- Investment income, returns in managed portfolios, the state of the capital market and interest terms;
- The ability to achieve and maintain a capital level and capital ratio which support the Group’s activities and growth;
- Actuarial ability to support the business policy, to perform high-quality, current pricing, and to conduct high-quality calculations regarding the required reserves;
- Perception of the brand among the Company’s customers as leading, relevant and innovative;
- Retention and development of high-quality human resources;
- The ability to develop and maintain the distribution channels, including by recruiting and maintaining high-quality agents, and ensuring high satisfaction among agents regarding the service which is given to them by the Company, and by developing new distribution channels, according to the trends in the branch, the needs of customers and profitability considerations;
- The ability to purchase reinsurance, including the quality of the reinsurer, the treaties with them, and the stability of the set of relationships with the reinsurers over the years;
- Quality of risk management, control, measurement and internal control.

10.5. Investments

10.5.1. Assets managed in the Group

Presented below are details regarding the types of assets which are managed in the Group:

A. **Nostro assets of the institutional entities in the Group (Clal Insurance, Clal Pension and Provident Funds, Atudot Havatika, Clal Credit Insurance, as well as the Company's assets)** - (A) Assets held against equity and other liabilities; (B) Assets held against liabilities in non-life insurance; (C) Assets held against liabilities in non-investment-linked life insurance; and (D) Assets held against non investment-linked liabilities in long-term care, health and loss of working capacity insurance. The insurance companies in the Group bear the risks associated with the nostro assets. However, some of the liabilities in life insurance with respect to guaranteed return policies are backed by designated bonds. See section 6.1.1.2 above.

B. **Assets of investment-linked liabilities in Clal Insurance** - Assets held against liabilities in life insurance and in long-term care and loss of working capacity insurance with respect to investment-linked coverages of various types. The returns which are achieved in connection with these assets are included in the calculation of the liabilities with respect to those policies. In general, the calculation of policyholders' rights is performed after deducting management fees and expenses, in accordance with the policy provisions. For details regarding the Company's income from management fees, see Note 30 to the financial statements.
The nostro assets and assets for investment-linked contracts of the Group's insurance companies which are managed by the Group are listed in the balance sheets of the insurance companies.

C. **Provident funds and pension funds -** Assets of the pension funds and provident funds which are managed by the managing companies in the Group (Clal Pension and Provident Funds and Atudot Havatika) - the assets of members of pension funds and provident funds are managed in trust by managing companies. The returns, after deducting management fees and expenses, in connection with the assets of the pension funds and provident funds are charged to the members. The assets of pension funds and provident funds are not recorded in the balance sheets of the managing companies, excluding the assets of Bar Gemulim Provident Fund Ltd., which includes a guaranteed return track ("**Bar A**") under which Clal Insurance guarantees returns to its members. Some of the assets of members in the comprehensive pension fund which is managed by Clal Pension and Provident Funds and Atudot Havatika are backed by designated bonds. For details on this matter, see section 6.1.1.2 above. For details regarding the distribution of managed assets in each of the institutional entities in the Group, see section 10.5.6 below.

D. Some of the long-term savings products which are managed in the Group are subject to a commitment to guaranteed returns, or a guarantee in the amount of the nominal deposits. Some of the Group's savings products include a commitment to guaranteed returns. Presented below are details regarding the material guaranteed return liabilities of the Group's member companies, as stated above:

- In policies which were sold until the end of 1990, returns for policyholders in life insurance policies with a savings component were determined as a guaranteed rate ("**Guaranteed Return Policies**"). The rate was changed according to the policy type and issuance date. The commitment to a rate of return is primarily backed by designated bonds, the balance of invested assets in accordance with the restrictions specified in the Investment Regulations. For additional details, see section 6.1.1.2 above.

- In most of the savings policies which were sold by Clal Insurance since 1991, the returns are credited to the policyholder in accordance with the results of the investment portfolio, after deducting management fees and expenses (“**Investment-Linked Policies**”). However, in a small part of the policies, returns are guaranteed at a rate which is guaranteed to policyholders, without the backing of designated bonds, for a period of 10 years after the joining date. For additional details, see section 6.1.1.2 above.

- As part of the acquisition of the provident fund Bar A, Clal Insurance accepted an obligation to minimum guaranteed annual returns for all assets invested in Bar A (real net returns of 5.5%, in accordance with the terms specified in the fund regulations). This undertaking is backed by an undertaking of the Accountant General for real guaranteed returns at a rate of 5.95% per year, on 89% of the assets, while the other assets are invested in accordance with the Investment Regulations. For additional details, see Note 38(d)(1)(c) to the financial statements.

- Additionally, in some of the funds which are managed by Clal Pension and Provident Funds, Clal Insurance and/or Clal Pension and Provident Funds provided guarantees with respect to members who joined the funds by certain dates and with respect to deposits which were deposited by those members by certain dates, as specified in the fund regulations, guaranteeing that the amount which will be paid to members will be no less than the amount of deposits which were paid by those members, or on their behalf, subject to the terms set forth in the regulations of the aforementioned funds. Over the years, the aforementioned guarantees were discontinued with respect to funds which were deposited, from a certain date and thereafter. Significant negative returns may result in paid charges by virtue of the guarantee. In consideration of the cumulative returns in the aforementioned funds as of the reporting date, particularly from the date of discontinuation of the guarantee, the exposure to such payment is estimated as low.

  The Company’s estimate with respect to the aforementioned guarantees constitutes forward looking information, which is based on the information which is available to Clal Insurance and Clal Pension and Provident Funds as of the reporting date. Actual results may differ from the estimated results, and depend, inter alia, on the development of market conditions, members’ accrual, and the achieved returns.

  Most of the assets which are held against guaranteed return liabilities are managed within the framework of the nostro portfolio.

10.5.2. Total managed assets for the nostro portfolio and for members/policyholders of the Group's institutional entities, as of December 31, 2020 (NIS millions):[61]

Institutional entity	**Nostro**	**Investment-linked funds**
The Company	648 (1)	
Clal Finance	38	
Clal Insurance	34,110	79,115
Clal Credit Insurance	303	-
Clal Pension and Provident Funds - pension funds (2)	159	74,851
Clal Pension and Provident Funds - provident funds (2)		37,348(3)
Atudot Havatika (4)	40	12,014
Total	**35,298**	**203,328**

(1) In July 2020, a decision was reached by the Company's Investment Committee and Board of Directors that a total of approximately NIS 200 million out of the issuance, which amounted to a total of approximately NIS 633 million, will be invested in securities according to a mix which will be determined from time to time by the Company's Investment Committee, whereby at least 75% of the aforementioned total will be invested in debt assets, and up to 25% will be invested in stocks, according to the mix and method which will be determined, from time to time, by the Board of Directors and/or the Investment Committee, as applicable. Additionally, in October 2020, the Company invested in an additional Tier 1 capital instrument which was issued to it by Clal Insurance, in the amount of NIS 450 million, at an annual interest rate of 4.53%, linked to the consumer price index. For additional details, see Note 25 below.

(2) Data regarding the equity of the aforementioned managing companies of provident funds and pension funds are audited.

(3) Including provident funds owned by Clal Insurance, and including guaranteed return provident funds.

(4) The data refer to all of the fund assets, and are not consolidated.

10.5.3. Investment management of institutional entities

A. Investment management companies

The investment activities of the Group's institutional entities are performed through Canaf, which is a subsidiary of Clal Insurance. Canaf manages the nostro funds of the insurance companies and the managing companies in the Group, and manages the investments of assets of investment-linked liabilities and assets of members of pension funds and provident funds in the Group.

---

[61] The Group has available cash balances which are mostly used for operating purposes, in immaterial amounts.

Canaf has separate (dedicated) investment teams for managing nostro funds and for managing members’ funds, which are assisted by specialized support units in Canaf and in the Group, in the fields of research, strategy, credit, infrastructure, investment funds, private investments, real estate in Israel, international real estate, mortgages, construction accompaniment, treasury, economics, risks and control, middle office, legal, investment control, investment accounting, and the risk management unit.

Additionally, some of the foreign investing activities are performed with the assistance of external consultants and investment managers.

B. Investment management policy

The funds of the Group’s institutional entities are managed subject to the provisions of the Investment Regulations and the Commissioner’s directives, as applicable, in accordance with the general investment policy which is determined by the Board of Directors of the insurer and/or the managing company, and in accordance with the instructions and supervision of separate, independent investment committees in accordance with the companies and the types of managed funds. The Company’s Board of Directors approves the general investment policy for the managed portfolios. As part of the above, the Board of Directors approves exposure frameworks to the various investment channels, in each of the managed portfolios, as well as the hierarchy of authorities for the approval of various investments. As part of the general investment policy, the Board of Directors instructs the investment committees to determine a specific investment policy in accordance with the general investment policy which is determined by the Board of Directors, for each of the various institutional entities and investment tracks, in consideration of, inter alia, the restrictions which apply to the track in accordance with the law and/or in accordance with the policy terms and/or in accordance with the provident fund regulations, and in consideration of the specific characteristics of the tracks, including the expected development of the assets portfolio, expected cash flows and average lifetime, early redemption risks, and more. The investment committees establish the detailed investment policy, as stated above, for each fund and track separately.

As part of the investment policy, the Board of Directors and investment committees also approve a credit policy for the purpose of managing the credit assets of the managed portfolios. The credit policy includes the determination of work processes, hierarchy of authorities and exposure policy in the credit portfolio, with reference, inter alia, to the maximum exposure limits to a single borrower, to a group of borrowers, to a particular branch, etc.

The investment policy for managed portfolios is evaluated on a routine basis as part of the discussions of the investment committees. Additionally, the middle office, control and risk management units routinely supervise the investing activities, with an emphasis on the scopes of activities, the exposure rates in each type of investment channel, the fulfillment of the restrictions of the investment and credit policy, and the provisions of the law.

The nostro portfolios are managed in a manner which will allow servicing of the Company’s liabilities, in consideration of, inter alia, the average lifetime of the liabilities, the linkage basis, the currency, the accounting reporting rules and the timing of cash flow in the short term. The investment policy is based on an evaluation of the overall correspondence and management of the risk, relative to the Company’s capital.

The members’ portfolios are managed, inter alia, in light of long term considerations, in order to achieve maximum returns for members, in consideration of the risk level of the various investment assets, and considerations involving the portfolios’ liquidity.

For details regarding the distribution of managed assets in each of the Group's institutional entities as of December 31, 2020, see section 10.5.6 below.

In accordance with the Commissioner's directives, the Group's institutional entities publish their declarations regarding the investment policies of members and policyholders funds on their websites.

Declarations regarding the specific investment policy for 2020 and 2021 were published in January 2020 and January 2021, respectively, on the Company's website, at:

https://www.clalbit.co.il/clalins/channelsdonation/Pages/default.aspx.

C. Investment committee, credit sub-committee and internal credit committee

Investment committees - The Company has investment committees. Additionally, in accordance with the Insurance Law, Clal Insurance has two investment committees: an investment committee for the investment of funds to cover investment-linked liabilities, and an investment committee for the investment of the equity and other liabilities of the insurer, and for the investment of funds to cover insurance liabilities which are non-investment-linked liabilities ("**Nostro**"). Clal Credit Insurance has a separate nostro investment committee.

Each of the managing companies in the Group (Clal Pension and Provident Funds and Atudot Havatika) has an investment committee for the management of members' funds and a nostro investment committee. The composition of the investment committee regarding the investment of funds to cover investment-linked liabilities, and regarding the investment of members' funds of Clal Pension and Provident Funds, is identical. The committees convene together with respect to the presentation of the relevant issues, and the decision making process takes place separately in each committee.

The investment committees each determine, separately and independently, an investment policy as part of the overall investment policy which was approved by the Board of Directors, approve transactions in accordance with the hierarchy of authorities which was determined by the Board of Directors, and fulfill additional roles, in accordance with the provisions of the law. As part of the foregoing, the investment committees determine the strategy and the specific investment policy in the asset portfolios. Additionally, the investment committees supervise the implementation of the policy, and adjust the structure of the portfolio in accordance with market conditions, within the framework of the investment policy.

The implementation of the guidelines of the investment committees and the actual performance of investments is performed in a separately and distinct manner by the relevant investment managers.

As of the publication date of the report, the investment committee of Clal Insurance in the nostro portfolios is comprised of Board members of the Group and the CEO of Clal Insurance, and convenes at least once per month. The investment committees in members' portfolios include a majority of external members, and convene at least once every two weeks.

Additionally, in accordance with the provisions of the law, a member may not be appointed, and may not serve as a member of the investment committee, if his roles or other activities create, or may create, a conflict of interest, or have the potential to detract from his ability to serve as such a member and with respect to an external representative in an investment committee, or anyone who is a relative of the controlling shareholder, or anyone who has, or whose relative, partner, employer, or direct or indirect superior, or any corporation of which he is a controlling shareholder, on the appointment date on during the two years preceding the date of the appointment, an affinity with the Company, to the Company's controlling shareholder, or to a relative of the controlling shareholder, as of the date of the appointment, or to another corporation ("Affinity" - as defined in section 240(b) of the Companies Law).

Members' investment committee - In September 2017, the **Draft Control Financial Services Regulations (Provident Funds) (Investment Committee), 2017**, was published. The draft includes several changes on matters associated with the composition, appointment, qualifications and work methods of committees for the investment of members' funds, as compared with the law which currently applies, including a demand for all members to be external representatives; some of the preconditions for qualification for appointment as an investment committee member were changed; provisions were determined which are intended to ensure the independence of an investment committee member; rules were established regarding the prohibition of cross-tenure in an institutional entity and in a financial entity; It was determined that a Search Committee will be created which will recommend to the Board of Directors candidates for the candidate of investment committee member; It was determined that the appointment term of an investment committee member will be 6 years, and that the member cannot be re-appointed, and additionally, provisions were determined regarding the work methods of the investment committee, and it was further determined that the boards of directors of institutional entities which belong to the same group of investors will be entitled to appoint a investment committee for members' funds, which will serve jointly for all of the institutional investors which belong to the same group of investors. The members of the investment committees of Clal Insurance and of Clal Insurance and Clal Pension and Provident Funds are appointed by the relevant boards of directors, according to the recommendation of a Search Committee which was appointed by the Board of Directors, and which is comprised of the chairman of the board, and two outside directors.

Nostro investment committee - In February 2018, **a draft circular was published regarding non-investment-linked investment committees**. The draft circular regulates various aspects pertaining to the work method of a nostro investment committee, including on the following subjects: the number of members; Minimum conditions for qualification; Functions and work methods of the committee. The identification and screening of candidates for the nostro investment committee is done by the Board of Directors, with the members being appointed external representatives from among the outside directors who held tenure in the Company, or external representatives.

Credit sub-committee: In accordance with the Commissioner's directives, the investment committees, with the approval of the boards of directors of the Group's institutional entities, appointed a joint credit sub-committee for the Group's institutional entities (the "**Credit Sub-Committee**").

The credit sub-committee is comprised of members who have proven expertise and experience in the credit segment. The credit sub-committee includes external representatives only.

The credit sub-committee is responsible for overseeing the implementation of the policies determined by the Board of Directors and the investment committees regarding the provision of credit, for approving the provision of credit in accordance with the hierarchy of authorities, and for reaching decisions regarding the methods used to handle troubled debts, in accordance with the hierarchy of authorities.

Internal credit committee - In accordance with the Commissioner's directives, the institutional entities in the Group appointed an internal credit committee which is comprised of managers in Canaf, whose functions include: approving the extension of private loans from the nostro assets, providing recommendations regarding the provision of private loans, and the handling thereof, and approval of immaterial amendments to private loans, in accordance with the hierarchy of authorities.

10.5.4. Restrictions, legislation, standardization, circulars and special constraints which apply to investment management in the institutional entities

The investment management of institutional entities is subject to the provisions of the law which apply to insurers and to pension funds and provident funds, including the Commissioner’s directives, as published from time to time.

As part of the above, the investment activity is primarily subject to the Investment Regulations, to Chapter 4 of the consolidated circular - management of investment assets (the “**Consolidated Circular**”) and to the provisions of the circular regarding investment rules which apply to institutional entities (in this section: the “**Circular Regarding Investment Rules**”). The Investment Regulations, the consolidated circular and the circular regarding investment rules regulate most of the provisions of the law which apply to the investments of an institutional entity.

10.5.4.1. **The Investment Regulations, the consolidated circular and the investment rules (in this subsection: the “Provisions Of The Law”) -**

The provisions of the law establish the regulatory framework which applies to the investments of an institutional entity, and refer, inter alia, to the following subjects: **A.** Restrictions on exposure to a single corporation and a group of corporations, cumulative exposure to the five largest corporations and the five largest groups of corporations, as defined in the Regulations; **B.** Foreign investment in countries with a credit rating of (BBB-) or higher, or in OECD member countries; **C.** Restrictions regarding the holding of the means of control of a corporation - up to 20%, excluding partnerships and real estate corporations, regarding which permission is given for a holding rate of up to 49%, subject to certain restrictions, and according to the cumulative maximum scope which was set forth in law; **D.** A quantitative restriction regarding investment in land rights, out of the total assets of the institutional entity - up to 15%; **E.** A restriction regarding the rate of holding in marketable bond series - up to 25% of each series; **F.** Definition of related parties to the institutional entity, and imposition of restrictions on investments in such entities; **G.** Restriction on the provision of unrated loans; **H.** Regarding nostro portfolios - a requirement for the establishment of rules pertaining to the management of assets held against liabilities, including regarding the degree of correspondence between the average lifetime, liquidity rate and linkage terms of the investment assets, and the characteristics of the liabilities; **I.** Establishment of rules to correct active and passive exceptions from the provisions of the investment regulations, reports and sanctions.

In February 2021 the Commissioner published a draft amendment to the Investment Regulations, which proposed, inter alia, the following amendments: that (A) the restriction stipulating that an institutional investor may not hold over 20% of an ETF’s units will only apply ETF’s which are related parties of the institutional entity; (B) Institutional investors will be allowed to hold means of control at a additional scope of 20% to 29% of the means of control of certain corporations in the infrastructure segment in Israel, whereby the cumulative scope of investments of this kind will be limited to up to 4% of the revalued value of the institutional investor’s assets; (C) Institutional investors will be allowed to invest in hybrid bonds in Israel, subject to the terms specified in the draft.

The draft also includes expedients regarding the types of investments which were permitted for old funds. In this regard, it is noted that Atudot Havatika is an old pension fund.

According to the assessment of the Group's institutional entities, at this stage, the provisions proposed in the draft amendment to the Investment Regulations will not have significant effects on the institutional entities, or on the rules regarding the investment of members' funds.

The institutional entities' assessments in connection with the draft amendment constitutes forward looking information, which is based on the assumptions and estimates of the Group's institutional entities as of the publication date of the report, and actual results may differ significantly from the forecast, depending, inter alia, on the final wording of the amendment, insofar as it is published, and the method of its actual implementation.

10.5.4.2. **Restrictions on holding, on the performance of investments, and on the method of approving investments-**

In accordance with various laws, the Group's holdings in various corporations are considered jointly, including both holdings in the nostro portfolio, and holdings for other parties (such as funds of investment-linked policies, provident funds and pension funds). Due to the current restrictions on holding in the law, with respect to corporations with certain operating segments (such as banking corporations, insurers, communication companies) and/or with respect to holdings in corporations which are related parties of the Group, the aforementioned aggregate holding may be restricted, and the Group may sometimes be prevented from increasing its holdings in the securities of those corporations, and may sometimes also be required to sell existing holdings, including out of the Group's holdings on behalf of other parties.

Additionally, in accordance with the provisions of the **Law to Promote Competition and Reduce Concentration, 2013**, an institutional entity's holdings in a certain type of means of control of a significant real corporation may not exceed 10%. As of the publication date of the report, this provision does not have a significant effect on the investment activities of the Group's institutional entities.

Restrictions on investment in related parties – In light of the change in the status of the Company, as a company without a control core, and due to the fact that institutional entities have different characteristics, which not every public company has, and whose existence justifies different treatment, inter alia, in light of the fact that the institutional entities manage members' funds, the Company adopted a policy regarding the identification and approval of transactions with related parties in the Company, which applies, inter alia, to the Company's interested parties, directors, and other entities, which included the determination of procedures for the approval of transactions with and investments in related parties and limits on exposure to related parties were also determined. For additional details regarding the status of the control of the Company, see Notes 1(a) and (b) to the financial statements. For additional details regarding the related parties policy, see section 11.3.1.2(a) below.

10.5.5. Presented below are details regarding the final material provisions of the law which were published during and after the reporting year, as well as the summary of material drafts which were published by the Commissioner, which apply to institutional entities in connection with the management of their investments:

10.5.5.1. **The Insolvency and Economic Rehabilitation Law Memorandum, 2018**

In March 2018, the Knesset passed the **Insolvency and Economic Rehabilitation Law, 2018** (the "**Law**"), which entered into effect in September 2019, and which is intended to re-formalize laws regarding insolvency and rehabilitation and recovery proceedings. The provisions of the law come in place of a series of legal provisions which until now have regulated insolvency laws. The law regulates, inter alia, the following subjects: (1) the definition of a corporation's insolvency; (2) The opportunities for entry into processes involving the rehabilitation and/or liquidation of a corporation; (3) The distribution of considerations between the various creditors; (4) Restriction of the power of floating charge holders, in a manner whereby they will be entitled to receive repayment of only 75% of the debtors which are subject to the floating charge, such that the unsecured creditors will receive greater repayment of the debt to them; (5) Prospective cancellation of some of the obligations; (6) The establishment of a special duty of care for directors and CEO's, in a situation where the Company is in a state of economic insolvency, but has not yet been declared as such in legal terms. (7) Establishment of provisions which confer upon the Court the authority to order a provider which provided, prior to the issuance of an order to initiate proceedings against the corporation, or shortly before the aforementioned date, even if it has already discontinued such provision, a critical service or product to a corporation undergoing recovery.

Additionally, in March 2021, an amendment was enacted to the Insolvency and Economic Rehabilitation Law (Amendment No. 4 - Transitional Provision)(New Coronavirus)(Stay of Proceedings for the Purpose of Formulating and Approving a Debt Settlement), which was intended to address the increase in the number of debtors suffering economic difficulties due to the coronavirus crisis. The main points of the amendment include an option to receive a stay of proceedings order for three months, with an option to extend by an additional month, retaining the Company's contractual engagements, and leaving officers in the Company (including the addition of an obligation to appoint an arrangement manager).

According to the Company's estimate, the transitional provision may have implications on all matters associated with investments in corporate bonds, in light of the possibility for the corporation to receive, under certain conditions, a stay of proceedings order for three months.

The Company's assessment in connection with the transitional provision constitutes forward looking information, which is based on the estimates and assumptions as of the publication date of the report, and actual results may differ significantly from the forecast, depending, inter alia, on the way in which it is implemented in practice.

10.5.5.2. The Draft Control of Finance Services Regulations (Provident Funds) (Direct Expenses Due to Execution of Transactions) (Transitional Provision), 2019 (hereinafter: the "Expense Regulations")

The Expense Regulations determine the types of expenses which can be charged to members, and apply a cumulative quantitative annual restriction of 0.25% of the assets on the amount of expenses which can be charged to the members, with respect to some of the expense items which are included in the Expense Regulations.

In November 2019, the Commissioner published draft regulations which extended the transitional provision set forth in Regulation 3A by another two years, such that it will remain in effect until December 31, 2021.

In March 2021, the Authority published a letter in which it stated that the Direct Expense Regulations would remain in effect up to three months after the date of convention of the 24th Knesset.

According to the Company's estimate, insofar as the transitional provision is not extended, the matter could have significant implications for the Company.

10.5.5.3. The Draft Control Financial Services Regulations (Provident Funds)(Participation of Managing Company in General Meeting)(Amendment), 2019, and a draft amendment to the consolidated circular - provisions regarding voting by an institutional investor in a corporation's general meeting

In May 2019, the Commissioner published the **Draft Control of Financial Services Regulations (Provident Funds)(Participation of Managing Company in General Meeting)(Amendment), 2019** (hereinafter: the "**Voting Regulations**"), and a **draft amendment to the consolidated circular - provisions regarding voting by an institutional investor in a corporation's general meeting** (hereinafter: the "**Drafts**"). The main proposed changes to the drafts include: (A) Cancellation of the possibility for an institutional investor to engage with a professional entity regarding voting in general meetings. (B) A demand to approve the institutional investor's investment committee by a majority of the external representatives, in case of a vote in a corporation without a controlling shareholder. (C) Determining that the deciding entity in the institutional investor regarding voting in meetings will be the entity who is professionally subordinate to the institutional investor's investment committee only, and who is not involved in the investment of the institutional entity's funds which are held against non-investment-linked liabilities

In December 2019, Entropy Financial Research Services Ltd. (hereinafter: "**Entropy**"), which advises institutional entities in the Group, announced that it was discontinuing the provision of consulting services in connection with votes in meetings, and would continue offering auxiliary services only.

In June 2020, the Group's institutional entities engaged with Emda Economic Research Ltd. ("**Emda**") in an agreement for the receipt of services associated with voting in meetings according to a different format, and since August 2020, the Group's institutional entities have received these services from Emda.

Accordingly, insofar as the Draft Regulations are accepted, the Group's institutional entities believe that it will not have a significant effect on the institutional entities.

10.5.5.4. Policy regarding the issuance of a permit for the holding of the means of control of an institutional entity to entities managing customer funds

In July 2019, the Authority published a "**policy regarding the issuance of a permit for the holding of the means of control of an institutional entity without a controlling shareholder to entities which manage customer funds**", in which conditions were established which, when fulfilled, will allow the issuance of a holding permit (for holdings exceeding 5% of a certain type of means of control) for institutional entities, mutual funds or ETF's which have requested a permit for holding an institutional entity without a controlling shareholder. According to the aforementioned policy, such a permit may be given in cases where the holding rate of the entity receiving the holding permit does not exceed 7.5% of the means of control of an institutional entity without a controlling shareholder, provided that its holdings which are not for its customers are less than 5%.

In accordance with the foregoing policy, during the reporting year some of the institutional entities increased their holdings in the Company. For additional details, see the immediate report dated January 7, 2021 (reference number 2021-01-003306).

In March 2020, and as part of the Commissioner's directives due to the coronavirus pandemic, the foregoing policy was expanded, and it was determined that a permit application, as stated above, may also be submitted with respect to institutional entities which have a controlling shareholder. Accordingly, in April 2020 the Group's institutional entities submitted a request for a permit to hold up to 7.5% of the means of control of other institutional entities, which was approved in March 2021.

10.5.5.5. The Commissioner's position - investment in InsurTech companies

In January 2020, the Commissioner published a position regarding investment in InsurTech companies, which is intended to reduce barriers to investment of insurance companies in initiatives and in the development of infrastructure in the InsurTech branch. The position includes guidelines regarding the provision of approval for the control, or holding of the means of control, of an InsurTech corporation at a rate exceeding 20%, which primarily determine that the investment must be made using the insurer's nostro funds only, and that the total sum of the insurer's investment in the InsurTech corporation may not exceed the lower of either NIS 100 million, or 1% of the insurer's assets, after deducting assets held against investment-linked liabilities.

As of the publication date of the report, the Commissioner's position has no significant effect on the Company.

Benefit track no. 43 - Encouragement of investments by institutional investors in high-tech industries -

In July 2020, the Israel Innovation Authority published benefit track no. 43, with the intention of encouraging investments by institutional entities in Israeli hi-tech companies. Under the plan, and upon the fulfillment of the conditions specified in the benefit track, the Innovation Authority will provide partial protection against losses from such investments. Accordingly, the Group's institutional entities submitted a request for investment protection, in accordance with the benefit track. In September 2020, the institutional entities won the aforementioned benefit, at a scope of NIS 200 million. The Group's institutional entities began making investments in accordance with the track's provisions. According to the assessment of the Company's institutional entities, the benefit track does not have significant implications for the investments of the Group's institutional entities.

The Company's assessment in connection with the foregoing constitutes forward looking information, which is based on the estimates and assumptions of the Group's institutional entities as of the publication date of the report, and actual results may differ significantly from the forecast, depending, inter alia, on the investments which will be made by the institutional entities.

10.5.5.6. The Commissioner's directives in light of the coronavirus outbreak

During 2020, due to the coronavirus pandemic and its effects on the Israeli economy, the Commissioner published a series of amendments and transitional provisions to the provisions of the consolidated circular, including:

(A) Establishment, as a fixed provision, of the transitional provision which allows an institutional entity to provide to its customers, who manage accrued funds for it, a loan at a higher rate than thirty percent, provided that they have a fixed monthly source of income, in the form of the receipt of an old age annuity from a pension fund or from an insurance company, or through the receipt of a budgetary pension;

(B) Providing the possibility for an institutional investor which has became the controlling shareholder of a borrower corporation, or a holder of over 20% of a borrower corporation's means of control, due to a debt settlement, subject to the fulfillment of certain conditions, to continue controlling or holding at that rate.
Transitional provisions were also established on the following subjects:

(C) The provision of expedients on requirements for reporting by institutional investors to the Commissioner regarding a significant active deviation or passive deviation, and determination that deviating from the deviation range determined by an institutional investor, up to a deviation range of 10 percentage points, will not be considered as a change in investment policy, but rather as a passive deviation (in effect until June 30, 2020);

(D) The provision of expedients to institutional entities regarding the analysis for the purchase of marketable and non-marketable bonds on the secondary market, in a manner which allows the institutional entity's investment committee to determine the scope of the required analysis, and allowing the possibility to defer the date for updating analyses which are expected to expire (in effect until July 31, 2020);

(E) Providing the possibility to allow an institutional entity's investment committee to lessen the requirements regarding contractual stipulations and financial covenants with respect to the purchase of marketable and non-marketable bonds (in effect until July 31, 2020);

(F) Allowing an institutional entity to invest up to 49% in marketable bonds which are not bonds of the Israeli government, or in marketable securities of an issuer, instead of maximum holding of up to 25%, as currently prescribed in law (in effect until September 30, 2020);

(G) Providing the possibility for an institutional investor, subject to the fulfillment of several conditions, subject to the fulfillment of several conditions, to collect from the assets of provident funds which are managed by it, or from funds held against investment-linked liabilities, the management fees which are collected by an ETF manager, at a rate which will not exceed 0.1% of the ETF's asset value, provided that the total rate with respect to the investment in ETF's, as stated above, does not exceed 5% of the limit on direct expenses (effective until December 31, 2020);

(H) Providing the possibility for a policyholder to give a loan, to invest in a non-marketable debt asset, or to lend an unrated security, provided that the total scope of the investments does not exceed five percent of assets held against liabilities of the types 10, 40 or 70, with the calculation being made with respect to all types of liabilities together, instead of for each type separately (in effect until March 31, 2021);

(I) Extension of the time period in which an institutional entity is required to take action against a member or policyholder to repay the loan on time, from 30 days to 60 days (in effect until March 31, 2021);

(J) Providing the possibility for institutional investors to provide loans to savers for a period of up to 15 years, instead of a period of up to seven years (in effect until March 31, 2021);

According to the assessment of the Group's institutional entities, the Commissioner's aforementioned directives which mostly expired, as stated above, did not have a significant effect on the Group's institutional entities.

For additional details regarding the implications of the coronavirus pandemic, and its effects on the investment results, see Note 1(d) to the financial statements, and Part B of the Report - Board of Directors' Report, section 2(a)(3).

10.5.5.7. Amendment to the provisions of the consolidated circular regarding the internal rating model

In November 2020, and in order to encourage improvements to the quality of assessment and management of credit risk with respect to investments in debt assets, and to promote specialization regarding credit rating in the institutional entities, the Commissioner published an amendment to the provisions of the consolidated circular, in the chapter regarding the management of investment assets, regarding the internal rating model for credit given by institutional entities (the "**Amendment**"). In the amendment, it was determined that the rating model which fulfills the new conditions required under the amendment will be considered as an internal rating model which has been approved by the Commissioner, instead of the Commissioner's approval for the model, as required in the past. The amendment specifies the required conditions with respect to the model’s characteristics, method of validation, documentation, and method of use. It was further determined that the institutional entity’s Board of Directors will be able to authorize one of its committees to perform its responsibilities in connection with the approval of an internal rating model, and oversight of its use. The Group’s institutional entities intend to develop internal rating models as stated above.

10.5.5.8. Amendment to the provisions of the consolidated circular - various amendments

In October 2020, the Commissioner published various amendments to the provisions of the consolidated circular, in the chapter regarding the management of investment assets, which mostly include the determination stating that cash equivalents will be included under the ETF for the purpose of an ETF’s operating activities, or as collateral for the ETF’s assets; Providing the possibility for institutional investors to manage ETF’s, including with respect to loans of members or policyholders; Expanding the option for institutional entities to invest through ETF’s also with respect to assets held against several types of non-investment-linked liabilities (nostro); and updates to the list of approved rating companies for debt rating outside of Israel. According to the assessment of the Group’s institutional entities, the Commissioner’s aforementioned directives will not have significant implications for the Group’s institutional entities.

The institutional entities’ assessment in connection with the draft amendment constitutes forward looking information, which is based on the assumptions and estimates of the Group’s institutional entities as of the publication date of the report, and actual results may differ significantly from the forecast, depending, inter alia, on the final wording of the amendment, insofar as it is published, and the method of its actual implementation.

10.5.5.9. Amendment to the provisions of the consolidated circular regarding transactions between related parties

In January 2020, the Commissioner published an amendment to the provisions of the consolidated circular which is intended to allow, in exceptional cases, and subject to the stringent conditions which were determined, the execution of transactions involving the purchase and sale of non-marketable assets between institutional investors who are among the same group of investors, provided that the transaction is for the benefit of all of the institutional investors in that group.

According to the assessment of the Group’s institutional entities, the Commissioner’s aforementioned directives will not have significant implications for the Group’s institutional entities.

The institutional entities’ assessment in connection with the draft amendment constitutes forward looking information, which is based on the assumptions and estimates of the Group’s institutional entities as of the publication date of the report, and actual results may differ significantly from the forecast, depending, inter alia, on the final wording of the amendment, insofar as it is published, and the method of its actual implementation.

10.5.5.10. Draft amendment to the provisions of the consolidated circular - lending of securities

In January 2021, the Commissioner published a draft amendment to the provisions of the consolidated circular which allows lending vis-à-vis an exchange, in light of the launch of the Central Blockchain Securities Lending Platform of the stock exchange, and updates were also made to the obligation duties which apply to an institutional entity before lending securities.

According to the assessment of the Group’s institutional entities, the Commissioner’s aforementioned draft, insofar as it is accepted, will not have significant implications for the Group’s institutional entities.

The institutional entities' assessment in connection with the draft amendment constitutes forward looking information, which is based on the assumptions and estimates of the Group's institutional entities as of the publication date of the report, and actual results may differ significantly from the forecast, depending, inter alia, on the final wording of the amendment, insofar as it is published, and the method of its actual implementation.

10.5.5.11. Draft amendment to the provisions of the consolidated circular - investment considerations pertaining to environmental, social, and corporate governance considerations, and to emerging risks, cybersecurity risks and technological risks

In February 2020, the Commissioner published a draft amendment to the provisions of the consolidated circular, in which it was stated that an institutional investor's investment committee must establish, in the general investment policy, a policy pertaining to environmental, social and corporate governance ("**ESG**") aspects in corporations in which the institutional investor is invested. This policy will address, inter alia, the identification of relevant risks which may affect the investment portfolio, such as risks due to environmental effects and climate change. The investment committee will be entitled to permit engagements with external service providers with expertise in the field of ESG, subject to the fulfillment of certain conditions. In the policy, the institutional investor will specify the investment considerations pertaining to technological risks and to cybersecurity risks. Even before the publication of the draft, the investment committees of the Company's institutional entities established a policy which addresses ESG aspects, and also engaged with an external service provider with expertise in the field of ESG. Accordingly, according to the assessment of the Group's institutional entities, the Commissioner's aforementioned draft, insofar as it is accepted, will not have significant implications for the Group's institutional entities.

The institutional entities' assessment in connection with the draft amendment constitutes forward looking information, which is based on the assumptions and estimates of the Group's institutional entities as of the publication date of the report, and actual results may differ significantly from the forecast, depending, inter alia, on the final wording of the amendment, insofar as it is published, and the method of its actual implementation.

Managed investments

For details regarding the impact of investment income on the Company's profits, see Part B of the Report - Board of Directors' Report, section 2.1.4.

10.5.5.12. **Distribution of managed assets in Clal Insurance as of December 31, 2020**

	Assets held against investment-linked insurance liabilities	**Nostro - assets held against liabilities in non-life insurance, health and equity[62]**	**Nostro - assets held against liabilities in life and health insurance (long-term care and critical illness)**
Cash and cash equivalents	6.67%	11.76%	1.07%
Marketable government bonds	14.64%	20.74%	2.06%
Marketable corporate bonds	16.02%	18.22%	2.44%
Stocks and other marketable securities	42.45%	14.23%	5.24%
Designated bonds	0.00%	0.00%	61.99%
Deposits and loans	6.31%	11.82%	16.47%
Others (*)	13.91%	23.23%	10.73%
Total assets	**100.00%**	**100.00%**	**100.00%**

* Primarily includes non-marketable corporate bonds, investment funds and land rights.

10.5.5.13. **Distribution of managed assets in Clal Credit Insurance as of December 31, 2020:**

	Nostro - assets held against liabilities in non-life insurance and equity	**Assets held against investment-linked insurance liabilities**	**Nostro - assets held against liabilities in life insurance**
Cash and cash equivalents	14.27%	-	-
Marketable government bonds	40.60%	-	-
Marketable corporate bonds	21.17%	-	-
Stocks and other marketable securities	2.99%	-	-
Deposits and loans	18.55%	-	-

---

[62] Not including long-term care and critical illness.

	Nostro - assets held against liabilities in non-life insurance and equity	Assets held against investment-linked insurance liabilities	Nostro - assets held against liabilities in life insurance
Others [(*)]	2.42%	-	
Total assets	**100.00%**	-	-

* Primarily includes non-marketable corporate bonds, investment funds and land rights.

10.5.5.14. **Distribution of assets of pension funds managed by the managing companies (Clal Pension and Provident Funds and Atudot Havatika) in the Group as of December 31, 2020**

	Meitavit Atudot New Fund	Meitavit Atudot Supplementary Fund	Atudot Havatika
Cash and cash equivalents	2.27%	6.49%	1.95%
Marketable government bonds	2.86%	23.16%	14.46%
Marketable corporate bonds	7.27%	18.85%	11.07%
Stocks and other marketable securities	41.34%	40.47%	18.32%
Designated bonds	29.37%	0.00%	38.76%
Deposits and loans	4.88%	3.59%	4.33%
Others [(*)]	12.01%	7.44%	11.11%
Total assets	**100.00%**	**100.00%**	**100.00%**

* Primarily includes non-marketable corporate bonds, investment funds and land rights.

10.5.5.15. **Distribution of assets of pension funds managed by the Clal Pension and Provident Funds as of December 31, 2020:**

	Provident fund for compensation	Study funds	Central provident funds
Cash and cash equivalents	3.53%	6.32%	7.09%
Marketable government bonds	24.27%	17.87%	22.02%
Marketable corporate bonds	19.12%	12.50%	19.57%
Stocks and other marketable securities	27.32%	41.51%	38.44%
Deposits and loans	16.31%	9.78%	6.21%
Other investments [(*)]	9.45%	12.02%	6.67%
Total assets	**100.00%**	**100.00%**	**100.00%**

* Primarily includes non-marketable corporate bonds, investment funds and land rights.

10.5.6. Investments in investee companies

During the reporting year, the Company had no material investments in investee companies and/or partnerships and/or enterprises which are not subsidiaries. For details regarding the policy regarding the evaluation of significance for the purpose of classifying investment transactions, which was adopted by the Company, see section 11.3.1.5 below. For details regarding the Michlol transaction, and the expansion of the activities of Clal Finance Ltd., see section 9.2 above.

10.6. Reinsurance

Reinsurance is a tool for managing and hedging insurance risks, and for protecting capital. Through reinsurance, the insurance company shares its risks with additional insurance companies, reduces its exposure to insurance risks (particularly to accumulated damages in case of a catastrophic event, such as natural disasters, earthquake, fire, etc.), and allows the expansion of the scope of insurance liabilities which it can accept upon itself, for monetary consideration, and while creating exposure to counterparty risk.

The engagement in reinsurance does not exempt the insurance company from its obligations towards the policyholders, and the settling of accounts vis-à-vis the reinsurers takes place throughout the years of insurance exposure. The stability of reinsurers is therefore important.

The main types of reinsurance contracts include:

1. **Treaty** - An agreement with a reinsurer in which the reinsurer undertakes to participate in the risks, generally in a particular branch.
2. **Facultative insurance** - An agreement with a reinsurer with respect to specific business (mostly at large business customers), in which the liability limits exceed the limits of the treaty, or where, for other reasons, the Company chooses to prepare it in that framework.

The aforementioned agreements can be with one reinsurer or several reinsurers.

Additionally, reinsurance contracts can be segmented according to the risk distribution method:

1. **Proportional reinsurance** - The reinsurer's participation in the risk is defined in advance, according to its relative share in the premiums, and it participates according to its proportional rate in the payment of damages. There are two main types of proportional reinsurance:
   - **Quota share treaty**: A proportional reinsurance agreement in which the reinsurers agree to accept a fixed rate of all insurance of a certain type which the direct insurers have accepted upon themselves. The reinsurer receives a proportional part of the relevant premiums which are received by the direct insurer, and divides the damages and expenses by the same ratio, up to the determined amount, and in accordance with the contract terms.
   - **Surplus treaty**: A proportional reinsurance agreement in which the direct insurer bears a fixed amount which it determines (retention), and the reinsurer bears the multiplies of the fixed amount up to an agreed-upon limit. The Company's participation rate is determined according to the proportion of the retention out of the insurance amount, and accordingly, the premiums and claims are divided between the Company and the reinsurer.

In general, with respect to a proportional reinsurance agreement (treaty or facultative), a commission is received from the reinsurers according to an agreed-upon rate of the premiums to the reinsurers.

2. **XOL (Excess of loss) non-proportional reinsurance** - A non-proportional reinsurance agreement according to which the reinsurer accepts responsibility for the level which was agreed upon in advance, and participates in the payment of the damages only if the damage has reached the level at which it participates. In agreements of this kind, the division of risk is non-proportional, and the participation of the reinsurer is conditional upon the amount of damages, up to the limit which was determined, if any.

   The **catastrophe risk** of Clal Insurance is a non-proportional reinsurance agreement which Clal Insurance purchases in order to protect its retention (in addition to the existing coverage in proportional reinsurance), based on an evaluation of the expected damage on retention, of a given probability, to which Clal Insurance may be exposed due to a catastrophic event.

   With respect to non-proportional reinsurance contracts, a commission is generally not received from reinsurers, excluding in facultative insurance policies of the XOL ("Excess Of Loss") types.

10.6.1. Policy regarding reinsurance

In accordance with the Commissioner's circular on the subject of "Management of the exposure to reinsurers" from December 7, 2003, at least once per year, the Board of Directors is required to discuss and determine the policy regarding exposure and the insurer's preparations to manage the exposure and the control thereof, to a single reinsurer and to a group of reinsurers which are economically linked (hereinafter, jointly: "**Reinsurers**"). The Board of Directors is required to hold the discussion after having ascertained the quality of the tools which are available for the insurer to manage and control the exposure to reinsurers.

The policy regarding the exposure to reinsurers will include, inter alia, the policy regarding the management of exposure to reinsurers in the life, non-life and health branches, as well as the definition of the maximum framework for exposure to reinsurers, according to the parameters which will be determined by the Board of Directors. The aforementioned parameter may be a qualitative parameter, such as the reinsurer's international rating.

The Board of Directors will oversee the implementation of the policy which determined and will handle exceptional events.

The boards of directors of the Group's institutional entities approve, once per year, the reinsurance policy in accordance with the Group's operating segments, based on the recommendations which were formulated by the management of each institutional entity / division, and the recommendations of the risk management unit. As part of the above, each year, the retention policy for the various branches is determined, and the various types of reinsurance arrangements are evaluated. With respect to the exposure to reinsurers, the policy of the Group's insurance companies include minimum demands for the selection of reinsurers which address, inter alia, their credit ratings and other qualitative parameters, including with respect to past experience, where in the insurance branches in which the exposure to reinsurers is long term, a higher minimal credit rating is required. The policy also includes a maximum exposure framework, which determines the maximum rate of exposure to a single reinsurer and/or to a group of reinsurers and/or to a rating group of reinsurers, out of the Company's capital. Additionally, the policy establishes restrictions on potential exposures to reinsurers and to groups of reinsurers, in case of an earthquake event, by MPL[63]. The policy establishes mechanisms for the management and control of the exposure to reinsurers, including reports to the boards of directors of the relevant institutional entities, regarding the fulfillment of the aforementioned restrictions.

In non-life insurance business operations, the Group's proportional and facultative reinsurance contracts in the various insurance branches are generally prepared on an annual basis, according to the underwriting year (in which the policy was issued), with different reinsurers. The relative share of each reinsurer in each one of the reinsurance branches may change from year to year and from branch to branch, in accordance with the Group's business policy and the characteristics of the business which it aims to insure. In general, non-proportional treaties are prepared on an annual basis, according to the year of the event (when the damage occurred).

In **life insurance and health insurance business operations,** which cover risk of death, loss of working capacity, disability, critical illness, long-term care and medical expenses, and which are characterized by long term policies, the engagement with reinsurers is done throughout the entire period of the policies which were sold during the reinsurance agreement period, excluding catastrophe risk agreements, which are prepared on an annual basis, according to the year of the event.

The Company's ability to engage in reinsurance treaties, and the terms of such engagements, also depend on the market conditions, on the capacity of the reinsurers which meet the minimum conditions specified by the Group with respect to the relevant risks, and on the reinsurer's willingness to accept those risks.

During the reporting year, the Group did not enter into any exceptional reinsurance transactions.

For additional details, see Note 38(f)(8) to the financial statements.

For details concerning the risk factors arising from the entry into agreements with reinsurers, see section 10.16(b)(4) below.

10.6.2. Reinsurance in the non-life insurance segment

10.6.2.1. Main types of reinsurance arrangements in the segment

In the liabilities branches, such as employers' liability, professional liability, product liability and third party liability, protection against exposure is implemented by means of non-proportional reinsurance contracts, to protect against large claims.

In the compulsory motor insurance branch, Clal Insurance hedges against the exposure through proportional and non-proportional reinsurance treaties.

In general, the exposure of Clal Insurance in the property and loss of profit branches, and in guarantee activities (including sale and performance guarantees), is protected through proportional reinsurance contracts. In the property and loss of profit branches, a non-proportional reinsurance contract is also acquired

---

[63] Maximum probable loss, with the determined probability, calculated using models.

for catastrophe coverage (shared by all of the property branches), which provides protection for the share of Clal Insurance on self retention in the damages due to a catastrophic event (including an earthquake), see section 10.6.7 below.

In certain insurance branches, specific (facultative) reinsurance is acquired instead of, or in addition to, the coverage under the treaty, while maintaining fulfillment of the retention levels determined by the Company.

A significant part of the operations of Clal Credit Insurance is protected by proportional reinsurance. Additionally, Clal Credit Insurance acquires non-proportional reinsurance as coverage against default by a group of debtors.

10.6.2.2. Commission structure in the non-life insurance segment

In proportional insurance, commissions are received from reinsurers. These commissions are primarily calculated according to a certain rate of the premiums to reinsurers. There are two main types of commissions" fixed commissions, according to a flat rate of the premiums, or sliding scale premiums, according to the profitability in the portfolio. In general, agreements in the non-life insurance segment do not include profit commissions, except for a few agreements which include a profit commission that is based on the reinsurer's rate of profitability in that specific agreement.

In general, the agreements are renewed each year, with no commitment to renew them, and without the agreements including an mechanism for settling accounts between the different underwriting years. The settling of accounts with respect to a specific underwriting year may include the reimbursement or receipt of an additional commission, in parallel with the recoding of the development in business results in accordance with the current estimates as of the reporting date (in progressive commission agreements the repayment, if required, is up to the amount of the minimum determined commission).

Commissions are not received from reinsurers in non-proportional insurance, except for excess of loss facultative reinsurance.

Reinsurers whose share in premiums in the segment constituted more than 10% of total reinsurance premiums in the segment in the reporting year

Proportion of total premiums to reinsurers for the operating segment in 2020	Premiums recorded in favor of the reinsurer (NIS in thousands) in 2020	S&P rating as of the date of as of the publication date of the report	Name of reinsurer
16.53%	206,382	AA-	Swiss Re

10.6.2.3. Changes to reinsurance arrangements in the non-life insurance segment

During the reporting year, no material changes occurred in reinsurance arrangements in the non-life insurance segment.

10.6.3. Reinsurance in the long term savings segment

10.6.3.1. Main types of reinsurance contracts in the long term savings segment

A. Proportional contracts of various types protect the exposure of Clal Insurance in most business segments in the life insurance branch.

B. An excess of loss non-proportional contract, which protects the Group's member companies from catastrophe events, with respect to risks of death, loss of working capacity, and disability.

10.6.3.2. Description of the commission agreements in the life insurance segment

Regarding some of the proportional reinsurance contracts, the reinsurers pay commissions to the Company according to a rate of the premium which was transferred to the reinsurer in the first year, or over a longer period. In addition to the reinsurance commissions which are paid out of the premiums, as stated above, the reinsurers pay, under some of the agreements with respect to life insurance, a profit commission which is calculated as a proportional part of the profit from the insurance business operations which are covered through reinsurance.

The calculation of the profit commission for a particular reinsurance contract (in accordance with all of the policies which are included in the treaty period) also includes taking into account loss, if any, from previous years, and a profit commission is only received if the profit exceeds the loss. It is hereby clarified that insofar as an amount is paid with respect to a profit commission, and in the future there is loss with respect to that contract, the Company will not be obligated to repay the amounts which were received, and the matter will be reflected only in the offsetting upon calculation of a future profit commission, if any.

Reinsurers whose share in premiums in the segment constitute more than 10% of total reinsurance premiums in the segment during the reporting year

Proportion of total premiums to reinsurers for the operating segment in 2020	Premiums recorded in favor of the insurer for 2020 (NIS in thousands)	S&P rating as of the publication date of the report	Name of reinsurer
57.67%	84,640	AA-	Swiss Re
27.58%	40,482	AA-	Munich Re
11.27%	16,548	AA+	Gen Re

10.6.3.3. Changes in reinsurance arrangements in the life insurance segment

During the reporting year, no material changes occurred in the reinsurance arrangements in the long term savings segment.

10.6.4. Reinsurance in the health insurance segment

10.6.4.1. Main types of reinsurance in the health and long-term care insurance segment

Part of the Group's exposure in health policies with respect to particular risk components is covered under quota share treaties. With respect to long-term care insurance products, quota share proportional reinsurance is available for individual policies which were sold as such until July 2004, and from June 2014 until the end of 2019 (for details regarding the discontinuation of sales of individual long-term care policies, see section 8.1.3.2 above). Additionally, quota share proportional reinsurance was purchased in connection with the liability of Clal Insurance to cover claims of members of Maccabi and Leumit health funds, within the framework of the collective long-term care insurance for the fund members in Clal Insurance, and which concluded in 2019. For details regarding the conclusion of the collective long-term care insurance for the health fund members in Clal Insurance, and the liability of Clal Insurance for of Clal Insurance to cover claims which are submitted after the conclusion of the aforementioned insurance period, see section 8.1.2.2(c) above. For details regarding assertions regarding the method for settling of accounts between Clal Insurance and the reinsurer, in connection with reinsurance arrangements with respect to the long-term care insurance for the health fund members, see Note 41(a)(a4)(2) to the financial statements.

The Group also has protection for accumulated damages, in non-proportional contracts, with respect to personal accidents policies, international travel personal accidents, long-term care and critical illness policies, within the framework of catastrophe coverage. The scope of the acquired protection is based on internal studies conducted by the Company.

10.6.4.2. Description of the commission structure in the health insurance segment

In some insurance contracts, a commission is paid by the reinsurers to the Group with respect to health insurance products of various kinds, which are covered by proportional reinsurance, which is calculated as a rate of the premiums transferred to the reinsurer. In most cases, this commission is paid only in the first year after the sale.

In addition to the reinsurance commissions which are paid out of premiums, as stated above, in some of the reinsurance contracts, the reinsurers pay the Group with respect to the aforementioned reinsurance, a profit commission which is calculated as a proportion of the profit from the insurance business operations which are covered by the reinsurance. For details regarding the calculation of the profit commission, see section 10.6.3.2 above.

In excess of loss non-proportional insurance contracts, a commission is not received from reinsurers.

Reinsurers whose share in premiums in the segment constitute more than 10% of total reinsurance premiums in the segment during the reporting year

Name of reinsurer	S&P Rating As of the publication date of the report	Premiums recorded in favor of the insurer for 2020 (NIS in thousands)	Proportion of total premiums to reinsurers for the operating segment in 2020
Swiss Re	AA-	42,521	64.82%
Munich Re	AA-	13,437	20.48%

10.6.4.3. **Changes in reinsurance arrangements in the health insurance segment**

During the reporting year, no material changes occurred in reinsurance arrangements in the health insurance segment.

10.6.5. Coverage restrictions and limits

10.6.5.1. **Restrictions or limits on coverage in the non-life insurance segment**

In most proportional insurance contracts in property branches, the reinsurers restricted the cumulative scope of coverage to determined events, and particularly, to earthquakes. In the property contracts of most reinsurers, the limit per earthquake event is 4% to 5% of their proportional part in the insurance amount, and with respect to the total exposure limit which was determined in the contracts. For additional details, see section 10.6.7 below.

In contracts which protect the Group's retention against catastrophic events in the property insurance segment, the reinsurers limited their liability to a certain coverage ceiling, beyond which the liability applies to Clal Insurance.

In excess of loss contracts, the Company did not reach the determined limits in the reporting periods, and it has no outstanding claims in a scope which comes close to the determined limits.

10.6.5.2. **Restrictions or limits on coverage in the long term savings segment**

No material restrictions or coverage ceilings apply to the reinsurer's participation in proportional treaty claims.

It is noted that as of the publication date of the report, in cases where coverage limits were determined in reinsurance agreements, in general, the Company does not cover amounts which exceed the coverage limit without facultative coverage.

In a contract which protects the Group's retention against catastrophe events in the long term savings segment, there is a coverage limit, and damages above this limit are the Company's responsibility.

10.6.5.3. **Restrictions or limits on coverage in the health insurance segment**

In some quota share proportional insurance contracts in the long-term care and critical illness branch, certain restrictions apply regarding the conditions of participation or regarding the coverage limit with respect to the reinsurer's participation in claims, in a cumulative amount per policyholder. It is noted that, in general, policies which are issued by the Company are within the framework of the aforementioned coverage limits. Certain treaties also include clauses regarding the terms of participation. As of the reporting date, the stipulations have not been fulfilled.

10.6.5.4. **Restrictions by virtue of laws and/or treaties**

For several years, the reinsurers have been trying to include in the reinsurance agreements a clause which makes their contractual debts subordinated to legal restrictions by virtue of various state and/or international laws and/or treaties, which will be in effect from time to time, such as sanctions on Iran, avoidance of financing of terrorism, etc. (hereinafter: the "**Sanctions Clause**").

Clal Insurance clarified to the reinsurers that it objects to the inclusion of a sanctions clause in the sanctions contracts in a manner which reduces their obligation to pay in branches wherein it cannot include a corresponding clause vis-à-vis the policyholders. As of the preparation date of the report, the contracts with reinsurers do not include the aforementioned sanctions clause in branches where the Company cannot include corresponding coverage vis-à-vis the policyholders. However, the reinsurers repeatedly clarify that a restriction on payment may materialize as a result of the aforementioned legal restrictions.

10.6.6. Material changes in reinsurance arrangements which pertain to the period after the reporting date

no material changes occurred in the reinsurance arrangements during the period subsequent to the reporting date.

It is noted that, from time to time, the Company makes adjustments to the details of insurance arrangements, including with respect to the amount of commissions, the coverage limits and the retention amounts and rates, based on an analysis of past results and the assessment of risk, including with reference to changes in products, in the market and in the regulations.

10.6.7. **Exposure of reinsurers to an earthquake in Israel**

The main catastrophe event to which the Group is exposed is an earthquake in Israel, and the main exposure to this risk exists with respect to the property branches which constitute a part of non-life insurance.

As of December 31, 2020, the amounts of property insurance in Israel, which include earthquake coverage, amount to approximately NIS 428 billion (gross). Clal Insurance is covered, with respect to the aforementioned property insurance, by proportional reinsurance on a quota share or surplus basis. Some of the relative reinsurance contracts include coverage limits for individual events (see details below).

With respect to catastrophic events, Clal Insurance purchased, or the property branches, beyond the coverage under the proportional reinsurance contracts (contractual and/or facultative) with respect to the cumulative retention, reinsurance on an excess of loss basis, in a defined amount with respect to the exposure due to such event, based on the estimate of Clal Insurance regarding the damage which is expected to occur due to a catastrophe with a certain probability.

The acquisition of reinsurance with respect to a catastrophic event is based on assessments of the risk, based on details and updated information regarding the exposures of Clal Insurance through designated international software program, which are based on quantitative models for the assessment of catastrophe risks. According to this evaluation, which was last performed in 2020, the scope of coverage acquired by Clal Insurance protects it from events whose estimated probability of occurrence, according to some of the models, is lower than once every 500 years, and is even lower than once every 1,000 years, according to some of the models.

Based on the above analysis, Clal Insurance bases the acquisition of catastrophe protection on a maximum probable loss (MPL) rate which ranges from 1.5% to 2.8% of the insurance amount, according to the insurance branches and the characteristics of the policyholder's property. With respect to the reporting year, Clal Insurance purchased protection for the cumulative retention against catastrophe with a weighted MPL of approximately 2.15% of the non-life insurance amount in apartment and property insurance.

As a result of the aforementioned reinsurance arrangements, in case of a catastrophe event in Israel, which causes gross damage to insured property in Clal Insurance in a gross amount of up to NIS 9.0 billion (which is the expected damage, in accordance with the estimate described above), the maximum damage amount borne by Clal Insurance on retention (including the purchasing cost of reinstatement) will be approximately NIS 42 million. If the damage amount is higher than the aforementioned amount, Clal Insurance will bear part of the damages above the aforementioned amount, in accordance with the quota share contracts and the relevant surpluses.

It is noted that the Group also acquired catastrophe reinsurance with respect to **life and health insurance**, and an earthquake in Israel may activate this reinsurance as well. The scope of coverage which was purchased with respect to these products is based on internal studies which were performed by the Company regarding the impact of various scenarios, including an earthquake in Israel, insurance liabilities which cover cases of death or physical injury, which are covered under life and health policies. It is noted that the exposure to earthquake risk in Israel, as estimated with respect to this insurance, is of significantly lower scopes relative to the exposure to insurance in the property branches which are referenced by the data presented in this section and in Note 38(e2) to the financial statements.

The reinsurers of Clal Insurance which participate in the exposure, in non-life insurance, to an earthquake event in Israel are rated according to the following table:

Exposure of reinsurers to an earthquake (NIS in thousands) for 2020:

S&P rating group as of the publication date of the report	Forecast regarding exposure to earthquake, non-proportional	Forecast regarding exposure to earthquake, proportional	Forecast regarding exposure to earthquake	Proportion of total
A- and higher	785,505	8,169,536	8,955,041	93.46%
BBB- to BBB+	10,931	607,709	618,640	6.46%
Lower than BBB- or unrated	7,314	-	7,314	0.08%
Total	**803,750**	**8,777,245**	**9,580,995**	**100.00%**

Reinsurers whose exposure to earthquake risk exceeds 10% of the total exposure to earthquakes (NIS in thousands) for 2020:

Name of reinsurer	S&P rating group as of the publication date of the report	Forecast regarding exposure to earthquake, non-proportional	Forecast regarding exposure to earthquake, proportional	Forecast regarding exposure to earthquake	Proportion of total
Swiss Re	AA-	146,283	1,475,124	1,621,407	16.9%
Munich Re	AA-	146,283	1,033,243	1,179,525	12.3%

Exposure of reinsurers to an earthquake (NIS in thousands) for 2019:

S&P rating group as of the publication date of the report	**Forecast regarding exposure to earthquake, non-proportional**	**Forecast regarding exposure to earthquake, proportional**	**Forecast regarding exposure to earthquake**	**Proportion of total**
A- and higher	829,440	9,312,246	10,141,686	**100.00%**
BBB- to BBB+	-	-	-	-
Lower than BBB- or unrated	-	-	-	-
Total	**829,440**	**9,312,246**	**10,141,686**	**100.00%**

Reinsurers whose exposure to earthquake risk exceeds 10% of the total exposure to earthquakes (NIS in thousands) for 2019:

Name of reinsurer	**S&P rating group as of the publication date of the report**	**Forecast regarding exposure to earthquake, non-proportional**	**Forecast regarding exposure to earthquake, proportional**	**Forecast regarding exposure to earthquake**	**Proportion of total**
Swiss Re	AA-	157,248	1,509,647	1,666,895	**16.4%**
Munich Re	AA-	157,248	1,132,277	1,289,525	12.7%

* The amounts presented in the above tables include exposure in lower amounts with respect to insurance for international businesses ("**Incoming Business**") which are covered by Clal Insurance.

Summary reinsurance results in non-life insurance for the years 2018 to 2020[64]

Reinsurance premiums in 2020 (NIS in thousands)	**Compulsory motor insurance branch**	**Motor property insurance branch**	**Property and others insurance branch**	**Liabilities insurance branch**	**Total**
Earthquake and natural risks	-	2,191	250,760	-	252,951
Reinsurance, proportional	225,434	175,999	326,489	56,419	784,341

---

[64] Profit and loss results of reinsurance only, according to operating segments in non-life insurance, including credit insurance, as reflected in the Company's reports to the Commissioner.

Reinsurance, non-proportional	10,441	1	115,269	146,190	271,901
Total premiums	**235,875**	**178,191**	**692,518**	**202,609**	**1,309,193**
Reinsurance results	(89,566)	13,415	314,755	76,189	314,793

Reinsurance premiums in 2019 (NIS in thousands)	**Compulsory motor insurance branch**	**Motor property insurance branch**	**Property and others insurance branch**	**Liabilities insurance branch**	**Total**
Earthquake and natural risks	-	570	247,307	-	247,877
Reinsurance, proportional	282,848	96,732	301,212	36,764	717,556
Reinsurance, non-proportional	5,273	469	87,567	75,674	168,983
Total premiums	**288,121**	**97,771**	**636,086**	**112,438**	**1,134,416**
Reinsurance results	(104,940)	(297)	145,195	(155,153)	(115,195)

Reinsurance premiums in 2018 (NIS in thousands)	**Compulsory motor insurance branch**	**Motor property insurance branch**	**Property and others insurance branch**	**Liabilities insurance branch**	**Total**
Earthquake and natural risks	-	555	246,603	-	247,158
Reinsurance, proportional	273,252	-	315,363	32,046	620,661
Reinsurance, non-proportional	8,229	1,395	47,499	87,518	144,641
Total premiums	**281,481**	**1,950**	**609,465**	**119,564**	**1,012,460**
Reinsurance results	(26,522)	2,254	205,397	7,290	188,419

Explanations regarding the reinsurance results in non-life insurance:

- **Compulsory motor insurance branch -** The Company has had a proportional treaty since underwriting year 2017. The decrease in reinsurer loss during the reporting year was due to the lesser negative development in claims, which was reflected in the actuarial model, relative to the corresponding period last year.

- **Property and others insurance branch** - The improvement in reinsurer profitability during the reporting year, relative to the corresponding period last year, was mostly due to the positive development of large claims in the engineering branch during the reporting year, as compared with the deterioration in the development of claims in this branch in the corresponding period last year, and the underwriting improvement and increase in premiums during the reporting period, relative to the corresponding period last year.

- **Liabilities insurance branch** - The improvement in reinsurer profitability during the reporting year was mostly due to the benefit in the development of claims and the increase in reinsurer premiums relative to the corresponding period last year.

- **Motor property branch -** The Company has had a proportional treaty since underwriting year 2019. The improvement in reinsurer profitability during the reporting year reflects an improvement an improvement in the development of claims relative to last year.

For additional details regarding reinsurance, see Note 38(f)(8) to the financial statements.

10.7. Human capital

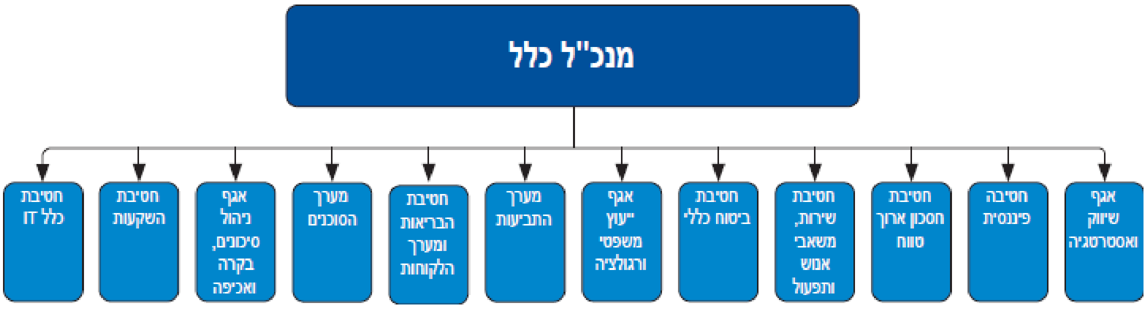
10.7.1. Diagram of the Group's organizational structure

The following diagram reflects the functional-organizational relationships, as of the date of this report, of the various senior position holders, which is not necessarily identical to legal relationships. [65]

CEO of Clal											
Clal IT Division	Investments Division	Risk Management, Control and Enforcement Department	Agents Unit	Health Division and Customers Unit	Claims Unit	Legal Counsel and Regulation Department	Non-Life Insurance Division	Service, Human Resources and Operations Division	Long-Term Savings Division	Finance Division	Marketing and Strategy Department

---

[65] The diagram reflects the structure of human capital in Clal Insurance. The Company's structure is as shown in the diagram; however, in accordance with a resolution of the Company's Board of Directors on August 20, 2018, the Company's officers include the Company's CEO, Legal Counsel, Financial Division Manager, Investment Division Manager and Risk Management Unit Manager. All of the Company's officers also serve as officers in Clal Insurance. Additionally, in Clal Insurance, which serves as the Group's primary business arm, individuals serving as corporate officers also include the Long Term Savings Division Manager, the Non-Life Insurance Division Manager, the Health Insurance and Customer Unit Division Manager, the Service, Human Resources and Operations Division Manager, the Agents Unit Manager, the Claims Unit Manager, the CIO, and the Marketing and Strategy Division Manager.



The Group's organizational structure as of the publication date of the report is as follows:

(1) Health division (a professional division which coordinates the health insurance activity) and the customers unit, which coordinates the direct sales activity;

(2) The agents unit, which coordinates the sales activity vis-à-vis the Group's agents;

(3) The service, human resources and operations division, which coordinates the service, operations and collections activity vis-à-vis agents and customers, and the management of human resources;

(4) The investments division, which coordinates the investing and credit provision activities in the Group;

(5) The claims unit, which coordinates the handling of claims by policyholders and members in all insurance and pension branches.

(6) The long term savings division (a professional division which coordinates the activities in the life insurance, pension and provident segment);

(7) The non-life insurance division (a professional division which coordinates the activity in the non-life insurance segment);

(8) The finance division, which coordinates all of the financial, actuarial, payroll, and logistical activities in the Group;

(9) The Clal IT division, which coordinates all of the Group's information systems activities;

(10) The legal consulting and regulation division;

(11) The risk management, control and enforcement division;

(12) The marketing and strategy division;

(13) The internal audit division, which reports to the Chairman of the Board.

The Group also owns insurance agencies in the long term savings segment and in the non-life insurance segment.

10.7.2. The Group's workforce

During the reporting year, the Group's workforce (net) decreased by 331 employees, representing approximately 7.4% of all of the Group's employees, as part of the realization of the Group's strategic plan, and as part of a group-wide increased efficiency plan, which is being implemented in accordance with the provisions of the collective agreement which was signed in September 2020 (see section 10.7.3 below), which is intended, inter alia, to minimize the workforce in the headquarters and operations entities, while expanding the Group's growth-supporting units. Additionally, the decrease in the Group's workforce was due to the voluntary retirement process in which 42 of the Group’s employees entered voluntary retirement. For additional details, see Part B of the Report - Board of Directors’ Report, section 2(a)(2).

On January 10, 2021, Mr. Adi Kaplan’s tenure as the CEO of Clalbit Systems concluded, and in February 2021, the Boards of Directors of Clal Insurance and of the Company approved the appointment of Ms. Miri Gelbert as Executive VP, CIO and CEO of Clalbit Systems.

In June 2020, a new Chief Risk Officer began serving in the position.

Presented below are data regarding the Group's workforce as of December 31, 2020 and 2019, in accordance with the organizational structure:

Units	Number of employees 31.12.2020	Number of employees as of December 31, 2019
Headquarters and central service entities [66]	643	757
Health division and customers unit	617	962[67]
Agents unit	254	
Long term savings division [68]	155	196
Non-life insurance division	131	130
Claims unit	317	377
Service, human resources and operations division [69]	1,134	1,196
Investments division	172	167
Finance division[70]	355	295
Clal Agencies	420	449
Total[71]	4,198	4,529

---

[66] The headquarters and central service entities include: the CEO's office, the internal audit division, the marketing and strategy division, the legal advice and regulation division, the risk management, control and enforcement unit, and the Clal IT division.
In 2019, the "headquarters" also included the resources division, whose 121 employees were transferred as part of an organizational change to the human resources and operations division, and to the finance division.

[67] As part of an organizational change from October 2020, as specified in section 10.7.2 below (the "**Organizational Change**"), the customers unit was merged with the health division, and the customers and distribution division was split between the agents unit and the direct customers unit. As of December 31, 2019, the health division included 61 employees, and the customers and distribution division included 901 employees.

[68] As part of the organizational change, 37 software testers were transferred to the Clal IT division (which is included under the headquarters and the central service entities).

[69] As part of an organizational change, 42 employees were transferred to the service, human resources and operations division from the human resources department in the resources division and from the customers and distribution division.

[70] As part of an organizational change, 86 employees of the resources division (which was under the headquarters and central service entities) were transferred to the finance division.

[71] Out of the workforce as of the end of the reporting year, 121 employees are supplier employees, along with 122 supplier employees in the preceding year.

The explanations presented above regarding the changes in status refer to most of the changes which occurred during the reporting year:

During the reporting year, due to the coronavirus crisis, the Company furloughed employees for a period of approximately two months, implemented salary cuts for managers and instructed employees to take vacation days during the reporting year, due to the coronavirus crisis. For additional details, see Note 1(d) to the financial statements.

In October 2020, the Board of Directors of Clal Insurance passed a resolution to implement a change to the organizational structure of Clal Group. As part of the aforementioned organizational change, beginning on November 1, 2020, the resources division was canceled, and was transferred to management together with the service and operations division. The customers and distribution division was split into the business (agents) unit and the customers unit, which is managed by the health division manager, and will coordinate all of the Company's online and digital sales activities, including providing digital tools to the agents channel, strategic collaborations, and direct customers. As a result, the number of management members was reduced. For details regarding changes to the tenure of corporate officers in the Company, see Part D of the report - Additional Details Regarding the Corporation, section 18.

Out of the workforce described above, the Group's senior management (division, department, and headquarter unit managers) includes 12 managers, as well as the Company's CEO (who also serves as the CEO of Clal Insurance) and the Group's internal auditor.

For details regarding corporate officers in the Company, see Part D of the report - Additional Details Regarding the Corporation, section 18. For additional details regarding the employment terms of the Company's CEO, see Note 39(b)(5) to the financial statements, and for details regarding the compensation terms of corporate officers, see section 10.7.5(c) below.

The Company has no material dependence on any particular employee.

10.7.3. Benefits and terms of employment agreements

Types of agreements and compensation method -

In January 2014, a collective agreement was signed between the Group's member companies, the Histadrut New General Federation of Labor (the "**Histadrut**"), and the Histadrut Worker's Committee in the Group (the "**First Collective Agreement**"). In July 2017, a new collective agreement was signed between member companies in the Group, and the Histadrut employee committee in the Group (the **Second Collective Agreement**"), which extended the first collective agreement for a period of 4 years, from January 1, 2017 to December 31, 2020 subject to the changes which were implemented. The collective agreements apply to most of the Group's employees, except for employees in specific positions which were defined in the agreement, and managers of a rank which was defined.

In September 2020, an additional collective agreement was signed between the Company's subsidiaries, Clal Insurance, Clal Pension and Provident Funds, Clal Credit Insurance, Clalbit Systems and Canaf (the "**Companies**") and the Group's Histadrut employee committee, which extended the second collective agreement by one additional year, until December 31, 2021, subject to changes and additions, of which the primary ones are specified in Note 24(d) to the financial statements (the "**Third Agreement**"). For details regarding the consequences of the financial results of the third agreement, see Note 24(d) to the financial statements.

As of December 31, 2020, the Group has around 653[72] employees who are not subject to the new collective agreement, including senior members of management, and who are employed in accordance with personal work agreements, which define their employment terms, including the base salary, social benefits and fringe benefits.

Provisions with respect to termination of employer - employee relationships -

Most of the employees who are subject to the collective agreements are subject to an arrangement in accordance with section 14 of the Severance Pay Law, 1963, for their entire period of employment.

For additional details regarding the provisions with respect to the termination of employer - employee relationships for the Group's employees, see Note 24 to the financial statements.

Additional terms and benefits -

The practice of the Group's member companies is to provide, from time to time, arrangements for the acquisition of insurance products and services for their employees, including, inter alia, elementary insurance, pension products and health and life insurance.

The Company has a collective health insurance policy for employees who chose to join this insurance for payment.

The Group allows employees to receive loans in accordance with defined internal policies and in accordance with the provisions of the law, in consideration of, inter alia, the employee's seniority and salary.

For details regarding the employment terms (including compensation) of the five highest compensation recipients among the executive corporate officers in the Group (including the (former) Chairman and the Company's CEO), and the highest compensation recipients during the reporting year, and for details regarding the salary which was paid to the directors in the Company, see Part D of the report - Additional Details Regarding the Corporation, section 11.

10.7.4. The corporation's investments in continuing education and training

As part of the Group's overall strategy regarding the development of human capital as a central asset, the Group invested, in 2020, a great deal of resources in professional education and training activities, in enforcement and compliance, and in the development of managerial skills in the organization, including remote management in accordance with the needs of the times. This year as well, the Group focused on improving service quality and skill services to the Company's customers and agents, in improving professionalism and insurance knowledge in all segments of insurance, and in establishing implementation

---

[72] Not including employees of providers.

processes for the information systems which support the business core and improving middle management skills.

These training sessions were intended, inter alia, to adjust the performance of the Group's employees and managers to market changes and developments, including changes due to the transition to partial remote work due to the coronavirus crisis, to an advanced service standard, and to regulatory requirements.

10.7.5. Executive salary and compensation policy

Beginning in September 2013, the Company is required to approve, once every thee years as a minimum, a compensation policy for corporate officers in accordance with the Companies Law (Amendment No. 20), 2012. Additionally, the institutional entities in the Group are subject to the Commissioner's circular regarding the compensation policy in institutional entities from April 2014, as amended in October 2015 and in July 2019 (hereinafter, jointly: the "**Compensation Circular**").

The Company's compensation policy is intended to help realize the Company's objectives and work plan in the long term, inter alia, in order to recruit and maintain high-quality executives with specific and unique specializations, who are capable of leading the Company to business success and of dealing with the successes which the Company faces, to employ motivated corporate officers, to achieve a high level of business performance without taking unreasonable risks, and to create an appropriate balance between the various compensation components, fixed vs. variable, short term vs. long term, and cash compensation (including fringe benefits) vs. capital compensation. The compensation policy establishes rules, criteria and benchmarks which will be used to determine the terms of tenure and employment of the Company's corporate officers, in accordance with the specific characteristics of the operation for which the relevant corporate officer is responsible, and in accordance with their experience, qualifications and performance in the position, in accordance with and subject to the legal restrictions specified above and below.

A. The compensation circular and the compensation policy in institutional entities

The compensation circular from July 2014, and the amendments thereto which were added in 2015 and 2019, determine, inter alia, that an appropriate ratio will be determined between the fixed compensation component and the variable compensation component, in a manner whereby the rate of the annual variable component will not exceed 100% of the annual fixed component, subject to the exceptions which will be determined (which pertain to a one-time business event which is not repeated each year, and which does not apply to a broad group of senior position holders), according to which it will be possible to determine that the rate of the annual variable component will not exceed 200% of the fixed component, save with respect to the CEO. It was also determined that any payment of a variable component will be subject to repayment arrangements and to deferral arrangements, such that, in case the rate of variable compensation exceeds 40% of the fixed compensation, at least 50% of the variable component will be deferred and distributed according to the straight line method over a period of no less than three years. The circular sets forth various arrangements in connection with the allocation of shares or stock-based instruments, in connection with retirement bonuses, restrictions regarding the variable component for directors, and provisions regarding method used to determine the compensation of the Chairman of the Board. Additionally, the provisions of the circular determine that an institutional entity may not bear the employment costs of an employee due to his tenure in another corporation, and will ensure that an employee does not receive compensation due to his employment in the institutional entity from another entity. The compensation circular allows the application of an immaterial change (as defined in the compensation policy) to the compensation terms of an officer, with the CEO's approval, and without the approval of the Board of Directors; The compensation circular applies to all of the Company's employees; however, most of its restrictions pertain to officers and senior position holders, as defined in the circular.

B. **Executive Compensation Law**

In April 2016, the Compensation for 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**"), was published, which is intended to restrict and reduce the salary of senior corporate officers in financial entities.

The law defines a corporate mechanism for the approval of agreements involving the provision of compensation to an employee of a financial corporation (financial entity or entity controlling or controlled by the financial entity) for which the projected expense, as calculated on the date of approval in accordance with generally accepted accounting principles, is expected to exceed NIS 2.5 million, and also determines that an agreement of this kind will not be approved unless the ratio between the expected expense with respect to the aforementioned compensation, and the expected expense with respect to the lowest compensation paid by the corporation to an employee of the corporation (including contract employees), directly or indirectly, in the year preceding the date of the agreement, is less than 35 (the "**Ratio Limit**").

In accordance with the mechanism specified in the law, the employment terms of the aforementioned employee will be presented for approval to the compensation (or audit) committee, the Board of Directors (by a special majority of outside directors), and the general meeting of that company, and in a public company, also by a special majority of minority shareholders in the general meeting. Additionally, the cost of salary of an employee in a financial corporation which exceeds NIS 2.5 million will not be permitted for deduction for tax purposes by the Company. The aforementioned cost is after deducting accounting expenses recorded due to the allocation of shares or the right to receive shares, and after deducting the "excess cost of salary" (the difference between the cost of salary and NIS 2.5 million, if the cost of salary exceeds NIS 2.5 million).

In accordance with transitional provisions, six months after the publication date of the law, i.e., beginning on October 12, 2016, its provisions apply to engagements which were approved before the publication of the law. Such engagements which were not approved in accordance with the Executive Compensation Law are not valid.

C. **Compensation policy**

On September 19, 2019, the Board of Directors of Clal Insurance and the Board of Directors of the Company approved, following the recommendation of the Compensation Committee, a compensation policy, in accordance with the provisions of the compensation circular, including the amendments to the compensation circular, amendment 20 to the Companies Law, and the Executive Compensation Law. The compensation policy was approved by the shareholders' meeting on October 27, 2019. This policy replaced the compensation policy of the Company and the compensation policy of the Group's institutional entities, which were in effect until the aforementioned date, and it is in effect during the years 2020-2022.

The policy update was intended, inter alia, to adjust the compensation policy, inter alia, to the provisions of the law which apply to institutional entities, and particularly, to the July 2019 amendment to the compensation circular, as stated above. The proposed compensation policy also amended, added to and supplemented the Company's compensation policy, regarding issues and subjects which, with the passage of time since the adoption of the Company’s compensation policy, have been found deficient, or alternatively, are inconsistent with the spirit of the times and the conventional market practice at the present time.

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

1. Directors’ compensation - in accordance with the compensation policy, the salaries of outside directors, independent directors, and other directors in the Company (excluding the Chairman of the Board), who hold office from time to time, will be the maximum compensation which may be paid, including with respect to expertise, as determined by in accordance with the Compensation Regulations, as updated from time to time. For details regarding directors’ compensation, see Part D of the report - Additional Details Regarding the Corporation, section 11(b).

2. Update to the minimum conditions for payment of variable component - in accordance with the compensation policy, the conditions are cumulative: non-fulfillment of suspending circumstances in connection with any of the liability certificates which have been issued by Clalbit Finance which are recognized as Tier 2 capital or as Tier 2 hybrid capital in accordance with the solvency circular; Fulfillment of the solvency ratio of Clal Insurance, as required in accordance with the provisions of the regulatory arrangement (including the distribution period), including equity transactions which were performed prior to the publication date of the aforementioned ratio, whereby the Board of Directors is entitled to determine the fulfillment of the aforementioned minimum condition if it believes that the non-fulfillment of that condition was due to a significant exogenous event, which affected the entire insurance branch in Israel;

   The compensation committee and the Board of Directors are also entitled to determine the conditions of the variable component which is paid in cash with respect to each year, in accordance with the provisions of the compensation policy. Notwithstanding the foregoing, the compensation committee and the Board of Directors will not approve variable compensation which is conditional on the targets of the compensation plan, rather it will be approved given the absence of loss in the year for which variable compensation is given.

3. Distribution of variable bonus - In accordance with the compensation policy, and in order to substantiate the variable component which is paid in cash from a long term perspective, in case the rate of variable compensation exceeds 40% of the fixed compensation, 50% of the total variable compensation of the corporate officer will be deferred for payment in subsequent years, and will be paid only in case the Company has fulfilled the conditions for its release which have been determined in the compensation policy of the Group’s institutional entities, as it stands from time to time. It was further clarified that the distribution rate of the variable compensation may change insofar as the compensation circular allows it, and in accordance with the policy.

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

   Approval was also given to apply the aforementioned rules regarding distribution and release also to parts of the variable bonus which were distributed in the past, but which have not yet been paid, as part of the compensation policy, with respect to corporate officers in the Company, including the CEO. During the reporting year, the minimum conditions for the release of deferred bonuses with respect to previous years (2015-2017) were fulfilled, and accordingly, the deferred payments were paid to the relevant senior position holders. It is noted that the aforementioned deferred and unpaid bonus amounts were provided, in their entirety, in the Company’s financial statements, in the years for which they were granted, as applicable.

4. Qualitative annual bonus - in accordance with the provisions of the updated compensation circular, the compensation policy determines that the compensation committee and the Board of Directors will be entitled to approve, for any of the officers, with respect to the bonus year, a personal qualitative bonus, which will not exceed 3 months’ base salary[73], for each of the officers. It is hereby clarified that the qualitative personal bonus is in addition to the annual bonus to which the officer will be entitled. The aforementioned expedient was due, inter alia, to the expedients which were approved with respect to Amendment 20 to the Companies Law, and the updated compensation circular, and in light of the fact that the bonus in question is discretionary, which in any case is not contingent upon conditions.
5. Immaterial change to the compensation of officers - in accordance with the updated compensation circular, the compensation policy determines that an immaterial change to the compensation of officers will not require approval from the compensation committee and Board of Directors, if it has been approved by the CEO, and complies with the compensation policy.

It is noted that the Group has many position holders who are not considered senior position holders, as defined in the compensation circular, whose annual bonus is dependent on their fulfillment of personal, predetermined compensation benchmarks for each year.

It is further noted, with respect to certain provisions which are required by virtue of the compensation circular with respect to institutional entities only, that principles only were determined in the Company’s compensation policy, and such provisions were set forth in the compensation policy documents of the Group’s institutional entities, which apply to all employees of the Group’s institutional entities, according as it stands from time to time.

For the avoidance of doubt, the compensation policy will not prejudice the rights which have accrued with respect to periods before the date of its approval, and that subject to the transitional provisions which were determined in the compensation circular and in the amendment to the compensation circular, so long as they remain in effect, the compensation policy will not adversely affect any engagements and/or other rights of the employees in connection with their tenure and employment in the Company. Additionally, the compensation policy does not specify the actual employment terms, but rather the approved framework according to which such rules will be determined.

The Company’s compensation policy is attached as an annex to this part of the periodic report.

For the link to the Company’s website presenting the compensation policy, see https://www.clalbit.co.il/clalins/reward_policy/Pages/default.aspx.

The Company’s corporate officers are entitled to letters of exemption, indemnification and corporate officers’ insurance. For details, see Part D of the periodic report - Additional Details Regarding the Corporation, section 23.

---

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

On January 3, 2021, the Company's general meeting approved an amendment to the compensation policy in connection with the provisions of the compensation policy which pertain to officers' liability insurance, in light of regulatory expedients which recently entered into effect. A corresponding update was made to the Company's compensation policy, in a manner whereby, instead of determining the maximum limit for insurance premiums in the compensation policy, it was determined that the annual premium cost and the deductible amount with respect to the insurance policy will be according to market conditions on the creation date of the relevant policy, and in a scope which is immaterial to the Company.

D. Adjustment of existing agreements to the compensation circulars and to the Executive Compensation Law

Provided that the compensation policy does not prejudice rights which have accrued with respect to previous periods, and subject to the transitional provisions which were set forth in the compensation circulars and in the Executive Compensation Law, the Company worked to adjust the compensation agreements of corporate officers and senior position holders, in accordance with the restrictions of the compensation circulars and the restrictions of the Executive Compensation Law.

E. **Implications**

The entry into effect of the compensation circular and the amendments thereto, the Executive Compensation Law and the compensation policy of the Company and of the Group's institutional entities, as updated with respect thereto, affected the compensation structure of the Group's corporate officers and managers, and the possibility of recruiting senior position holders. The salaries of the Company's CEO and Chairman of the Board became fixed salaries only. It is not possible to estimate all of the possible long-term implications of the Executive Compensation Law on the employment market in the financial segment.

10.7.6. Capital compensation plans for employees

- On December 6, 2012, the Company's Board of Directors adopted a compensation plan for employees and corporate officers for 2013 (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 for the acquisition of ordinary company shares with a par value of NIS 1 each.

  The total number of warrants which were allocated according to the 2013 plan (to specific employees, including the Chairman and the CEO at that time) is 2,575,000. As of March 25, 2021, 32,651 warrants are held by the trustee for specific employees (all exercisable), approximately 1,619,334 warrants were exercised into Company shares, and the remaining warrants expired and can no longer be allocated. [74]On March 25, 2021, the Company's Board of Directors resolved to no longer allocate options to employees and officers in accordance with the 2013

---

[74] On December 17, 2015, the Company's Board of Directors resolved not to allocate to employees, in accordance with the 2013 plan, 35,000 unregistered which are held in the register of warrants, and to delete them from company's register of securities.

plan, and also resolved to erase all of the options which are held in the options reserve of the 2013 plan, from the register of the Company's securities.

- On March 24, 2015, the Company's Board of Directors adopted a performance-dependent compensation plan for employees and corporate officers for 2015 (hereinafter: the "**2015 Plan**"), according to which the Company will be entitled to allocate to employees and corporate officers in the Group warrants for the acquisition of ordinary company shares with a par value of NIS 1 each.

  On June 22, 2015, the Company's Board of Directors resolved to adopt several amendments to the plan, and to publish an outline referring to the allocation of up to 435,000 warrants, which will be offered by virtue thereof, in accordance with a performance-dependent 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.

  On December 17, 2015, the Company's Board of Directors resolved to publish an additional outline pertaining to the allocation of up to 35,000 warrants which will be offered by virtue thereof, in accordance with a performance-dependent plan, to corporate officers in the Company and/or in companies under its control. The warrants were allocated according to the aforementioned outline.

- As of the publication date of the report, the total number of warrants which were allocated according to the 2015 plan (to specific employees) is 470,000 warrants. 180,228 warrants are held by the trustee for specific employees. Around 13,665 warrants were exercised into Company shares.

- On March 25, 2021, the Company's Board of Directors resolved to no longer allocate options to employees and officers in accordance with the 2015 plan, and also resolved to erase all of the options which are held in the options reserve of the 2015 plan, from the register of the Company's securities.

  As of December 31, 2020, approximately 137,560 warrants are exercisable.

For additional details regarding the 2015 plan, see Notes 40(a)(2), 40(b), 40(c) and 40(d) to the financial statements.

- On March 25, 2021, the Company's Board of Directors adopted a performance-dependent compensation plan for employees and corporate officers for 2021 (hereinafter: the "**2021 Plan**"), according to which the Company will be entitled to allocate to employees and corporate officers in the Group warrants for the acquisition of ordinary company shares with a par value of NIS 1 each.

- For additional details regarding the 2021 plan, see Note 40(a)(3) to the financial statements.

- For additional details regarding options granted to employees with respect to 2020 in accordance with the collective agreement, see Note 24(d) to the financial statements.

10.8. Marketing and distribution

In November 2020, following the resolution of the Company's Board of Directors to implement a structural change in Clal Group, the customers and distribution division was split into the business (agents) unit and the customers unit, which will coordinate all of the Company's online and digital sales activities, including providing digital tools to the agents channel, strategic collaborations, and direct customers.

The marketing and distribution infrastructure in the Company is comprised of 4 units / departments:

- Agents unit - This unit concentrates the Group’s entire activity in the long term savings segment, life insurance segment, health insurance segment and non-life insurance segment, vis-à-vis the insurance agents in the sales and agent service departments, in order to concentrate, in a single unit, the entire set of relationships vis-à-vis the insurance agent, and the associated activity.

  As part of the above, the Company operates through three regions: the Haifa and Northern region, the Central region and the Jerusalem and Southern region, where it maintains a sub-branch in Beer Sheva.

- **The Group’s agencies - The Group’s sales activities are also performed through agencies which are under the Company’s control.** These insurance agencies are controlled by Clal Agency Holdings (“**Clal Agencies**”), a wholly owned subsidiary of the Company (hereinafter: the “**Group’s Agencies**”). The Group’s agencies are engaged in the provision of insurance business agency services in all operating segments, and in the performance of transactions with pension products. The activities of the Group’s agencies are mostly concentrated in two agencies: Tmura Insurance Agency (1987) Ltd. (hereinafter: “**Tmura**”), which operates in the long term savings and health branches, and Batach Thorne Insurance Agency Ltd. (hereinafter: “**Batach**”), which is primarily engaged in non-life insurance.

  On February 18, 2021, Clal Agency Holdings, a subsidiary of the Company, which coordinates the holding of insurance agencies in the Group, engaged in an agreement for the acquisition of all (100%) of the shares of Davidoff Pension Arrangements Life Insurance Agency (2006) Ltd. (hereinafter: “**Davidoff**”) from Psagot Investments in Insurance Agencies Ltd. (hereinafter: the “**Seller**”). Davidoff is a pension arrangement agency which has been engaged in the branch for 15 years, and is specialized in the provision of operating and marketing services for insurance, pension and finance products. Davidoff has agreements with most of the insurance companies and investment houses in Israel, and serves hundreds of employers and thousands of customers. In consideration of the share purchase, Clal Agencies will pay to the seller, on the transaction closing date, a total of NIS 68.5 million, plus the cash balance and adjustments with respect to Davidoff’s working capital on the closing date. The transaction will be financed out of the Group’s independent resources. The closing of the transaction is subject to suspensory conditions, including the approval of third parties (including the Competition Authority and the Commissioner), which are uncertain to be fulfilled.

- **Private customers unit**[75] - The private customers unit concentrates the direct sales activity of the risk and non-life insurance products, through telemarketing salespeople and salespeople in the field. The division mostly engaged, during the reporting year, in sales of life insurance (risk), health insurance, including international travel insurance and motor insurance, to individual customers who, in general,

---

[75] The financial unit which engaged in support for sales of products of a financial nature, including provident funds, study funds, and individual savings policies, and which is also responsible for the contact with the banking system in the field of pension advice in the segment, and for the contact with employers in connection with the central funds for severance pay and the third age, was transferred, as part of the organizational change, to the long-term savings division.

do not interact with the Group through insurance agents, or through sale collaborations with insurance agents.

- **Customer relations department**[76] - Concentrates both the retention activities in the long term savings, life insurance and health insurance segments, and the direct sales activities by license holders in the pension, finance (provident/study/private savings), risk and health segments, vis-à-vis employers and customers which, in general, do not work with the Group through insurance agents in the relevant products. This department includes the activities of pension license holders who are employed by the Group's institutional entities, and allows synergistic activities, based on a broad perspective.

10.8.1. Marketing and distribution methods and commission structure in the various segments:

10.8.1.1. Long term savings

Marketing and distribution methods in the long term savings segment

The distribution of products in the segment is implemented by insurance agents, including by the Group's agencies, and through pension advisers in the banks, and directly.

A. Sales through agents and agencies

- During the reporting year, the trend of combined marketing (life insurance, pension and provident) through insurance agents continued, including marketing through "arrangement managers", including Tmura, which are large insurance agencies which also provide clearing services for employers, in connection with the separation of pension provisions for institutional entities, and for the various products. The insurance agents receive various services to support their routine activities from the Group's institutional entities.

- Changes in the long term savings segment may also have an impact on the activities of agents and arrangement managers in the coming years, inter alia, due to the following: **(1)** Changes to the arrangements regarding compensation paid to agents by the institutional entities, including the reform of disconnecting the link between the distribution commission and the management fees (for details regarding the amendment to the Control Law regarding the calculation of distribution commissions from management fees, see this section 10.8.1.1 below), including the Authority's determination, as part of the approval of tariffs for risk policies, regarding the mechanism for reimbursement of commissions on risk policy cancellations in the first years after their purchase, see section 6.1.4.1 above; **(2)** The expansion of the activities of the pension clearing house and the employers interface, including clearing of funds and provision of feedback, which may facilitate, over the long term, the activities of agents (including arrangement managers), inter alia, in connection with the provision of service, the sale of

---

[76] See footnote 67 above.

additional products, and the performance of transfers, as well as the activities of operating entities. For details regarding the expansion of the activities of the clearing house, see section 6.2.1(d)(1) above.

- As of the publication date of the report, the Group is engaged in the segment through 2,261 insurance agents[77], as compared with 2,409 insurance agents in 2019. Most of the agents also engage with other insurance companies, and the Group's member companies do not have any insurance agent whose scope of activities in this segment exceeds 10% of the Group's scope of activities in the segment.[78]

- Approximately 13.3% of total premiums in the life insurance branch which were collected by Clal Insurance during the reporting year are due to the activities of the Group's agencies, as compared with 13% in 2019.

- Approximately 12.9% of total contributions in the pension branch which were collected by Clal Insurance during the reporting year are due to the activities of the Group's agencies, similarly to 2019.

- Approximately 16.7% of total contributions in the provident branch which were collected by Clal Insurance during the reporting year are due to the activities of the Group's agencies, as compared with approximately 16.4% in 2019.

B. Sales through pension advisors

- During the reporting year, most of the banks continued distributing provident funds and pension funds. Clal Pension and Provident Funds is engaged in distribution agreements with most of them. As of the publication date of the report, the banks have not yet begun advising regarding insurance products. It is noted that the directive regarding the **prohibition against the calculation of distribution commissions linked to the rate of management fees which are collected from members** (in accordance with the provisions of the amendment to the law regarding the calculation of distribution fees), in combination with the distribution agreements vis-à-vis the banks, which define a fixed commission for the bank with respect to each customer brought by an agent, have led to a situation in which the income from some of the members of Clal Pension and Provident Funds do not correspond to the Company's expenses in connection with those members.

  As of the publication date of the report, customers who have significant accrued savings in provident and study fund products receive consulting through the banks; however, on all matters associated with the distribution of pension funds, the activities of banks are immaterial.

- In July 2020, the Control of Financial Services Law (Consulting, Marketing and Pension Clearing System)(Amendment No. 11), 2020 was published, in which it was proposed to allow a banking

---

[77] Including agents who made sales in 2020 in an amount exceeding NIS 10,000.

[78] Excluding an agency wholly owned by the Group, as specified below. Furthermore, the foregoing does not refer to agents whose commissions are derived from the commissions of subagents, which engage directly with the Group's institutional entities.

corporation, or another party engaged in pension advice on its behalf, to give pension advice over the telephone, or through digital means. In December 2020, the Commissioner published the "Non-enforcement position - pension advice by banking corporation outside of the bank's branches to existing customers in the pension advice segment", in which it was stated that the Authority will not implement enforcement measures against banking corporations which provide pension advice through digital means or via telephone, to existing customers in the pension advice segment, so long as legal restrictions remain in effect due to the coronavirus restrictions.

The Company believes that insofar as the proposed law is accepted and enters into effect, it will increase competition in the market for pension advice and marketing through banks, which could make the pension advice and marketing sector more centralized, and could also lead to exposure of the Company's institutional entities to the payment of commissions at higher rates than the average rate which it currently pays in some of the products, and to the payment of commissions also with respect to products for which most of the marketing commissions have already been paid in the past.

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

C. Direct sales

- Some of the products in the segment are marketed through direct sales to customers by the Group's employees who hold pension marketer licenses.
- The direct sales activities in the segment include: (A) Sales of pension products, with an emphasis on marketing pension arrangements in organizations which are generally not lenders in agents on their behalf; (B) Contact with the banking system in the pension advice segment, mostly with respect to provident and study fund products; (C) Telemarketing and frontal sales of risk products. The Company also has collaborations with selected agents, in which the Company's employees sell to customers who have been referred by the agent, in his name and with his permission, the Company's risk products.
- The engagement for the sale of products in the segment to self-employed members is performed on an individual basis.
- The Company operates a customer service center which provides direct support to customers, as well as a customer retention unit.
- The Company works vis-à-vis external consultants who are recruited by public companies and entities, for the purpose of publishing tenders and conducting negotiations regarding the selection of the pension insurer and determining the terms of the pension arrangements of their employees.

D. Mortgage banks - risk

The Company engaged in agreements for the provision of insurance services through mortgages with some of the mortgage banks which are under their control of insurance agencies. During the reporting year, the

Group continued marketing risk policies to mortgage buyers, by an insurance agency which is owned by a bank, and also through insurance agents, and continued marketing such policies to support mortgages from Clal Mortgages.

Commission structure in the long term savings segment

A. Insurance agents

Presented below are details regarding the structure of commissions paid to agents during the reporting year:

- **Life insurance branch**

The commissions which are paid to agents in the life insurance branch with respect to policies which were sold until 2004, are as follows:

- **Renewal commissions**: Commissions at a fixed or variable rate of the paid premiums, which are paid for a limited period, on an ongoing basis.
- **Collection fees**: Commissions at a fixed rate of the paid premiums which are paid throughout the entire lifetime of the policy as fronting fees.
- **Special commissions - First year commissions**: Upon the sale of the policy, or with respect to it, a one-time payment in cash and/or in cash equivalents may be paid, in accordance with specific agreements with agents, which are generally dependent upon the new output with respect to the first year of the policy sale.

Beginning in 2004, the commission structure in the life insurance branch is as follows:

- **Renewal commissions**: The commission is generally paid with respect to the sale of risk products and certain profile policies which were sold in the past, at a fixed or variable rate of the paid premiums, which are paid for a limited period, on an ongoing basis. In risk products, after a period of 15 years, the commission rate decreases significantly.
- **Commissions for management fees from deposits**: A commission which is paid with component deposited to savings in the policy, throughout the entire policy lifetime, at a rate which is derived from the management fees which are collected from the premium, and in accordance with the product type, with respect to products which were sold until April 2017 (see below).
- **Commissions for management fees from accrual**: A commission derived from the management fees which are collected from the balance of savings in the policy. In general, Clal Insurance discontinued paying commissions for management fees from accrual with respect to policies which were sold during or after 2013, in most products.
- **Commissions from accrual**: With respect to certain profile products which were marketed in the past, and with respect to one-time deposits in individual savings policies, commissions from accrual are paid.
- **Special commissions: first year commissions** - Commissions which are paid on a one-time basis, with respect to new output, in the first year of the policy lifetime, in cash and/or cash equivalent, whose rate or amount is determined according to specific agreements with agents, and at times, for fulfillment of sales targets, and **management commissions** - commissions derived from the premiums and paid with respect to new output in the first years of the policy lifetime, for a limited period with respect to policies which were sold in the past.

Following the amendment to the law regarding the calculation of distribution commissions, as specified in this section 10.8.1.1 below, which entered into effect in April 2017, the Group’s institutional entities worked to adjust the compensation model for agents, in accordance with the legislative amendments. With respect to customers who joined the products from the aforementioned date onwards, commissions are not paid as a proportion of the management fees which are collected from the customers (with respect to individual products, commissions from accrual are paid instead of commissions derived from management fees, and with respect to profile products for salaried employees and the self-employed, renewal commissions are paid out of the routine deposits, instead of commissions out of management fees from deposits, and additionally, with respect to the aforementioned products, first year commissions are paid which are not derived from the management fees).

For details regarding changes to the tariffs of the Group’s risk policies, including the establishment of a mechanism for the reimbursement of commissions on policy cancellations, in a manner whereby the cancellation thereof, in the first years after their purchase, will lead to a gradual repayment of sale commissions, see section 6.1.4.1 above.

In collective insurance, the agent commission is determined in negotiations with the agent regarding each transaction separately, in accordance with the law. The commission rate paid by an insurer to an insurance agent with respect to a collective life insurance policy may not exceed 5% of the gross premiums.

Commission rates to third parties in the life insurance branch[79]

	2020	2019	2018
The average commission rate out of insurance in the life insurance branch, with respect to the various products, which are attributable to agents	8.8%[80]	9.7%	**10.3%**
Average rate of commissions from new annualized premiums in the life insurance branch, with respect to different products[81]	43.3%[82]	36.6%	**27.4%**

---

[79] During the reporting year, the rate was affected, inter alia, by the reform regarding the separation of commissions from management fees, as specified in section 10.8.1.1 below.

[80] The decrease in the commission rate was mostly due to non-recurring effects which were recorded during the years 2019 and 2020 (after neutralizing non-recurring events, the commission rates for the years 2019 and 2020 amount to approximately 9.19% and 9.32%, respectively).

[81] Commissions with respect to current new business, after neutralizing first year commissions with respect to transfers to non-recurring payments.

[82] The increase in the commission rate was mostly due to the continuation of the trend of changes to the mix of sales in the life insurance branch in recent years, including a decrease in new sales of managers' insurance policies, relative to risk products in the life insurance branch.

- **Pension funds branch**

  - **Current commissions from contributions** - Clal Pension and Provident Funds pays commissions to insurance agents with respect to pension product sales. In the comprehensive pension fund, these commissions were in the past generally paid as a rate of the contributions, according to a specific agreement between the agreement and the Company, in consideration of the total management fees which are collected from customers. With respect to pension products which are marketed from April 2017 onwards, these commissions are paid as a rate of the deposit, and not as a rate of the management fees which are collected from customers (for details regarding the reform on this matter, see this section 10.8.1.1 below).

  - For details regarding the payment of special commissions with respect to new annualized first deposits of contributions to the comprehensive pension fund, see the description of special commissions in the life insurance branch above.

Commission rates to third parties in the pension fund branch

	2020	2019	2018
Rate of commissions paid to insurance agents with respect to pension products	1.0%[83]	**1.7%**	**1.7%**

Provident funds branch

- **Commissions for management fees from accrual** - with respect to provident products which were marketed until 2017, the commissions with respect to provident product sales are generally paid to the insurance agents as a rate of the accrual of members.

- **Commissions from accrual** - with respect to provident products which are marketed from 2017 onwards, commissions are paid as a rate of the accrual, and not out of the management fees which are collected from the customer (for details regarding the reform on this matter, see this section 10.8.1.1 below).

- For details regarding the payment of **special commissions** with respect to new first deposits (and with respect to the past, including one-time deposits which are due to the transfer of accrued balances) of contributions to provident funds which are managed by Clal Pension and Provident Funds, see the description of special commissions in the life insurance branch above.

---

[83] The decrease in the commission rate was mostly due to non-recurring effects (after neutralizing non-recurring events, the commission rate for 2020 amounted to approximately 1.4%). The remaining part of the change was mostly due to the decrease in the amount or rate of the commission.

Commission rates to third parties in the provident fund branch

	2020	2019	2018
Rate of commissions paid to insurance agents with respect to provident products	0.3%[84]	**0.4%**	**0.4%**

In consideration of the complexity of the framework for the payment of commissions to insurance agents, as specified above, discussions are held, from time to time, between certain agents and the Group's institutional entities, regarding the method for payment and calculation of commissions, which conclude, in a significant part of cases, with arrangements which take into account mutual offsets between the parties.

- Presented below is a description of the regulatory provisions which were published during the years preceding the reporting year, and which may affect the payment of commissions to pension marketers, agents and arrangement managers in the long term savings segment:
  - In April 2017, the amendment to the Control of Financial Services (Provident Funds) (Amendment No. 20) Law, 2017, entered into effect, in which it was determined that a distribution commission should not be calculated by linkage to the rate of management fees which are collected from the member (the "**Legislative Amendment Regarding The Calculation Of Distribution Commissions**").

    Disconnecting commissions from management fees has a gradual effect, since it only applies to new sales. Accordingly, its full consequences are still unclear, and depend on the conduct of institutional entities and agents.

    For details regarding sale through pension advisors, see section 10.8.1.1(b) above.

    The information presented on all matters associated with the possible implications of the position paper and the amendment to the law regarding the calculation of the distribution commission constitutes forward looking information, which is based on assumptions and estimates made by Clal Insurance and Clal Pension and Provident Funds as of the publication date of the report. Actual implications may differ significantly from the estimated implications, and largely depend on the variables specified above.
  - Further to the clarification which was published by the Commissioner in February 2018, regarding the pension marketing process upon the addition of members to a pension product (hereinafter: the "**Clarification Regarding The Pension Marketing Process**"), which primarily involves a provision stating that an insurance agent who performs a transaction with a pension product on behalf of a customer (including addition to a pension product) is obligated to perform a pension marketing process as determined in the provisions of the Law as a condition for the payment of a commission; In November 2018, and following a hearing which was held before the Supreme Court, regarding a petition which was filed on the matter, inter alia, by the Association of Insurance Brokers and Agents

---

[84] The decrease in the commission rate was mostly due to non-recurring effects (after neutralizing non-recurring effects, the commission rate for 2020 was approximately 0.4%).

in Israel, the Commissioner published a clarification stating that the clarification regarding pension marketing will only apply to the addition of savers to a pension product which were performed as from February 2018, and that the Commissioner does not intend to exercise enforcement authorities with respect to distribution commissions which were paid the clarification.

The Company is implementing the clarification provisions regarding the pension marketing process, which affects the engagements of institutional entities and employers with insurance agents, and the payments to them, mostly in the pension segment, in which the standard practice, in the past, was to add customers through collective arrangements, and together with the regulatory restrictions which were imposed on employers in connection with the addition of members through collective arrangements (see section 6.2.1(a) above), resulted in the discontinuation of adding new members to the pension fund which is managed by Clal Pension and Provident Funds through collective addition, and will also affect the future process of adding members to the pension products of the Group’s institutional entities, while increasing the advice to members upon addition in this way.

The information presented on all matters associated with the possible implications of the clarification regarding the pension marketing process constitutes forward looking information, which is based on assumptions and estimates made by the Group’s institutional entities as of the publication date of the report. Actual implications may differ from the estimated implications, and depend, inter alia, on the choices of institutional entities regarding the distribution channels, on commercial relationships with marketing entities, on the conduct of competing entities, employers and customers, and on the combined impact of the clarification directives, together with additional directives.

B. Payment to pension advisors

- The distribution commission rate paid to pension advisors was determined in the **Control of Financial Services Regulations (Provident Funds) (Distribution Commissions), 2006** (the “**Distribution Regulations**”), which determine that a pension adviser, and with respect to study funds also an investments adviser, is entitled to receive distribution commissions from an institutional entity with respect to the distribution of provident funds, pension funds and study funds, due to deposits to the provident fund, at an annual rate of 0.25% out of the total sum available to the customer in the provident fund, except with respect to accrued funds which are due to deposits which were performed until December 31, 2005, into provident funds which were defined in the aforementioned regulations, in which case, the commission rate which the adviser is entitled to receive from the institutional entity will be 0.1% instead of 0.25%, provided that the pension adviser receives standard compensation from all of the product producers.

10.8.1.2. Non-life insurance

Marketing and distribution methods in the non-life insurance segment

The Group markets its products in the non-life insurance segment both through insurance agents, including the Group’s agencies, and directly.

A. Insurance agents

The insurance agents are the central distribution channel in the segment to end customers, i.e., policyholders. Insurance agents generally engage with several insurance companies. As of the publication date of the report, the Group operates in the non-life insurance segment through approximately 1,500 active insurance agents, as compared with 1,450 in 2019.[85]

The Group has no insurance agent whose scope of activities in this segment exceeds 10% of the scope of activities in the non-life insurance segment.

The rate of sales through insurance agents in this segment, out of the total sales in the non-life insurance segment during the reporting year, was approximately 84.98%, as compared with approximately 89.15% in 2019.[86]

Out of the total premiums in the non-life insurance segment in Israel, approximately 3.21% are due to activities of the Group's agencies, as compared with approximately 4.4% in 2019.

B. Direct sales

Some of the products in the segment are marketed through direct sales, without going through insurance agents. The direct activity is primarily vis-à-vis large business customers. The Company directly markets, inter alia, compulsory motor and motor property insurance policies, apartment insurance policies, and guarantee policies, and also, through Clal Credit Insurance, credit and foreign trade risks insurance. During the reporting year, the Private Customers Unit continued its direct sales of motor insurance policies, and also started sales of apartment insurance policies, mostly through the digital platform, to customers who, in general, do not engage with the Group through agents, and continued developing the Company's collaborations with select agents, in which the Company's employees sell to customers who have been referred by the agent, through their name and with their permission, motor and home insurance.

C. Mortgage banks

The Company engaged in agreements for the provision of insurance services through mortgages with some of the mortgage banks which are under their control of agencies.

Commission structure in the non-life insurance segment:

A. Commission structure

For insurance agency services, Clal Insurance pays to the insurance agents commissions in cash and/or cash equivalents. The commission amount is generally determined as a rate of the net premium (excluding fees), and is fees conditional upon the scope of the agent's sales, activity and/or profitability.

---

[85] Including agents who made sales in 2020 in an amount exceeding NIS 50,000.

[86] This figure includes sales which were performed by Batach Thorne Insurance Agency Ltd., which is an agency owned by the Group.

In general, in collective insurance, the agent commission is determined in negotiations with the agent regarding each transaction separately.

With respect to some of the aforementioned commissions, advance payments are made to agents from time to time.

B. Average commission rate

	2020	2019	2018
Average rate of commissions out of total gross premiums in the non-life insurance segment[87]	12.6%	**13.9%**	**14.2%**

10.8.1.3. Health insurance

Marketing and distribution methods in the health insurance segment

The distribution of products in the segment is performed by both agents and insurance agencies, including the Group's agencies, and directly.

A. Distribution through agents and agencies

During the reporting year, individual health insurance policies of Clal Insurance were mostly marketed by insurance agents.

As of the publication date of the report, the Group operates in the health insurance segment through approximately 1,325 insurance agents, as compared with 1,163 agents in 2019.[88]Most of the agents also have engagements with other insurance companies.

Out of the total premiums in the health insurance segment which were collected by the Company during the reporting year, approximately 4.4% are due to the activities of the Group's agencies, as compared with 4.3% in 2019.

The Group does not have any insurance agent whose scope of activities in this segment exceeds 10% of the Group's scope of activities in the health insurance segment.

For details regarding a draft study of the Competition Authority regarding the effect of economic incentives on agent sales in the market for individual health insurance in Israel, see section 8.3.1 above.

---

[87] Not including commissions which were paid by Clal Credit Insurance or premiums which were collected by it.

[88] Including agents who made sales in 2020 in an amount exceeding NIS 10,000.

B. Direct distribution

Some of the products in the segment are marketed through direct sales to private customers, or to private customers through employers.

The distribution of products in the segment is also performed through the Private Customers Division and through the Company's collaborations with selected agents, in which the Company's employees sell to the customers who have been referred by the agent, in his name and with his permission, health products of the Company.

Commission structure in the health insurance segment

In long term individual insurance, the commissions are generally paid as follows:

Routine commissions - Commissions which are derived from the premiums and paid throughout the entire policy lifetime, on a routine basis.

For details regarding the payment of **special commissions** with respect to new annualized premiums in health insurance, see the description of special commissions in the life insurance branch above. Advance payments were made to agents with respect to some of the commissions.

	2020	2019	2018
Average rate of commissions out of total gross premiums in the various products in the segment	30%	31%	30%

In collective insurance, the agent commission is determined in negotiations with the agent regarding each transaction separately.

10.8.2. Industry-wide directives in connection with the field of marketing and distribution

During the reporting year, an amendment to the addition to insurance circular was published, which regulates the processes involved in adding an insurant to insurance, involving the imposition of an obligation on insurance agents to disclose to insurance applicants, during the process of addition to insurance, the names of the insurance companies which they mostly market, in accordance with a quantitative revenue test which was determined in the aforementioned amendment, and including specification of the number of insurance companies that offer the insurance product. The circular further determines that marketing entities are required to inform the insurance applicant of the results of the process of requirement matching which they conducted on their behalf in each sale process, and it was further determined that insurance agents will not be permitted to make the process of addition to insurance, including the adjustment of needs for an insurance applicant, conditional on them remaining insured during a certain fixed or non-fixed insurance period. The application date of the amendment was postponed to March 1, 2021. The provisions of the amendment are expected to increase transparency to the customer, and to increase the efficiency of sale processes.

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

10.8.3. **Dependence on distribution channels**

The Company is dependent on the direct distribution channel and on the distribution channel through agents and arrangement managers. However, the Company is not dependent on any particular distribution entity (any particular marketer or agent) in either of the aforementioned distribution channels.

10.9. Suppliers and service providers

The Group's member companies acquire products and services from a large number of suppliers and service providers. Expenses in connection with suppliers and service providers include, inter alia, the following:

A. Direct expenses in connection with claims which are directly charged to the cost of insurance claims, including payments to assessors, loss adjusters, legal service providers, investigators, damage repair services, medical services, etc., as well as payments to entities which provide associated coverages to policyholders ("**Riders**").
For details regarding marketing and distribution, see section 10.8 above.

B. Expenses in connection with operating services for the operation of provident funds which are managed by Clal Pension and Provident Funds. For details regarding Clal Pension and Provident Funds' engagement with the aforementioned provider, see section 10.17.2 below.

C. General expenses of the Company to various providers, including: rent and office maintenance, payroll processing services, vehicle leasing services, advertising services, telecommunication and postal services, operating services, legal collection, audit services, communication and data communication services, professional consulting, maintenance, licensing and leasing of hardware and software, automation services and depreciation. These expenses are charged to indirect claim settlement expenses, marketing expenses, other acquisition expenses, and other general and administrative expenses (for additional details, see Note 34 to the financial statements).

D. There are also additional expenses which are discounted for assets in the financial statements, and which include, inter alia, automation, construction and equipment expenses.

For details regarding Clalbit Systems, a wholly owned subsidiary of the Company, which is responsible for the provision of automation services to the Group's member companies (and which acquires services in the automation segments), and regarding the Group's expenses with respect to automation during the reporting year, see sections 10.10.3.1 and 10.10.3.2 below, and Note 34 to the financial statements.
There is no primary provider upon which the Company is unambiguously dependent, save for Sapiens Technologies (1982) Ltd. ("**Sapiens**"), with whom Clal Pension and Provident Funds engaged in an agreement for the acquisition of a system for the management of members' rights in pension funds, and for the provision of development and maintenance services for the system. During the reporting year, the Group paid to Sapiens a total of approximately NIS 16.7 million with respect to the aforementioned development and maintenance services, as compared with a total of approximately NIS 22 million in 2019. However, due to the nature of circumstances, within the framework of the work done by providers in the Group, in certain cases, the providers gain unique know-how, or provide services which sometimes create a dependence on them for the Company, for a short period, due, inter alia, to the need to create the projects and/or to perform services in the determined timeframe in accordance with regulatory requirements. For details regarding suppliers, as stated above, with whom Clal Pension and Provident Funds engaged, see section 10.17.2 below.

10.10. Property, plant and equipment

Presented below are data regarding the Company's property, plant and equipment which primarily includes rented and owned buildings, furniture, office equipment and IT equipment.

10.10.1. Data regarding rented and owned buildings for self use, in square meters, for the years 2019 and 2020

		As of December 31, 2020		As of December 31, 2019	
Company / Unit	**Location**	**Owned area (square meters)**	**Rented area (in square meters)**	**Owned area (square meters)**	**Rented area (in square meters)**
Clal Insurance	Tel Aviv [1]	-	35,196	-	35,196
	Petach Tikva	-	5,678	-	5,678
	Haifa (2)	2,618	-	2,618	-
	Jerusalem	-	1,627	-	1,627
	Beer Sheva	-	1,290	-	1,290
	Herzliya (3)	-	250	-	250
Clal Credit Insurance	Tel Aviv	-	972	-	972
Clal Pension and Provident Funds	Tel Aviv	-	4,045	-	4,045
	Petach Tikva	-	1,251	-	1,251
	Jerusalem	-	73	-	73
	Beer Sheva		810		810
Clalbit Systems	Tel Aviv	-	8,057	-	8,057
Agencies under control (4)	Throughout Israel	1,027	3,555	1,027	3,555
Total		**3,645**	**62,804**	**3,645**	**62,804**

Excluding parking lot areas.

1. Including area of Canaf.
2. 78 square meters, leased to Clal Pension and Provident Funds.
3. Backup site for the Group's IT systems (there is also a backup site in Greece, in an immaterial area).
4. Including Batach and Tmura.

Regarding which are held employed through rental, the rental periods vary from building to building, where the largest rental period is until 2030, with respect to the Company's offices in Kiryat Atidim (for details, see section 10.17.1(a) below). In some of the rental agreements, the Company has the option to extend the rental period.

Data regarding buildings which constitute a part of the nostro investment portfolio of Clal Insurance, in square meters, for the years 2020 and 2019*

Place	Designation	As of December 31, 2020	As of December 31, 2019
Gush Dan area	Offices and commercial	36,139	33,168
North	Trading	3,108	3,108
HaSharon area	Offices and commercial	20,790	20,040
Haifa	Offices	3,096	3,096
England and Scotland	Offices	7,596	10,296
Jerusalem	Offices and commercial	8,905	8,905
United States	Offices, commercial and multifamily	11,134	11,134
Total		**90,768**	**89,747**

* Additionally, there are holdings in these assets and/or other assets, out of funds managed for others (members and/or policyholders) in the Group - see Note 10 to the financial statements.

10.10.2. Leasehold improvements, furniture and office equipment

In general, the leasehold improvements, furniture and office equipment which are used in the main site and in the end units are owned by the Group.

10.10.3. IT equipment and peripheral equipment

10.10.3.1. IT systems of the Group in Israel

The Group's information systems are critical to the management of its business affairs, and the Group considers some of them as strategic assets. The Group's member companies own a wide variety of IT equipment, including servers, infrastructure and communication equipment, terminals and other peripheral equipment. The Company also has a wide variety of ownership rights and/or usage rights with respect to various software programs, including self-developed software programs.

For the purpose of its various operations, the Group uses the IT systems, inter alia, for the purpose of fund management (including funds of the Group's customers), management of customers and their rights, as well as back office systems, organizational systems and decision support systems.

The activities in the IT department are done through Clalbit Systems, which is a wholly owned subsidiary of the Company. Clalbit Systems Ltd. is responsible for providing IT services to the Group's member companies, and as of the reporting date, does not provide services to companies outside of the Group. Clalbit Systems engages with external providers for the performance some services.

The Group has a backup site which is intended to allow the continued activity of the Group's critical IT systems in times of emergency. There is also a third site abroad, which is used for data backup only.

The Group's ability to continue providing a high level of service to its agents, policyholders and customers, and to operate certain core processes, is critical to the Company's business continuity. During the period of the coronavirus crisis which occurred during the reporting year, the Company acted in accordance with the business continuity policy and plan of the Group and of the Group's institutional entities: the Group has a business continuity management (BCM) unit and a business continuity plan which includes identification of critical processes that are required for recovery, emergency files which are intended to facilitate activities on the level of the various divisions, and a technological disaster recovery unit, allowing rapid technological recovery. As the crisis began, the Group took action in accordance with the business continuity plan, which allowed, inter alia, employees to work remotely immediately and securely, using technology which had been implemented in the organization in advance, and in order to allow operations to continue in an orderly fashion in all operating segments.

10.10.3.2. The Group's investments in IT systems

The Group is working to develop and upgrade the IT systems, from time to time, in accordance with its needs and the needs of the Group's member companies. Presented below is a description of the material activities which were performed in the Group's IT systems during the reporting year, some of which are also expected to continue after the reporting year.[89]

Life insurance systems -

In the life insurance segment, Clal Insurance works through two main core systems of a previous technological generation, which were developed many years ago. The functional redundancy of these systems increases operating and maintenance costs in this segment, and places burdens on the adjustment of the systems to all of the Company's needs, including on all matters associated with external data and regulatory interfaces, the requirements for which have been expanded in recent years. For details regarding these requirements, see section 6.2.1(d) above. In recent years and during the reporting year, the Company has been working on expanding and improving the core systems of the life insurance branch, in a manner which will increase the efficiency of the current core systems, and is taking supplementary control and operational actions, in order to ensure the adequacy of the supported processes.

In light of the complexity, limitations and redundancy of the aforementioned systems, the Company performed a comprehensive evaluation of the long term processes which are required for implementation in the future, for the purpose of improving its automational capabilities, inter alia, on all matters associated with the management of members' rights. As part of the foregoing, a feasibility evaluation was conducted regarding a long term project which is intended to reduce the redundancies between the systems, and the performance of adjustment for an innovative automation system in the Company. At this stage, the Company is not promoting the project; however, it is promoting developments in existing systems using modern technology, and is also performing technological improvement activities.

In recognition of the importance of having efficient and modern automation systems, the Company has prioritized this issue, and in recent years, the Company has invested hundreds of millions of NIS in upgrading and improving the automation systems in the long term savings segment. For additional details, see Note 6 to the financial statements. Inter alia, the Company worked on creating an organizational infrastructure in life insurance for the purpose of concentrating information from all of the core systems in life insurance. This infrastructure is used by the Company for the purpose of investigating its operating activities, and for the purpose of issuing required reports to the Authority, and for the Company's business needs.

---

[89] Some of the services for the core systems are performed by external providers (provident fund operating services, which also include automation of the activity, are performed through Bank Leumi; and maintenance and development services for the pension activity management system are given by Sapiens Technologies (1982) Ltd.).

According to the Group's estimate, its current IT systems in the life insurance branch will serve the Group's needs for the upcoming period. In light of the multiple changes to the regulatory directives which apply to the activities of the Group's institutional entities (inter alia, as specified above), which create material changes and significant and frequent reforms in insurance activities in general, and in the long term savings segment in particular, the Group is currently in an ongoing process of adjusting its IT systems to the regulatory directives and to the changes and reforms implemented therein, of upgrading its IT systems which supported its operations to advanced systems, and ensuring compliance of the IT systems with the terms of the products offered by the Company (such as insurance policies and regulations of pension funds and provident funds).

According to the Group's estimate, the process adjusting the IT systems in accordance with the regulatory directives, and of upgrading the IT systems which support its operations, in a manner which will ensure support for all of the Group's products in the long term savings segment, will continue in the coming years, and will involve significant costs and operational preparations on the part of the institutional entities in the Group. The development requirements are derived both from the requirements of the business operations and regulatory directives.

Digital segment -

The Group has set for itself the goal of continuing to promote digital innovation, with an emphasis on providing information, performing actions independently in the Company's digital channels (agents, customers, employers) and sales. The Group believe that the investments in automation and digitization will result, over the long term, in increased efficiency and will meet customer requirements. For additional details, see section 10.18 below.

During the reporting year, the Group launched advanced digital tools, including in the claims and sales departments (such as "Temporary Driver" and "Cybersecurity Insurance"). The Group also launched the application "Clal Emergency Button", an advanced and innovative application which allows policyholders to receive urgent assistance and immediate response from relevant service providers in the fields of motor, apartment and international travel insurance, to submit claims through a rapid digital process, to view the current information in their personal file, and to perform actions. According to the Company's estimate, the integration of digital tools into the Company's activity is expected to improve the process of making information and services accessible to customers, and to improve the customer experience, increase competition and, over the long term, possibly also result in increased operational efficiency.

For details regarding automation expenses in the Group, see Note 34 to the financial statements. For details regarding the scope of acquisitions and self-development, and the amortization of software programs and computers, see Notes 6(a) and 8(a) to the financial statements.

10.10.3.3. Management of cybersecurity risks in the Company

- The Company is working to implement the cybersecurity policy which was approved by the Company's Board of Directors.
- The cybersecurity protections which are implemented by the Company are designated in accordance with the risk assessment which is relevant to the Company, and include: evaluations regarding employee recruitment processes, and engagement with providers; increasing employee awareness; physical security measures; network protection; protection of systems and applications; permission compartmentalization processes, separation of responsibilities, and monitoring and control tools.
- On all matters pertaining to the receipt of outsourcing services, the Company implements a structured risk management process, including an undertaking by the provider to meet the information security requirements which were determined by the Company, and additionally, the Company performs, from time to time, information security audits at the aforementioned providers.

- From time to time, the Company tests the resiliency of the security apparatus, with the assistance of entities specialized in the performance of penetration tests and security surveys.
- The global crisis due to the coronavirus pandemic involved an increase in the number of cyber attacks. The Company has taken significant steps to defend itself against the many cybersecurity threats arising during this period, including using intelligence sources, with an emphasis on phishing attacks, comprehensive testing of the robustness of the organization's cybersecurity apparatus, in consideration of the changing threats, while implementing proactive measures in the Company's protective infrastructure; Providing a rapid response through the response teams, in order to investigate suspicious attempts to remotely connect to the Company's network, or any irregular activity of employees; Increasing technological controls and issuing guidelines to increase awareness among the Company's employees; The Company is continuing to strictly and continuously manage cybersecurity risks in accordance with the changing threats.

For additional details regarding the Group's exposure to cybersecurity risks, see section 10.16(c)(6) below.

10.11. Seasonality

10.11.1. Long term savings

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.

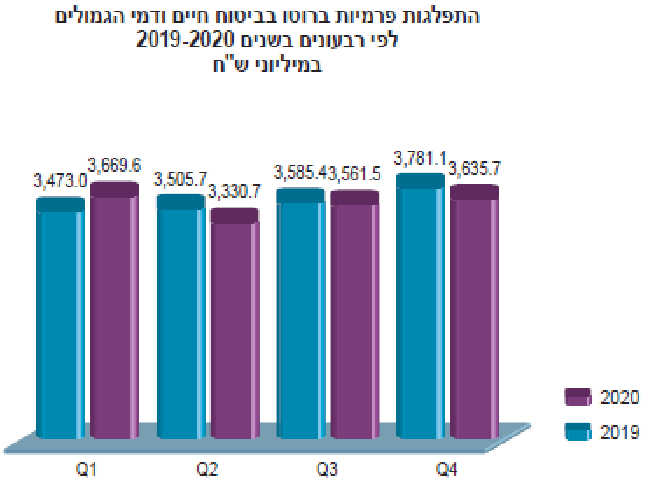
However, due to the timing of the end of the tax year, a certain degree of seasonality exists with respect to deposits from premiums/benefits contributions to pension savings products in December, since substantial amounts are deposited during that month by employees and self-employed persons who initiate deposits that are not in the framework of their salary, with the intention of making full use of the tax benefits, as well as by employers completing obligations in respect of the tax year or making one-time deposits, usually in respect of seniority severance pay debts. 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.

During and after the reporting year, due to the coronavirus pandemic and the significant decrease in employment in the economy, a significant decrease occurred in deposits to pension products.

Presented below is the distribution of the gross premiums and contributions in the long term savings division over the last two years, by quarters (NIS in thousands):

2020	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
Premiums and contributions, NIS in thousands	3,669.6	3,330.7	3,561.5	3,635.7	14,167.5
2019	**First Quarter**	**Second Quarter**	**Third Quarter**	**Fourth Quarter**	**Total**
Premiums and contributions, NIS in thousands	3,473.0	3,505.7	3,585.4	3,781.1	14,345.3

Distribution of gross premiums in life insurance and contributions
By quarters in 2019-2020
NIS in millions



10.11.2. Non-life insurance

In general, income from premiums in the non-life insurance segment does not feature clear seasonality. However, the premiums in the first quarter of the year were higher than the premiums in other quarters, mostly due to the renewal dates of insurance agreements which conclude at the end of the calendar year. There are also insurance agreements of business policyholders and of large vehicle fleet, which feature high premiums, the renewal or discontinuation of which may affect premium volatility during certain months of the year. The effect of this seasonality on reported income is neutralized by the unearned premium reserve.

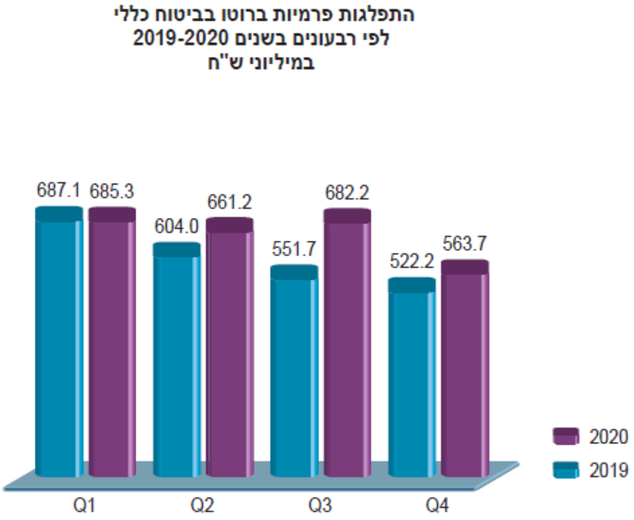
During and after the reporting year, due to the coronavirus pandemic (mostly during the lockdown periods), there was a decrease in SMB insurance policies, which is conditional upon an increase in premiums of large businesses.

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 season, a marked 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, a reduction occurs in the reported income for the period.

Presented below is the distribution of gross premiums in the non-life insurance division over the last two years, by quarters (NIS in thousands):

2020	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
Premiums in thousands of NIS	685,262	661,203	682,243	563,661	2,592,369
2019	**First Quarter**	**Second Quarter**	**Third Quarter**	**Fourth Quarter**	**Total**
Premiums in thousands of NIS	687,056	604,008	551,722	522,178	2,364,964

Distribution of gross premiums in non-life insurance
By quarters in 2019-2020
NIS in millions



10.11.3. <u>Health insurance</u>

The health insurance segment is not characterized by seasonality. In the international travel insurance sub-branch, there has been an increase in the scope of policies sold to international travelers during the summer and holiday periods. However, the above had no significant effect on the distribution of total premiums in the health segment during the calendar year.

During and after the reporting year, due to the coronavirus pandemic, there was a decrease in sales of international travel insurance policies. The foregoing did not have a significant impact on the financial results of Clal Insurance in the health segment.

10.12. <u>Intangible assets</u>

10.12.1. <u>Intellectual property</u>

The name “Clal” is registered as a trademark under the name of IDB Development. The Group uses, for the purpose of its operations, the names and logos of the Group’s member companies, most of which are not registered as trademarks.

The Group’s member companies use, for the purpose of their operations, software programs which are owned by member companies in the Group and/or for which usage licenses were acquired. For additional details, see section 10.10.3.1 above.

The Company develops, through its employees and through providers, software programs for self use to which it owns copyrights.

The Company owns internet domains.

For additional details regarding intangible assets, see Note 6 to the financial statements.

10.12.2. Databases

_______The Group's member companies have databases which include, inter alia, data regarding customers, agents and service providers, which are used, inter alia, for marketing activities, using advanced software programs (CRM), which allow segmentation of the data in various ways. The Company's marketing strategy is based on the databases, which are critical to the management of the Company's business affairs.

_______The Group works on a routine basis to register its databases in Israel in the records of the Registrar of Databases, in accordance with the provisions of the law. Some of the databases are currently in registration processes and/or evaluation and preparation for the purpose of registration.

10.13. Legal proceedings

Material legal proceedings are currently pending against the Group, including motions to approve class actions pursuant to the Class Action Law. For details regarding claims which are not in the ordinary course of business, including class actions which have been approved for filing as class actions; pending motions to approve class action status for material claims; motions to approve class action status for material claims which were dismissed during the reporting year; material class actions which concluded during the reporting year and until the publication date of the report; immaterial class actions; and material claims against the Group which are not in the ordinary course of business, see Note 41(a)-(c) to the financial statements.

For details regarding legal risk factors in connection with class actions, see section 10.16(b)(5) below.

For details regarding the exposure to the risk associated with class actions, see Note 41(a) to the financial statements.

For summary details regarding the Company's exposure to legal proceedings, see Note 41(c) to the financial statements.

10.14. Financing

10.14.1. Rating

For details regarding the ratings of member companies in the Group and regarding liability certificates which were issued as of the publication date of the report, see Note 25(d) to the financial statements.

10.14.2. Credit

For details regarding deferred liability notes which constitute Tier 2 capital for the purpose of the economic solvency regime, see Note 25(b) to the financial statements. For details regarding the restrictions on the recognition of the liability certificates as Tier 2 capital for solvency purposes, see Note 16(e) to the financial statements.

10.14.3. Raising of sources to funds the operation of the Company's business

Clal Insurance may be required, in the coming year, to raise sources by way of an issuance and/or exchange (through Clalbit Finance), subject to developments regarding its capital status, the capital target which will be determined by the Board of Directors, regulatory developments, and the Commissioner's approval, if and insofar as required.

As of the reporting date, the Company and Clalbit Finance have shelf prospectuses in effect.

The information presented on all matters associated with the raising of funds to cover the Company's routine business operations in the coming year constitutes forward looking information, which is based on the Company's estimates and assumptions as of the publication date of the report. Actual implementation may differ significantly from the forecast, inter alia, due to regulatory requirements which will be determined, the state of capital markets, the business position of the subsidiaries in the Group, actions taken to optimize the capital and debt management in the Group, and the materialization of the risk factors specified in section 10.16 below.

10.15. Taxation

For a description of the taxation arrangements which apply to the Group, see Note 23 to the financial statements.

10.16. Discussion regarding risk factors

This section, which discusses the risk factors with respect to the Company, also includes forward looking information. Forward looking information is uncertain information regarding the future, which is based on information which is available to the Company as of the reporting date, and which includes the Company's estimates and intentions as of the reporting date. Actual results may differ significantly from the results forecasted or implied based on such information, inter alia, due to changes in the business environment any other party in risk factors, including future risk factors.

The institutional entities are obligated to appoint a Chief Risk Officer. For a description of the responsibilities of the Group's Chief Risk Officer, and for details regarding the risk management policy and regarding risk management processes and methods in the Group, including a description of the work process and the methods used to identify the risks and controls which exist in the Group's member companies, see Note 38 to the financial statements.

Presented in the following table are risk factors, according distributed by macro risks, branch-specific risks and risks which are unique to the Group, as well as details regarding the risk factors.

The impact of the foregoing risk factors is based on the judgment of group management, based on the information which is available as of the estimation date, refers to each risk independently, and takes into account the estimated probability of the materialization of each risk and its potential results. The

Risk factors	Risk factor's impact on the Group		
	Significant impact	Medium impact	Limited impact
A. Macro risks			
Economic downturn in Israel	X		
International economic downturn and price drops in capital markets	X		
Overall market risk	X		
Specific market risks:			
Interest rate risk	X		
Credit margin risk		X	
Inflation risk		X	
Exchange rate risk		X	
Stock price risk	X		
Other assets price risk		X	
Credit risk	X		
B. Branch-specific risks			
Insurance risks	X		
Portfolio retention	X		
Catastrophe risks:			
Earthquake in Israel		X	
Terror attack and/or war in Israel		X	
Stability of reinsurers		X	
Strategic risks:			
Changes in legislation and regulations	X		
Competition risks	X		
Availability of reinsurers		X	
Legal risks	X		
C. Risks on the level of the Group			
Compliance and regulatory risks	X		
Liquidity risk			X
Underwriting, pricing and assessment of insurance liabilities		X	
Operational risks	X		
Information system risks	X		
information security and cybersecurity risks	X		
Reputation risk	X		
Engagements with external providers		X	

estimation of the extent of the risk factors’ impact refers to the direct implications on the Group, and does not take into account indirect effects.

A. Macro-economic risks

(1) Economic downturn in Israel

The Group is materially exposed to the state of the Israeli economy, and a downturn in the Israeli economy could affect the scope of the Group's business, particularly in the long term savings segment, including: a reduction in the volume of savings made by the public; possible arrears in contributions and an increase in withdrawals; An increase in the unemployment and an erosion in real salaries may result in an increased number of cancellations, and in a decline in the premiums and contributions collected by the institutional entities in the Group, as well as in an increase in the scope of claims. Additionally, as a result of an economic downturn, as stated above, the risk associated with the Group's exposure to entities in Israel through its investments and through certain insurance activities may increase (see credit risks and market risks below).

(2) International economic downturn and price drops in capital markets

The Group is exposed to harm to the value of its investments in financial assets in international capital markets, and in other assets abroad. A global economic downturn could also affect the results of Clal Credit Insurance, which insures the debts of debtors in various countries, who are affected by the economic situation in those countries. Additionally, the stability of the reinsurers with which the Group engaged may be reduced as a result of price drops in international capital markets, or an economic downturn in the countries where they operate.

(3) Overall market risk

The prices of assets and returns in the capital markets in Israel and around the world very significantly affect the Group's business results. The Group's self investment ("**Nostro**") portfolio, as well as the asset portfolios of members and policyholders in investment-linked policies, provident funds and pension funds ("**Portfolios Managed for Others**") are invested in various assets, in Israel and abroad, and their value is subject to volatility which is due, inter alia, to changes in interest rates, the prices of stocks and other assets, credit margins, inflation rates, and foreign currency exchange rates.

The Group is exposed to losses with respect to changes in these risk factors, as a result of their direct impact on the value of the assets in the Group's nostro portfolios. The materialization of market risks and market conditions characterized by a base interest rate environment and by low rates of return may cause non-achievement of the returns which were used to price the products and to calculate the insurance liabilities, and as a result, may lead to harm to the Group's business results.

The Group is exposed to overall market risk, including indirectly, as a result of the impact on the Group's profits due to returns which are achieved in portfolios managed for others. Within the framework of the Group's activities with respect to the management of these funds, the Group's member companies collect fixed management fees from the accrual, the scope of which may be harmed as the scope of managed assets decreases, as a result of negative returns and/or a decrease in the scope of deposits and/or redemptions and/or transfers.

Additionally, in accordance with the provisions of the law, in some of the investment-linked policies which were sold in the years 1991 to 2003 (hereinafter: "**Profit-Sharing Policies**"), Clal Insurance collects, in addition to fixed management fees, also variable management fees, which are calculated as a proportion of the real returns of the investment portfolio, after deducting fixed management fees and direct expenses due to the performance of transactions (hereinafter in this section: the “**Addition**”). The addition is calculated on an annual basis, according to positive or negative values. In accordance with the provisions of the law, insurers may only collect a positive addition; however, in the calculation of each positive addition, the negative addition which accrued in previous periods will be included. The aforementioned addition affects the Group’s profitability. For details regarding the quantitative impact of the exposure to market risks which is due to the management of such funds as of December 31, 2020, see Note 38(c)(1) to the financial statements. Since the calculation of variable management fees in a given calendar year is conducted on a cumulative basis, management fees are collected or returned throughout the year from/to policyholders, according to the real returns which were charged for the quarter, which may result in a great deal of fluctuation in income from management fees from quarter to quarter.

(4) Specific market risks

Full correspondence does not exist between the assets in the nostro portfolio and the liabilities held against them, in terms of cash flows and the timing thereof, and the linkage basis and currency. Additionally, complete symmetry does not exist between the accounting treatment of liabilities and assets, and a difference exists between the accounting principles and the rules of the economic solvency regime. For this reason, the economic equity, accounting equity, solvency ratio and comprehensive income of the Group are exposed to changes in risk factors, of which the main ones are specified below. The capital requirements which apply to the Group’s insurance companies in accordance with the economic solvency regime are based on economic principles. It is noted that the types of risks which will be specified below also exist in portfolios managed for others in Otzma, since they are not necessarily identical to those described regarding the nostro portfolios.

A. Interest rate risk - From an economic perspective, the Group’s main exposure is to an interest rate decrease and the flattening of the interest rate curve, due to the fact that the average lifetime of its liabilities is significantly longer than the average lifetime of its assets. An interest rate decrease may also lead to adversely effects and volatility in the solvency ratio of Clal Insurance. In the current interest rate environment, the Group is exposed (including in accounting terms) to losses in case of an interest rate reduction, despite the fact that the extent of the exposure has decreased significantly during the reporting year, due to regulatory changes and the Company’s activities in managing assets and liabilities. The interest exposure affects the calculation of the reserves, inter alia with reference to the discount rates which are used in the calculation of the liability adequacy test (LAT), the calculation of the K factor, and the calculation of pension reserves, in a scope which may exceed the capital gains which will be created in that scenario with respect to assets which are sensitive to interest rates (see Note 38(e)(e1) to the financial statements). However, the Group may also be exposed to certain scenarios involving interest rate increases, due to the relatively long average lifetime of the assets, in consideration of the long term nature of most of the liabilities, due to the fact that, in accordance with the currently practiced accounting method, in certain scenarios involving changes to interest rates, there is not necessarily full correspondence between the change in the market interest rate and the discount rate which is used to discount the various insurance liabilities. It is noted that, in the long term, the Group’s is also exposed to an ongoing low level of interest rates, with an emphasis on the index-linked interest rate, which may make it difficult to achieve the guaranteed rate of return for guaranteed-return products, and to achieve the returns that were used to price other insurance products, and to require a renewed evaluation of the actuarial assessment of the Group’s insurance liabilities (see Note 38(c)(3), Note 42(a), 38(e)(e1)(d)(1) and Note 38(e)(e2)(4)(a) to the financial statements).

B. Credit margin risk - The Group is exposed to the risk of loss due to the effects of changes in the credit margin in the market, on the value of marketable debt assets, and due to a certain effect on the calculation of a part of the Group's non-marketable debt assets, and of the calculation of a part of the insurance reserves.

C. Inflation risk - The Group is exposed to increases in the inflation rate, due to the fact that the majority of the Group's insurance liabilities are adjusted to the inflation rate on a monthly basis, while the assets held against them are not necessarily CPI-linked. Additionally, due to the fact that the collection of variable management fees in the profit-sharing portfolio depends on the real returns which were achieved, an increase in the inflation rate may reduce the Group's income from management fees. Additionally, some of the Group's financial debt is CPI-linked, and increases in the inflation rate will result in an increase in the Group's financing expenses.

D. Exchange rate risk - The Group is exposed to changes in foreign currency rates, primarily with respect to the foreign investment portfolio, which is not fully hedged against changes in exchange rates.

E. Stock price risk - The Group is exposed to changes in the prices of marketable stocks which are characterized by high potential volatility, both in the nostro portfolio and in portfolios managed for others. In light of the scope of the exposure of the profit-sharing portfolio to volatility, the volatility in stock prices may significantly affect the scope of variable management fees collected by Clal Insurance.

F. Other assets price risk - The Group is exposed to alternative investments, which include investments in real estate and in real estate funds, in investment funds, in non-marketable shares and in additional investment instruments. These assets are exposed to changes in their value, which may result, inter alia, from changes in capital markets in Israel and around the world, changes in prices of commodities, discount prices, and real estate, and specific business risks. By nature, these investments are less volatile than marketable investments. For details regarding sensitivity tests to market risks, see Note 38(c)(2) to the financial statements.

(5) Credit risks

The Group is exposed to the possibility of financial loss as a result a decrease in credit quality and insolvency of borrowers and other debtors, in light of its exposure to financial assets, and through insurance operating segments of the Group which include policies in accordance with the Sales Law and credit insurance, as a result of its exposure to other debtors, including agents, employers, policyholders and reinsurers. With respect to its holdings in debt assets, the Group is exposed to decreased asset value as a result harm to the debtor's financial stability (including debt settlements) and/or as a result of the increase in the credit margin in the market.

Additionally, an increase in business insolvency cases in Israel may also affect the scopes of claims in the directors and officers liability insurance branch, in which the Group operates (see section 7.1.1.3 above), the scope of employers' debts with respect to non-transfer of payments to pension insurance for their employees, which requires the Group's institutional entities to initiate collection proceedings, and the insurance risks in the operations of Clal Credit Insurance (see section 10.16(b)(1) below).

Within the framework of its assets portfolio, the Group is exposed to various market branches, of which the primary ones are the banking and finance branch (which also includes exposure through deposits), the infrastructure and energy branch and the real estate branch in Israel. The exposure to the banking segment and to the financial segment is also due to the fact that the Group holds most of its assets and of its customers’ assets in accounts at banks, financial institutions and brokers in Israel and abroad, and receives clearing services through banks. The Group is also exposed to reinsurers, as stated above (see section 10.16(b)(4) below). Despite the fact that the Group is working to increase the distribution where possible, the exposure to the banking segment in Israel is characterized by exposure to a relatively small number of counterparties with high ratings, as a result of the concentration-oriented structure of the branch in Israel. A deterioration in financial stability, non-fulfillment of the liabilities of those entities, or an insolvency event in any of the aforementioned entities, may have a significantly adverse effect on the Group’s business results.

For additional details concerning credit risks, see Note 38(f) to the financial statements.

B. Branch-specific risks

(1) Insurance risks

In the insurance operations, the Group is primarily exposed to risks associated with changes in risk factors, as compared with the actuarial assumptions, and to risk of a single large damage or to the accumulation of damages due to a catastrophic event.

The actuarial models which are used by the Group’s insurance companies to price products and to estimate of insurance reserves which they hold, are mostly based on the assumption that past behavior patterns and past claims will represent future occurrences. Changes in the risk factors which affect the prevalence and severity of events, as compared with the estimates in the actuarial model, may significantly affect the Group’s business results and economic solvency ratio:

In non-life insurance business operations, the main insurance risks are due to the difference between the risk at the time of pricing and at the time of the estimation of insurance liabilities, and their actual occurrence. The gaps may be due to incidental changes in insurance business results, and to changes in the average cost of claims and/or in the prevalence of claims due to various factors. In particular, in the liabilities branches, there is significant uncertainty regarding the cost of claims, inter alia, due to the existence of time gaps between the event date, the disclosure date and the payment date (long tail claims).

In credit insurance business operations, the main insurance risks are credit risks, due to the ability of debtors to service their liabilities, and also depending on the state of the business and economic environment. Foreign trade risks insurance also involves foreign political risk. Additionally, catastrophic events such as war, lockdown or strike involve credit risks, due to their impact on the ability of debtors to service their liabilities.

In life and health insurance business operations, the main risk factors include demographic risks, such as changes in the mortality rates, changes in morbidity and disability, and medical developments, as well as risks pertaining to policyholders’ conduct and policy options (for sensitivity tests regarding the actuarial assumptions, see Note 38(e)(e1) to the financial statements). In life insurance specifically, an increase in life expectancy and/or an increase in the rate of policyholders who withdraw, as an annuity, the funds which accrued in the insurance funds which are managed by the Group and which have a guaranteed life expectancy annuity factor, and/or changes in the choices of policyholders with respect to the annuity receipt track, among the tracks which are available in the policies, may result in the need to increase its insurance liabilities, and primarily in insurance funds in which the annuity factor was determined based on mortality tables which are different from the current or future mortality tables. Additionally, there is the risk that the level of expenses throughout the lifetime of the portfolio will be higher than the estimate, inter alia, due to changes in the conduct of members or policyholders, the scope of realizations of the option to transfer the accrued amounts in the fund or in the policy, and regulatory changes. In the health and long-term care insurance branches specifically, and in coverages with respect to loss of working capacity, the main risk is increase in morbidity and disability rates which affect the number of claims, the duration thereof, and the cost thereof. Such an increase may also be affected by changes in the interpretation of the insurance event by the regulator and/or by the courts. An additional risk factor is the realization rate of the option for continuity without underwriting in collective insurance policies, where a risk exists that the option may be used by policyholders with greater insurance risk.

(2) Portfolio retention level

The change in the portfolio retention rate, which depends on the cancellation, suspension and transfer rates, constitutes a significant insurance risk in the life and health insurance business operations, due to the fact that the profitability in this segment is based on a margin in premiums (positive or negative) and the collection of management fees throughout the lifetime of the policy (for sensitivity tests regarding the assumptions with respect to cancellations, see Note 38(e)(e1)(c) to the financial statements). The portfolio retention rate also constitutes a significant risk in pension fund and provident fund management business operations. It is noted that the cancellation of the policies also causes the write off of deferred acquisition costs with respect to those policies.

(3) Catastrophe risks

The Group is exposed to the risk that a single event with great impact (a catastrophe), such as an earthquake, natural disasters, war, terror attack or epidemic, will result in a significant accumulation of damages.

- **Earthquake in Israel** - The most significant catastrophic event to which the Group is exposed in Israel is an earthquake, primarily due to its exposure in the property insurance and life and health insurance branches.
- **Risks of war and terror attack in Israel** - The Company is exposed to an event of this kind primarily in life and health insurance.

Clal Insurance acquires partial protection against the accumulation of insurance events, including, inter alia, against earthquakes, natural disasters, and war and terrorism damages. The scope of acquired coverage is based on model-based assessments and/or on studies concerning the extent of damages expected to result from a catastrophic event, with a given probability, and there is no certainty regarding the materialization of the associated forecasts. In the event that actual damages are higher, the Group will bear the excess damage, which may be significant. For details regarding the scope of the protection which is acquired against catastrophic events, see section 10.6.7 above.

(4) Stability of reinsurers

The insurance companies in the Group insure some of their business operations in reinsurance through foreign reinsurers. However, the reinsurance does not release the direct insurers from their obligation towards their policyholders according to the insurance policies. The Group is exposed to risks which are due to counterparty risk in light of the uncertainty regarding the ability of reinsurers to pay their share in the insurance to the Group's member companies. Despite the fact that the exposure of the Group's member companies is backed by reinsurance which is distributed between various reinsurers, and the main exposures are to reinsurers with high international ratings, the collapse of one of the large reinsurers with which the Company has engaged could have a significant impact on the Group. The Group has very significant exposure in case of a catastrophic event simultaneously with the collapse of a large reinsurer which insures the Company against an event of this kind. However, the probability of the materialization of an event of this kind is estimated to be low, due to the fact that the two events have low probability, when the factor linking them is not high. For details regarding the exposure of the Group's member companies to reinsurers, see Note 38(f)(8) and 41(a)(a4)(2) to the financial statements.

(5) Strategic risks

The Group is exposed to changes in its operating environment, which may affect its business operations, and particularly:

- Changes in legislation and regulation - The Group is exposed to changes in legislation and regulation which pertain to its operating segments, some of which constitute significant reforms. In particular, some of the regulatory changes which were implemented in recent years, and those which are proposed, some as non-final drafts, may constitute a threat on components in the branch's business model. Additionally, changes in legislation and in regulation, including circulars, determinations in principle, position papers and directives which the Commissioner is authorized to impose in connection with changes in policy terms, including tariffs, may affect the Company also when approving new products, and with respect to products which were sold in the past, including by way of cancellation and replacement of products, by way of retroactive application, and also due to their impact on the interpretation of agreements which were signed in the past. For details regarding the known regulatory changes which may affect the Group, see, inter alia, sections 6.1.2.3, 6.1.4.1, 6.2.1, 6.2.2(b), 6.2.2(d), 7.1.1.1(c)(1), 7.1.1.1(d)(1), 7.1.1.1(d)(2), 8.1.2.1(c), 10.2, 10.3.1.2, 10.5.5, 10.8.1.1 and 10.8.1.1(b) above, as well as Note 41(d) to the financial statements.

- Competition risks - The Group is exposed to a high level of competition in all of its operating segments, including as a result of structural changes in the market, including the entry of new competing entities, including both producers and distribution channels. The intensification of competition is also affected by the regulatory changes mentioned above, and the reduction of barriers to entry. For additional details, see section 10.3.1.2 above. These changes may reduce the Group's profitability, both due to their direct effect on the profitability of the products and services in which the Group is engaged, and due to increased operating, marketing and distribution costs. For additional information, see sections 6.3, 7.2 and 8.3 above.

- Availability of reinsurers - The Group's continued activity in various insurance segments, in which it relies on reinsurance coverage, is exposed to reinsurers' offering of those reinsurance policies which meet the minimum conditions which the Company has determined, which depends, inter alia, on the willingness of reinsurers to share the risk, and on the appropriate capacity and price.

- Legal risks - The complexity and scope of the Group's operations, and particularly, the long validity period of the insurance and reinsurance agreements, create significant exposure to legal risks which may arise due to deficiencies in legal documents, including policies and reinsurance contracts, to operational deficiencies in the implementation of agreements, and to changes over time in interpretation or in the determination of standards of conduct, including with respect to products which were sold many years ago, including through retrospective application. Additional risks are due, inter alia, to legal precedents pertaining to the payment of claims, and which may increase the amount of claims which the Group's member companies will be required to pay, and the instructions and determinations of the Commissioner. All of the above may expose the Group to material claims which are not in the ordinary course of business, and which may affect the operations and/or financial results of the Group's member companies, or the need to increase the insurance liabilities.

In particular, the Group has significant exposure to class actions and derivative claims, both those for which legal proceedings have been initiated, and those regarding which the potential exposure to the filing of a class action or a derivative claim was brought to the attention of the Group's member companies through self-disclosure and/or through inquiries by customers or third parties, by various means, and those regarding which the Group's member companies is unaware, as stated above. In recent years, an increase has occurred, both in the number of motions to approve class actions, and in the number of claims approved by the court as class actions. (For details regarding the exposure to class actions and derivative claims, see Notes 41(a) and 41(b) to the financial statements.)

C. Risks on the level of the Group

Presented below are details regarding the risks which may materialize on the level of the Group without materializing simultaneously in all or most the companies operating in the same branch:

(1) Compliance and regulation

The Group's activities are subject to many legal directives, and to the oversight of regulatory entities. The ability of the Group's institutional entities and agencies to operate in its areas of activity is conditional upon the holding of the licenses and permits which are required in order to engage in those areas of activity, including compliance with regulatory capital requirements, including the economic solvency regime. For details, see section 10.3.1.2 above. Additionally, significant operations in the Group are subject to specific and complex regulations. In particular, the insurance and long term savings operations are subject to various regulatory provisions, which change from time to time, with respect to products which were sold over many years, and which have long insurance coverage periods and/or savings periods. Non-fulfillment of regulatory requirements may result in sanctions including, inter alia, revocation of licenses and permits, and financial sanctions against the Group, and orders of reimbursement, including as part of audits by supervisory entities or complaints or defects which have been identified, and may serve as the basis for lawsuits filed against it. For additional details, see Note 41(d) to the financial statements. Changes to the control structure of the Company, which is a company without a control core, as specified in Notes 1(a) and 1(b) to the financial statements, may affect the composition of the Company's various organs and its actions, inter alia, due to regulatory arrangements. Additionally, future changes in the control of the Company and/or corporate governance events may harm the Group's reputation, the availability of financing sources and the rating of Clal Insurance. The existence of clauses regarding a change in control in certain agreements of the Group's member companies vis-à-vis third parties, including reinsurers, may require, upon the fulfillment of the aforementioned circumstances involving a change in control, negotiations with those third parties in order to extend the agreements.

For additional details regarding the permits for the control of the institutional entities which are under the Company's control, and regarding the status of the permits for the control of the Company and of its institutional entities as of the reporting date, see Notes 1(a), 1(b) and 16(e)(8) to the financial statements.

(2) Liquidity risks

The Group is exposed to risks due to the uncertainty regarding the date when the Group’s member companies will be required to pay financial liabilities, claims and other benefits to other policyholders and creditors, relative to the scope of funds which will be available for this purpose at that time. The possible need to raise sources unexpectedly and in a short time may require significant realization of assets under pressure conditions, and the sale thereof at prices lower than the market prices. In the Group’s insurance activities, liquidity risk is not estimated to be material due to the high scope of liquid assets in the nostro portfolio, the high scope of current incoming cash flows from premiums, and the fact that the payment of claims is conditional upon the fulfillment of insurance events, some of which have long average lifetimes. However, liquidity risk may increase upon the materialization of a significant catastrophic event.

(3) Risks associated with underwriting, pricing and assessment of insurance liabilities

The Group is exposed in its insurance activities to **model risk** - The risk that the wrong model will be chosen for pricing and/or for the evaluation of insurance liabilities; **Regarding parameter risk** - the risk of the use of incorrect parameters in models, and **regarding underwriting risk** - the risk of the use of incorrect pricing due to deficiencies in the underwriting process.

(4) Operational risks

The Group is exposed to operational risks, i.e., the risk of loss due to the inadequacy or failure of internal processes. people or systems, or due to external events. The Group’s exposure is due to processes which include, inter alia, processes involving purchasing, payroll, investment, collection, policy production, policy operation and long term savings, including the implementation of changes thereto, and the attribution of funds to the product’s various components and layers, claim payments, manual operations, data entry into the information systems, production of reports, calculation of reserves, and processes involving activities vis-a-vis insurance agents, employers, salary bureaus, pension clearing house, institutional entities, and contractual engagements with foreign entities, including foreign brokers and clearing houses, and engagements with reinsurers and service providers. Inter alia, the Group is exposed to operational risks also with respect to negligence by its employees, agents and third parties operating on its behalf, and with respect to malicious actions which may lead to claims in material scopes against the Group and/or to damages in material scopes for the Group. The Group is also exposed to fraudulent actions on the part of its customers and additional entities with which it works. These exposures to operational risks are due, inter alia, to the complexity of the products and services which are currently marketed by the Group, and which were marketed by it in the past, and to the complexity of regulation which applies to its operations, which increase the risk that a dispute may arise with a customer regarding the interpretation or implementation of the provisions of the law or of an agreement, or to a malfunction in the operation of the products and services. This exposure is greater in long term products, and particularly in life insurance products, due to the high operational complexity of the products, and due to the fact that they are exposed to frequent regulatory changes. In this regard, it is noted that the routine activities involving the cleansing of data regarding members’ rights in the long term savings segment may lead to operational implications and to additional monetary implications, which the Group is unable to fully estimate. Additionally, the process of implementing the provisions of the law regarding interfaces for the execution of transactions and for the transfer of information between various entities which are active in the pension savings market (the institutional entities, license holders, employers policyholders and members), which includes an interface with many factors, is highly complex, and involves significant operational difficulties in the short term, although, in the longer term, it is expected to reduce the operational risks associated with the relevant activity (for details, see section 6.2.1(d)(2) above). In light of the scope of activities of the Group, which currently manages, as of December 31, 2020, assets in the amount of approximately NIS 237 billion, of which approximately NIS 204 billion are assets managed for others (see Part B of the Report - Board of Directors' Report, section 2.1(a)), and despite the steps taken by it to identify the risks and to determine adequate controls and risk mitigation actions, the scope of its exposure to operational risks of the type specified above is significant.

(5) Information system risks

A significant part of the Group's activities is based on various information systems. Information systems support the management processes, including the calculation of the rights of the Group's customers. The absence of sufficient infrastructure and/or deficiencies and/or failures in the computerized information systems may cause significant damage to the Group's operations. As specified in section 10.10.3.2 above, the IT systems are subject to an ongoing process of adjustment to the frequently changing regulatory directives, in order to ensure the compatibility with the Group's products. A malfunction in information systems and/or information systems which do not comply with the regulatory directives and/or the absence of full compatibility between the IT systems and the terms of the products or the performed actions may expose the Group to non-fulfillment of the regulatory provisions, to errors in data interfaces, and to errors in the operation of products which are marketed by the Group, and which were marketed in the past.

(6) Cybersecurity and information security risks

The Group is exposed to cybersecurity risks, primarily with respect to the large scope of sensitive information which is at its disposal, and with respect to the large scope of funds which it manages. Such risks include, inter alia, the risk of financial damage, disruption of the adequate and continuous operation of work processes, the availability, completeness and confidentiality of its information, and harm to its reputation, as a result of unauthorized use of its information assets and/or deficiencies in its information security system and/or actions performed by hostile entities, including with respect to the debts which apply to the Company by virtue of regulatory directives, and enforcement measures which were conferred therein. For details regarding the management of cybersecurity risks in the Company, see section 10.10.3.3 above.

(7) Reputation risk

The Group's reputation serves as a critical component in its ability to operate in all of its operating segments. Therefore, the Group is exposed to risk of harm to its business position, as a result of harm to the Group's image and reputation as perceived by policyholders, members, institutional entities, investors, debt holders, business partners, supervision entities, agents, distribution entities, media and others, inter alia, due to the public mood, and criticism by any of the aforementioned entities regarding its method of conduct, including in connection with the settlement of claims. In this regard, it is noted that Clal Insurance, Clal Credit Insurance and bonds which were issued by Clalbit Finance are rated by rating companies (see Note 25(d) to the financial statements), whereby a reduction of the rating could significantly harm their activities.

(8) Engagements with external providers

Within the framework of its activities, the Group enters into agreements with various suppliers and service providers, including regarding the operation of provident funds, payroll management, loss adjusters, garages, plumbing service providers, medical service providers, legal service providers, IT service providers, and others. The Group is exposed to risk of harm to reputation and profitability as a result harm to the quality of services which will be provided to it or to its customers, in case the service quality given by those providers is in adequate, and is also exposed to the risk associated with the difficulty in finding an alternative provider, if necessary.

10.17. Material agreements and collaboration agreements

10.17.1. Presented below is a description of the material agreements to which the Company is party, or which pertain to the Company

(A) **Agreement for the rental of areas with Atidim - Science Based Industries Ltd. -** On March 12, 2013, the Company engaged in a binding memorandum of understanding with Atidim - Science Based Industries Ltd., according to which the Company rents, on its own behalf and on behalf of the Group's member companies, office areas with an area of approximately 47,000 square meters (including 24 floors), a lobby floor, warehouses and approximately 1,000 underground parking spaces, in Atidim Tower in Ramat HaHayal, Tel Aviv. The agreement between the parties is in effect for a period of approximately 24 years, with one exit station after around 16 years.

(B) Collective agreement with the Histadrut Worker's Committee in the Group - In September 2020, a new collective agreement (the "**Agreement**") was signed between the Company's subsidiaries: Clal Insurance, Clal Pension and Provident Funds, Clal Credit Insurance, Clalbit Systems and Canaf (hereinafter: the "**Companies**") and the Histadrut New General Federation of Labor and the employee committee in the Group, which extended the collective agreement which was signed in the Group (on July 4, 2017) for a period of one year, until December 31, 2021, subject to the agreed-upon changes. For additional details regarding the agreement, see section 10.7.3 above and Note 24(d) to the financial statements.

(C) **Agreement for the acquisition of systems for automating the management of pension operations** - In January 2015, Clal Pension and Provident Funds began operating the pension operations through the Nissan system, a system for the management of members' rights, and also launched a commission payment system module, which were purchased from Sapiens. Sapiens also provides maintenance services for the system. The agreement is renewed automatically once per year, subject the right of Clal Pension and Provident Funds not to extend it, by giving advance notice. For additional details regarding the agreement with Sapiens, see section 10.9 above.

10.17.2. Presented below are details regarding significant agreements which are immaterial and to which the Company is party, or which involve the Company

Agreement for the receipt of routine operating services of provident funds - In June 2016, Clal Pension and Provident Funds engaged in an operating agreement with Bank Leumi and Leumi Capital Market Services Ltd. (hereinafter, jointly: "**Bank Leumi**"), according to which Bank Leumi will provide to Clal Pension and Provident Funds operating services with respect to the provident funds which are managed by it. In accordance with the agreement, with respect to the operation of the provident funds, a consideration will be paid to Bank Leumi according to an annual rate out of the fund assets, and with respect to the operation of the study fund, a consideration will be paid to Bank Leumi in a fixed monthly amount. The agreement period will be 5 years, and Clal Pension and Provident Funds will be entitled to terminate the agreement by providing notice 6 months in advance, and Bank Leumi will be entitled to terminate the agreement by providing notice 12 months in advance. Since January 2018, Bank Leumi has operated all of the provident funds which are managed by Clal Pension and Provident Funds. The replacement of Bank

Leumi, without an advance preparation period, could temporarily adversely affect the provision of services in the funds which it manages, until an alternative provider has been found.

10.17.3. Presented below is a description of the collaboration agreements to which the Company is party or which pertain to the Company

Collaboration and shareholders agreement with Atradius Insurance Group - Clal Insurance engaged with Atradius Group, the owner of 20% of the shares of Clal Credit Insurance, in an agreement which regulates the business collaboration with it as a strategic partner, and sets forth the relationship between the parties as shareholders in Clal Insurance (hereinafter: the "**Agreement**"). On October 29, 2015, the parties and Clal Credit Insurance signed an amendment to the agreement, and an extension thereof for an additional three years until December 31, 2018. On June 13, 2018, the parties signed a letter waiving their right to terminate the agreement with reference to the renewal period beginning on January 1, 2019, and the extension of the agreement for 3 additional years, until December 31, 2021. The agreement establishes the right of Clal Credit Insurance to receive from Atradius Group professional assistance and information regarding foreign debtors and credit risks (hereinafter: "**Right to Receive Information**"), and formalizes the collaboration between the parties. Additionally, it was determined in the agreement that Atradius Group is entitled to be a leading reinsurer of Clal Credit Insurance, subject to the fulfillment of market conditions and the receipt of a minimum rating (hereinafter: the "**Reinsurance Right**"), and is also entitled to appoint a director in Clal Credit Insurance, who will have veto rights with respect to certain resolutions, as specified in the agreement. Additionally, in accordance with the agreement, Clal Insurance has right of first refusal towards Atradius Group for the acquisition of its shares in Clal Credit Insurance, Atradius Group has the right to join the sale of shares of Clal Credit Insurance by Clal Insurance, under identical conditions as those of Clal Insurance, while Clal Insurance will be entitled to add Atradius Group to the sale of all of its shares in Clal Credit Insurance to a third party, in accordance with the conditions which were determined in the agreement. The agreement is in effect for 3 years, and is renewed automatically every 3 years, unless one of the parties to the Agreement has notified the other party 6 months before the end of the relevant period, regarding its desire to terminate the Agreement, or in case of termination of the agreement by one of the parties due to a fundamental breach by the other party. In case of termination of the agreement by Atradius Group, option will have the option to acquire from Atradius Group its shares in Clal Credit Insurance at a price which reflects market value. In case of the termination of the agreement by Clal Insurance, Atradius Group will be obligated to acquire, and Atradius Group will be obligated to sell, its shares in Clal Credit Insurance, at a price which reflects market value. In case of a fundamental breach of the agreement by Clal Insurance, Atradius Group will have the option to sell to Clal Insurance its shares in Clal Credit Insurance, at a price which reflects market value. In case of a fundamental breach of the agreement by Atradius Group, Clal Insurance will have the option to acquire from Atradius Group its shares in Clal Credit Insurance at a price which reflects market value.

It was further determined that if Clal Credit Insurance cancels the right of reinsurance, then without the act constituting a fundamental breach of the agreement, Atradius Group will be entitled to choose one of the following two options: (A) cancellation of the right to receive information, or (B) termination of the agreement, in which case, Clal Insurance will acquire the shares of Atradius Group in Clal Credit Insurance at a price which reflects market value. It was further determined that if Atradius Group cancels the right to receive information, then without the act constituting a fundamental breach of the agreement, Clal Insurance will be to choose from among the following two options: (A) cancellation of the right of reinsurance, or (B) termination of the agreement, in which case, Clal Insurance will acquire the shares of Atradius Group in Clal Credit Insurance at a price which reflects market value.

10.18. The Group’s vision, goals and business strategy

The Group’s vision - The Group strives to be the leading group in the insurance and long-term savings market in Israel, while strengthening its financial soundness and maximizing value for its shareholders. The Group does so through growth and business expansion, improving the expense structure, maintaining the high level of service to agents and customers, innovating with respect to products and services, maintaining and cultivating human capital, and strengthening its position among all interested parties.

Business strategy - At the end of 2019 the Company adopted a three-year strategic plan for sustainable accelerated growth and increased operational efficiency in Clal Insurance, and is working on implementing it, as specified below. The purpose of the plan is facilitate the Group’s handling of challenging market conditions, which include a complex and frequently changing competitive environment, the development and introduction of new competitors and distribution channels, frequent regulatory changes, a low interest rate environment for years, with significant consequences for Clal Insurance, and increasing capital requirements.

Main tasks in the implementation of the business strategy:

- Growth in new business revenue and profitability: Focusing on growth of new business through its various distribution channels, with an emphasis on the agents channel, including digital support for the distribution channels, and providing tools to realize the sales potential to existing and new customers, and retaining those customers.
- Growth in the financial segment: The Group considers the financial segment to be a major growth engine for the coming years, and continues to offer a wide variety of products and savings tracks to meet the needs of its customers, while evaluating possibilities for growth and possible acquisitions of additional financial activities.
- Limiting the increase of expenses to support the cost/income ratio: In the challenging competitive and regulatory environment, which is affecting the decline in premiums and management fees, the Company has set a goal of increasing operational efficiency and reducing its current expenses, in parallel and in a manner which will allow it to increase revenue and growth.
- Leading investment management: Leading returns for the Group’s customers, in various investment channels, through Canaf, which performs the Group’s investment management activities, and which is one of the largest extra-banking institutional investors in Israel, while maintaining appropriate risk levels, based on a long term approach.
- Innovation and digitization: Leading the sector in processes of digital transformation innovation, for customers, agents, employers and operators. The development of advanced digital tools in the service and sales segment, the development of advanced data infrastructure which will allow the Group to maximize its sale opportunities, and to increase operational efficiency.
- Improving service: Continued activity on improving service and improving the satisfaction of customer and other interested parties.
- Maintaining and improving financial soundness and the solvency ratio: Improvement of the Group’s overall financial management and risk management, inter alia, by developing quantitative benchmarks, and incorporating them into the management of its business affairs, and particularly, in order to support the maintenance of an adequate economic solvency ratio, in consideration of the challenges which are due to the portfolio’s past exposures, the low interest rate environment, and regulatory effects.

- Improving the Company’s position vis-à-vis all interested parties, inter alia, by strengthening the brand and its value in the eyes of the public, boosting organizational connectedness, and increasing the sense of pride among the Group’s employees.

The information presented on all matters associated with the strategic plan, as specified below, constitutes forward looking information which is based on the Group’s estimates, intentions and strategy, as specified below, which reflect its policy and intentions as of the publication date of this report, and which are based on current estimates regarding the Group’s operating segments and the Group’s position as of the publication date of the report, and may change, entirely or partially, from time to time. There is no certainty regarding the realization of the Group’s intentions or of this strategy. The goals described above may not be realized in the future, or the Group may decide not to implement the aforementioned strategy, in whole or in part, due, inter alia, to the following reasons: changes in economic profitability, changes in the business environment, changes in competitive market conditions and changes in the markets themselves, regulatory changes, changes in the capital market in Israel and around the world, and due to the other risk factors which apply to the Group’s activities, as specified in section 10.16 above and in Note 38 to the financial statements.

Part V - Corporate Governance

11. Corporate governance

The following sections are provided in this part of the Company's periodic report for 2020 in accordance with the Commissioner's directives regarding the description of the corporation's business for insurance companies; however, some of the information which is included herein is provided in accordance with the Securities Regulations, insofar as it is relevant.

11.1. Outside directors

In a special annual general meeting of the Company which was convened on January 3, 2021, it was decided that the number of directors in the Company will not exceed 8 directors; a decision was reached to appoint 5 directors (in addition to the 2 outside directors who are serving in the Company); and a decision was reached to appoint Mr. Yair Bar Tov as an outside director in the Company.
It is noted that Prof. Yossi Yagil, an outside director of the Company, is concluding his third (and last, in accordance with the law) term in May 2021.

For details regarding the aforementioned outside directors, see Part D of the report - Additional Details Regarding the Corporation, section 17.

For details regarding the method for appointment of directors in the Company, see Note 1(c) to the financial statements.

11.2. Directors with accounting and financial expertise

For a list of directors with accounting and financial expertise, and for details regarding their education, experience, qualifications and knowledge, based on which the Company's Board of Directors considers the aforementioned directors as possessing accounting and financial expertise, see Part D of the report - Additional Details Regarding the Corporation, section 17.

11.3. Corporate governance

11.3.1. Company without a control core

In light of the fact that, in recent years, the number of listed companies in Israel with a decentralized ownership structure has increased, on March 10, 2021 the **Companies Law Memorandum (Amendment No. ___) (Corporate Governance in Public Companies Without a Controlling Shareholder)** (the "**Memorandum**") was published, as well as the **Draft Companies Regulations (Matters Not Constituting Ties) (Amendment No. ___), 2021** (the "**Draft Regulations**") were published. In the memorandum, it was proposed to adjust and update the rules of corporate governance which apply to companies without a controlling shareholder. For details, see section 10.2.2 above.

It is noted that the Control Law prescribes unique provisions regarding an insurer without a control core, inter alia, in connection with the method of appointment of directors and reports regarding the holding of means of control of an insurer with no controlling shareholder. Due to the fact that some of the aforementioned provisions apply to an insurer with no controlling shareholder, while the Company controls Clal Insurance, some of the aforementioned issues were regulated in the Commissioner's letters to the Company, as stated below.

11.3.1.1. The Commissioner’s directives

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. Further to the above, the Company received several letters from the Commissioner, and discussions were held between the Company and the Commissioner, involving the determination of an outline for exercising the means of control of Clal Insurance, which specify, inter alia, the Commissioner’s reference to arrangements which will apply when exercising the Company’s means of control in Clal Insurance, including as regards the appointment of directors in Clal Insurance.

For additional details regarding the Commissioner’s letters with respect to exercising the means of control in Clal Insurance, and provisions regarding the appointment of directors in Clal Insurance, see Note 1(b) to the financial statements.

11.3.1.2. Policies which are relevant to the change in the status of control

As stated above, in December 2019, the Company became a company without a control core. In parallel, additional shareholders acquired and/or increased their holdings in the Company, in a manner whereby some of them received holding permits, and became interested parties in the Company. In light of change in the status of control and in the holding structure, the Company adopted policies pertaining to contact with shareholders, and a policy regarding the method for approving transactions with related parties.

(A) Related parties policy - transaction with an shareholder or with a party in which an interested party has a personal interest

As of the present date, the law does not include provisions regarding the method for approving transactions with entities which may have a personal interest in the Company who are not officers or controlling shareholders, due to the fact that institutional entities have different characteristics, which not every public company has, and whose existence justifies different treatment, inter alia, in light of the fact that the institutional entities in the Group manage members’ funds, the Company considered it appropriate, due to the status of a group without a control core, to adopt a policy which defines its internal conduct, in order to avoid potential conflicts of interest which may arise between different entities, in their roles as shareholders on the one hand, and as business partners / customers on the other. In March 2020 and November 2020, the Audit Committee and Board of Directors approved a related parties policy which defines related parties and formalizes the method of engaging with them, on any matter associated with transactions involving investment, purchasing and insurance. The policy was also approved in March 2020 and in November 2020 by the Audit Committee, Investment Committee and Board of Directors of Clal Insurance. Limits on exposure to related parties were also established.

For the purpose of this policy, related parties were defined as follows: Any of the following entities, to the best of the Company’s knowledge: Anyone who holds over 5% of any kind of the Company’s means of control, and any relative of theirs; Anyone who has proposed a candidate for service as a director in the Company or in the Group’s institutional entities, and any relative thereof; Any director in the Company or in the Group’s institutional entities, and any candidate for service as a director, as stated above, and any relative thereof[90]; Any corporation whose director or candidate for service as a director, as stated above, serves as the CEO or Chairman of the Board; Any corporation which controls and/or is controlled by any of the above; Anyone whom the Related Parties Committee (the relevant investment committee and/or the Audit Committee, as applicable) has designated as such, excluding institutional entities, banks and investment houses, provided that they have proposed a director, or that the related parties committee has not decided otherwise in their case.

The policy includes quantitative restrictions on engagements with related parties, including with any controller of theirs, or any entity controlled by them, and also formalized the method of engaging with them, in a manner whereby non-insignificant transactions will be presented for approval to the relevant investment committee and/or to the Audit Committee, as applicable, and insignificant transactions will be presented for approval to the relevant investment committee with respect to investment transactions, and regarding other transactions – the evaluation will be performed the officer who is responsible for the relevant department in the Group.

In accordance with the decision of the Audit Committee and Board of Directors, the policy will be presented for review and update as required.

In November 2020, following the recommendations in the examiner’s report, as defined below, with respect to the policy regarding related parties as given in the report, the relevant organs approved updates to the policy, of which the main ones are specified below: expansion of the list of related parties, such that also anyone regarding whom the Company has become aware that they are a shareholder holding over 2.5% of the Company’s shares[91] will be classified as a related party (instead of 5%); Expansion of the list of related parties such that anyone who served as an officer in the Company, including directors, will be classified as a related party for 12 months after the conclusion date of their tenure, and accordingly, any corporation in which they are employed or hold office during that period will be classified as a related party as well; The requirement to report to the related parties committee regarding any negotiations with a related party, at a preliminary stage of the negotiations, and receipt of instructions and guidelines from the relevant committee, regarding the manner of action during the period of the negotiations; Quarterly reports to the investment committee regarding non-marketable transactions with related parties, for which a decision has been made

---

[90] In case of reference to a candidate director, the foregoing will apply from the date of the offer to the general shareholders’ meeting, until the end of tenure, or until the date when the candidacy expires;

[91] It is hereby clarified that, as of the publication date of the report, the obligation to report to the Company regarding the stakes of shareholders in the Company applies only to interested parties, as defined in the Securities Law, 1968, only.

not to approve them. It is hereby clarified that the foregoing will not apply to parties which regarding whom a decision has been reached to exclude them from the policy, as described above.

(B) Policy regarding meetings between officers and shareholders

On November 3, 2020, the Company's Board of Directors adopted a policy regarding meeting of officers with shareholders (hereinafter: the "**Policy**"). The resolution to adopt the policy was passed, inter alia, following the conclusions and recommendations of the examiner's report regarding the issue of the ties between directors and shareholders, while reviewing various approaches in the literature, and the development of trends around the world with reference to this issue.

Based on a review of the trends taking place around the world, regarding meetings between officers and shareholders, as well as the legal situation in Israel, the Company decided to allow Company officers to meet with shareholders, in accordance with the principles which were specified for this purpose in the adopted policy.

The policy includes the establishment of principles formalizing the current practice regarding multi-participant meetings with shareholders, as part of investor relations activities, while establishing guidelines regarding the way in which such meetings should be held (including via digital means); submission of advance notice; subjects permitted for discussion in the meetings; documentation and reporting of the main matters and discussed, etc.

The policy also includes rules of action regarding specific meetings of officers with shareholders (on mattes pertaining to their role as shareholders), including the determination of a guiding principle, according to which meetings of this kind will not be held, in general, in a one on one format, except for extraordinary circumstances. The policy also specifies the identity of officers who are permitted to meet with shareholders, and possible meeting compositions (addition of several officers); Specification of the entity that may initiate a meeting (including clarification stating that the initiative for the meeting may also come from the shareholder); "Blackout periods" during which, as a rule, meetings will not be held with shareholders (prior to the publication of financial statements); The frequency of meetings; The location of such meetings; The obligation to notify the Company's organs in advance, and retroactive documentation of the meeting's contents; Restrictions on subjects which are permitted for discussion in meetings, specific directives regarding the holding of meetings and dedicated arrangements as part of an appointment committee which is responsible for recommending directors in the Company, and more. It is noted that the main terms of the policy regarding meetings also apply, subject to the relevant changes, to written correspondence between officers and shareholders.

(C) The examiner's report and subsequent events and developments

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

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

It was stated that in the examiner’s report that the examiners’ evaluation of the materials which were submitted to them by the Company involved thoughtful stringency in connection with the implementation of appropriate rules of corporate governance in a changing reality, as well as the factual change in the status of control of the Company in 2019 - in consideration of the fact that the Company is subject to regulations on many levels (including general corporate laws, securities laws, and requirements arising from insurance laws), many discussions on the matter were held in the Board of Directors, both in the plenum, and in the board committees. In many ways, the evaluation was performed while the Company was already undertaking an internal and external evaluation vis-à-vis the Capital Market Authority, including an evaluation of the consequences of the change in the status of control of the Company. It is therefore important to understand the conclusions of the report in light of the existence of this process in the Company, and as an attempt to contribute and add to this process.

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

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

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

On July 13, 2020, following discussions in the Company’s Audit Committee and Board of Directors in connection with the examiner’s report, the Company’s Board of Directors decided that discussions or decisions of the Board of Directors regarding the continued tenure of the CEO would be made based on the

Company's business results and performance. The Company's Board of Directors accepted the recommendation of the Company's Audit Committee, to work towards evaluating and formulating certain guidelines and internal policies, pertaining to the Company, in accordance with the examiner's recommendations. For additional details, see the immediate report dated July 13, 2020 (reference number 2020-01-067378).

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

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

Accordingly, Mr. Danny Naveh ceased serving as the Chairman of the Board and as a director in the Company and in Clal Insurance at the end of August 20, 2020, and Ms. Mali Margaliot was appointed as the Company's Acting Chairwoman of the Board (until the Permanent Chairman was appointed - see Note 1(c) to the financial statements). A temporary or permanent chairman has not been appointed in Clal Insurance in accordance with the Commissioner's instructions.

It is noted that on February 3, 2021, Mr. Haim Samet was appointed as the Company's Permanent Chairman of the Board.

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

On July 21, 2020 and October 19, 2020, the Company and Clal Insurance received letters from the Commissioner regarding the outline for exercising the means of control of the Company, which included, inter alia, reference to the method for appointing directors in the Company and in Clal Insurance. See Note 1(b) to the financial statements. The Commissioner also specified in his letter several additional rules according to which, inter alia, the appointment of a CEO for the Company will be done through a Search Committee, and the process of concluding the CEO's tenure will be done with the knowledge and consent of the Company's Board of Directors, including an evaluation of all considerations.

The Company and Clal Insurance have been working since the reporting date on the implementation of the examiner's recommendations, by establishing appropriate rules and policies. On this matter, see, inter alia, the policies specified in this section above.

11.3.1.3. Appointment of directors in the Company - Search Committee

As stated above, in accordance with the provisions of the law and in accordance with the Commissioner's directives, no instructions of the Commissioner were established regarding the appointment of directors in the Company; however, it was determined that anyone who was proposed the appointment of one third of the directors holding office in the Company, and whose proposal has been accepted, will be considered as its controlling shareholder, and accordingly, may be required to obtain a control permit from the Commissioner.

In consideration of the fact that the Company is a company without a control core, in September 2020 the Board of Directors appointed a special board committee, which served, inter alia, as a committee passing recommendations to the Board of Directors in connection with the formulation of a list of recommended criteria for the appointment of directors in the Company, and recommended suitable candidates for tenure on the Company's Board of Directors (the "**Company's Search Committee**").

The members of the Company's Search Committee included Mr. Sami Moualem and Prof. Yossi Yagil, who serve as outside directors in the Company, and Ms. Hana Mazal (Mali) Margaliot, the Acting Chairwoman of the Board at that time, who also served as the committee chair. On November 3, 2020, the Company's Board of Directors appointed Mr. Zvi Ziv, former CEO of Bank Hapoalim, and who served as a member of the Gadot Committee, as stated above, as an observer on the committee.

The Company's Search Committee initiated meetings with certain shareholders which hold at least 1% of the voting rights (according to information which was in its possession), and which are not institutional entities, and held meetings with several such shareholders who had requesting them, in order to hear their positions regarding the process of appointing directors in the Company, and regarding the proposal of candidates they consider suitable for tenure on the Company's Board of Directors.

11.3.1.4. Appointment of directors in Clal Insurance

The Commissioner's position, as expressed, inter alia, in his letters, is that in light of the Group's corporate structure, according to which Clal Insurance is a private company controlled by the Company, which is a public company without an ultimate controlling shareholder, and with the aim of realizing the intent of the Control Law regarding insurers without a controlling shareholder, through the appointment of directors in Clal Insurance, will be done similarly to the mechanisms currently prescribed in the Control Law, regarding the appointment of directors in insurers with no controlling shareholder, subject to adjustments, and without prejudice to the legal right of other shareholders to propose candidates, insofar as this right is available to them. Within this framework, an external committee will be formed which includes two outside directors in Clal Insurance, in accordance with the provisions of the Control Law regarding a insurer without a control core, and the Commissioner established an outline to guarantee the fulfillment of the relevant purposes, as stated above. For additional details, see Note 1(c)(2) to the financial statements.

11.3.1.5. Reporting policies

Policy regarding the evaluation of significance

With respect to the evaluation of significance, the Company adopted a policy which was first approved by the Company’s Board of Directors on August 20, 2008 (and recently approved in September 2019), in which the Company established for itself guidelines and rules regarding the evaluation of whether a certain event or affair of the Company and/or its investee company (the “**Event**”) is significant to the Company, with respect to the obligation to file an immediate report regarding it by virtue of Regulation 36 of the Securities Regulations (Periodic and Immediate Reports), 1970, and for the purpose of the classification of the transactions specified in section 270(1), (4) and (4a) of the Companies Law. The main principles of the policy are as follows:

In principle, each case will be evaluated on its own merits, and a quantitative and quantitative evaluation will be conducted regarding the relevant event, based on the entire set of information, data, relevant facts and assessments, in light of the entire set of circumstances which are relevant to the Company. Without derogating from the generality of the foregoing, the quantitative and qualitative evaluations will be conducted in the manner described below.

(A) Quantitative evaluation

11.3.1.5.A.1. Regarding any event which fulfills the significance test, all of the relevant indicators will be taken into account, as applicable, among the following indicators, with reference to and based on the last published consolidated financial statements (audited or reviewed) of the Company, and the data included therein: (A) Assets ratio - the total scope of assets involved in the event (assets acquired or sold) divided by total assets[92]; (B) Profit ratio - comprehensive income or comprehensive loss, actual or forecasted, which are attributed to the event, divided by the average annual comprehensive income or comprehensive loss (i.e., over four quarters) in the last three years, calculated based on the last 12 quarters for which audited or reviewed financial statements have been published; It is hereby clarified that the income/loss which is attributed to the event, and the income/loss in each quarter, are calculated according to absolute values. (C) Equity ratio - the increase or decrease in equity, divided by equity before the event; (D) Liabilities ratio - the financial liability associated which the event, divided by the Company’s total assets in the consolidated balance sheet before the event.

---

[92] In a transaction performed with the assets of the nostro and/or profit sharing portfolio, the assets ratio will be evaluated relative to the total assets in the Company’s consolidated balance sheet. In a transaction performed with the assets of provident funds and/or pension funds, the assets ratio will be evaluated relative to total members' asset in the provident funds and pension funds which are managed by the Group.

11.3.1.5.A.2. Without derogating from the need to estimate, with respect to each event whose significance is evaluated, which of the indicators specified in section 11.3.1.5.A.1 above are relevant, the following indicators will be considered relevant to the transactions specified below:

- Acquisition of an asset - assets ratio
- Sale of an asset - profit ratio, assets ratio
- Acceptance of a loan - assets ratio
- Service provision transaction, including insurance transaction - income ratio, profit ratio (according to the profit expected from the transaction).
- In the absence of special qualitative considerations which arise in light of the entire set of relevant circumstances, an event will be considered significant if one of the relevant indicators which are calculated for it, as specified in section A.1 above, exceeds 10%.
- In the absence of special qualitative considerations which arise in light of the entire set of relevant circumstances, an event will be considered insignificant if all of the relevant indicators which are calculated for it, as specified in section A.1 above, are lower than 5%.
- Events which are not classified under sections A.1. and A.2. above may be considered significant, and an evaluation of qualitative considerations should be performed regarding them, taking into account the entire set of information, and all of the relevant circumstances.
    (1) An evaluation of the significance of an event which is expected to take place in the future should include taking into account the likelihood of the event's materialization, and the importance and expected impact of the event, if it materializes.
    (2) In case of an event which pertains to a subsidiary or associate company of the Company ("**Investee Company**"), an evaluation should be performed regarding the event's impact on the Company's relative share in the event, i.e., relative to the Company's holding rate in the investee company, including application of the relative share tests specified above.
    (3) In case of an event which does not constitute an investment in the securities of any corporation, such as engagement in service receipt agreements, etc., an evaluation should be performed regarding the consequences of the relevant event on the Company, also with respect to additional relevant accounting items, which pertain to the characteristics of the event in question.

(B) **Qualitative test**

The significance of the event will be evaluated, as stated above, also in terms of qualitative considerations. The qualitative evaluation may lead to the refutation of presumptions arising from the quantitative test, with respect to the significance or insignificance of the event. The qualitative evaluation regarding the significance of the event may include taking into account its consequences and implications on the Company, in light of one or more of the following considerations:

- It involves significant chances, risks or exposures. The evaluation of this aspect will include taking into account if, and to what extent, the risks associated with the event reflect risk factors to which the Company is exposed, and which were included in its previous reports. Additionally, an evaluation will be performed regarding whether or not the event involves the materialization of a risk factor which was reported to the investor public before the event took place;

- If the event involves entry into a new and significant operating segment, or departure from a current and significant operating segment;

- If the disclosure of the event may result, with a reasonable degree of certainty, and based on past experience, and with respect to evaluation and reference models conventionally applied by investors and analysts, in a significant change in the price of the Company's securities;

- If the event may have a special impact on the Company's financial statements (such as on the reclassification of certain components, on the segmental note, etc.), or on another business component of the Company, which has an important role in all matters pertaining to the analysis of its business operations and profitability;

- The event has the potential to affect the Company's compliance with significant regulatory requirements, significant financial covenants, which may impose significant difficulties on the Company, or on other significant contractual requirements;

- The event may significantly affect analysts and/or investors in their analysis of the Company's activities and results.

- The event is perceived as a significant event by Company management, and is used as the basis for reaching managerial decisions. Events which do not receive special managerial attention, and à fortiori those which are not brought to the attention of Company management, will generally be considered immaterial events from a qualitative perspective.

(C) **Legal claims (including class actions)**

Without derogating from the generality of the foregoing, in an event which involves the filing of a claim, including a class action, against the Company or its investee company, the materiality of the event will be evaluated as follows: (1) Quantitative evaluation - will be conducted based on the Company's estimate regarding the amount of the claim, multiplied by the Company's holding rate in the sued company, in the case of an investee company, regardless of whether it is an associate company or consolidated company. If an estimate of the claims' chances is available during the stage involving the evaluation of significance, these chances will be taken into account, and the prediction regarding the claim assessment will be taken into account. The relevant quantitative indicator for the evaluation of the significance of claims will be the profit ratio. In other words, the weighted claim amount which will be obtained from the performance of the aforementioned calculations will be divided by the average annual comprehensive income or comprehensive loss during the last three years, calculated based on the last 12 quarters for which audited or reviewed financial statements were published. The ratio which will be obtained from the performance of the aforementioned calculation, in light of the ordinary quantitative evaluation policies specified in section A above. (2) Qualitative evaluation - including the evaluation regarding whether or not the filing of the claim or threat of its filing[93] significantly affect the entire set of information which serves as the basis for reaching investment decisions, by the investor public, with respect to the Company's securities. As part of the foregoing, one or more of the relevant considerations will be taken into account, including: the identity of the plaintiff; the group of plaintiffs; the group of defendants; The expected effects in case the claim is approved as a class action, and in case it is accepted by the judicial instance; The existence of similar claims against the Company, which pertain to a similar matter, and the extent of the impact of the additional claim on the entire set of information which is available to the investors; reference to the class action in the Company's financial statements.

Notwithstanding the foregoing, with respect to an event which involves an insurance claim, it will be considered significant, in quantitative terms, if it cumulatively fulfills the following two conditions:

- The amount claimed, less reinsurance (retention), interest and expenses, exceeds 1% of equity.
- The amount claimed (gross) exceeds 5% of Company's equity.

Additionally, an event involving an insurance claim will be considered significant in quantitative terms if the gross amount claimed exceeds 20% of the Company's equity.

(D) **With respect to administrative or criminal proceedings**

In case of an event which involves a criminal investigation being conducted against the Company, on a material issue, by the proceeding, the Israel Securities Authority, or another regulatory authority, and events which involve criminal or administrative proceedings against the Company regarding a significant matter, excess weight will be given to the qualitative evaluation of the significance of the event, and particularly, an on the subject will be placed on the way in which the event may affect investors and/or analysts in their analysis of the Company's activities and results, and the reference of investors to the manner in which the Company conducts its business affairs.

11.4. Internal auditor

11.4.1. Details of the Internal Auditor

- Name: Eran Shachaf.
- Tenure commencement date: April 1, 2014.
- The Internal Auditor fulfills the conditions prescribed in section 3(a) of the Internal Audit Law, 1992 (hereinafter: the "**Internal Audit Law**").
- The Internal Auditor complies with the provisions of section 146(b) of the Companies Law, and with the provisions of section 8 of the Internal Audit Law.
- The Internal Auditor has no business relations with the Company or with any entity which is related thereto.
- The Internal Auditor is an employee of Clal Insurance and serves as an Internal Auditor in the Company, in Clal Insurance and in additional member companies in the Group.

---

[93] It is hereby clarified that a threat to file a claim does not require the submission of an immediate report, since it constitutes an immaterial event (in quantitative or qualitative terms), which will not necessarily lead with the filing of a claim, unless the Company believes that there is a special qualitative reason to report the receipt of the warning.

11.4.2. Appointment method

The Internal Auditor was appointed in November 2013 by the Company's Board of Directors and Clal Insurance, further to the recommendation of the Audit Committee of the Company and Clal Insurance, and his tenure began in April 2014. The appointment of the Internal Auditor was done in light of his education, and the obligations and responsibilities of the Internal Auditor in accordance with the law in the Company and in Clal Insurance, in consideration of, inter alia, the Company's size, type, scope of activities and complexity. The authorities of the Internal Auditor are set forth in a positions and authorities document, which was last approved on December 22, 2019 and on December 30, 2019 by the Audit Committee and Board of Directors of the Company and of Clal Insurance, respectively.

11.4.3. Identity of the Internal Auditor's supervisor

In accordance with the provisions of section 148 of the Companies Law, the individual in the organization who supervises the Internal Auditor is the Chairman of the Company's Board of Directors.

11.4.4. Work plan

- The internal audit operates in accordance with a multi-annual work plan (for a period of 4 years), and in accordance with an annual work plan which is derived therefrom.
- The determination of audit subjects significantly depends on the risk level inherent in each audited operating segment, and on the probability of the materialization of the risk. The determination of the audit subjects and the frequency of audits therein is based, inter alia, on a risk survey which was performed by the internal audit unit in 2017, in which an emphasis was placed, inter alia, on the financial scope of the activity regarding which an audit is proposed, and on the exposure to operational, regulatory and other risks which are inherent in each operation. In 2020, the internal audit unit conducted an updated risk survey, which was used to determine the multi-annual work plan for the years 2021-2024.
- When determining the Internal Auditor's work plan, the Internal Auditor consults with the Chairman of the Board, the Audit Committee Chairman, the Company's CEO and members of management.
- The Internal Auditor submits the work plan to the Company's Audit Committee for approval, in accordance with the provisions of section 149 of the Companies Law.
- The work plan allows judgment for the internal auditor to deviate from the plan, in cases such as regulatory changes, specific requirements of the Commissioner, changes in work processes or changes in the organizational structures which are relevant to the activities on which an audit was planned in accordance with the work plan, as approved by the Audit Committee. In case of an insignificant deviation from the work plan, the Internal Auditor is not subject to additional approvals, but submits updates to the Audit Committee regarding those changes.
- The internal audit unit evaluated certain aspects associated with the performance of material transactions within the framework of various audit reports. It is noted that, during the reporting year, the internal audit unit was in the process of conducting an audit of the Company's process of identifying, evaluating and approving transactions with interested parties which constitute material transactions, as defined in the Fourth Addendum to the Securities Regulations (Periodic and Immediate Reports), 1970, and an audit on engagements with third parties, as specified in the policy on the matter which the Company approved (see section 11.3.1.2 above). This audit was completed by the publication date of the report.

- The Internal Auditor was invited to all meetings and attended most meetings of the Board of Directors and the Audit Committee, including meetings which included discussions regarding material transactions.

11.4.5. Audit of investee companies

The internal audit unit’s work plan for 2020 also addressed the activities of subsidiaries, and particularly, material investees of the Company in Israel: Clal Insurance, Clal Credit Insurance, Clal Pension and Provident Funds and the Group’s agencies. These investee corporation did not have an additional internal auditor during the reporting year.

It is noted that Atudot Havatika has a separate internal auditor, whose activity is not associated with the Group’s internal audit division.

11.4.6. Scope of employment

The Internal Auditor is employed by the Company in a full time position. The Internal Auditor was responsible, during the reporting year, for internal auditing in the Company’s abovereferenced investee companies, excluding Atudot Havatika, as stated above. The scope of the audit in the investee companies is derived from the unique characteristics of the activity of each investee company, and from the scope of its activities relative to the scope of the Group’s activities.

Presented below is the scope of internal audit work hours which were performed regarding the activity of the Company and of its investee companies during the reporting period:

Company name	Hours worked	Additional internal auditor	Outsourcing	Total
Clal Insurance[94]	26,800		700	27,500
Clal Credit Insurance	900			900
Clal Pension and Provident Funds	9,300		50	9,350
Atudot Havatika		1,110		1,110
Agencies under the Company’s control	1,000			1,000
Total:	**38,000**	**1,110**	**750**	**39,860**

The total scope of audit work hours in the Group in 2020 (including 1,110 audit hours of Atudot Havatika) amounted to a total of approximately 40,000, approximately 5,250 hours less than the total scope of hours

---

[94] The figure includes 100 audit hours in Clalbit Finance.

in the Group in 2019. Atudot Havatika has an additional, separate Internal Auditor, whose activity is not associated with the Group's internal audit division.

11.4.7. Performance of audits

- The audit is performed in accordance with professional internal auditing guidelines, and in accordance with the guidelines set forth in the regulation codex of the Authority of Capital Markets, Insurance and Savings, volume 5, part 1, chapter 8 (formerly institutional entities circular 2007-9-14).
- The Company's Board of Directors is satisfactorily convinced that the internal audit unit is working in accordance with the requirements which were determined in the aforementioned guidelines, inter alia, based on various issues which were presented to the Board of Directors and/or to the Audit Committee for approval, including the letter of authorities for the internal audit unit, qualifications, and the resources of the internal audit unit, and routine maintenance and monitoring of the Internal Auditor's independence.

11.4.8. Access to information

As part of the work done by the internal audit unit, any document or information requested by the Internal Auditor and required for the performance of his responsibilities were presented to him. No restrictions were imposed on the work of the internal audit unit, and as part of the foregoing, the Internal Auditor was given free, continuous and immediate access to the Company's information systems and financial data.

11.4.9. Reports of the Internal Auditor

- The Internal Auditor's reports are submitted in writing to the Audit Committee.
- The internal audit reports are presented, on a routine basis, to the CEO of the audited company, for the purpose of holding a discussion regarding the findings of the audit, before presenting them t the relevant Audit Committee. The audit reports are available to all of its Board members.
- Presented below are the dates when discussions were held regarding the Internal Auditor's findings in the Company's Audit Committee, including a summary of the audit activity during the reporting period, if not they did not include a discussion of the audit reports themselves:

  In the Company - March 12, 2020, April 21, 2020, July 21, 2020, September 22, 2020 and December 20, 2020.

- The audit reports are rated by the internal audit department by level of severity. It is noted that some of the internal audit reports are submitted for review to the Audit Committee members for information purposes only, and are not discussed in the committee's meetings, in cases where the audit report is rated by the audit report unit with a relatively low severity level, in a manner which does not require presenting the report for discussion. It is emphasized, also with respect to the internal audit reports which are presented for information purposes only, that each of the Audit Committee members has the possibility of requiring that a specific discussion be held regarding the findings and recommendations which are included in the report.
- It is noted that, in light of the Commissioner's announcement from June 2019, entitled "announcement regarding issues for discussion in joint meetings", which includes a list of issues which the members of

an institutional entity's Board of Directors and board committees may discuss in joint meetings with board members of the institutional entity's parent company, the Company's Audit Committee conducts separate meetings from the Audit Committee of Clal Insurance. As part of the above, the Audit Committee determined that it will discuss the audit reports which are unique to the Company, and it will also be informed regarding process-related issues which are intended to ensure adequate corporate governance, adequate processes and sufficient resources in the Group, and it will also be informed, on a quarterly basis, of significant audit reports (as defined by the Audit Committee), following a discussion thereof by the Audit Committee of Clal Insurance, plus recommendations for implementation. At the request of the Company's Audit Committee, it is receiving the agendas and background materials of Clal Insurance's Audit Committee.

11.4.10. Board of Directors' assessment of the Internal Auditor's work

In the opinion of the Company's Board of Directors, the scope, nature of continuity of the activities and work plan of the internal audit unit are reasonable in light of the circumstances, and are sufficient to achieve the goals of internal auditing in the Company and in the subsidiaries.

11.4.11. Compensation

- The Internal Auditor is employed as an employee of Clal Insurance, with the status of Executive VP, in a full time position, and receives a monthly salary, including social fringe benefits. The auditor's compensation is based on generally accepted principles for the compensation of members of management (including audit functions).
- The internal auditor's salary and employment terms are approved by the compensation committees and the boards of directors of Clal Insurance and of the Company, with the recommendation of the Audit Committees.
- The compensation policy of the Group's institutional entities applies to the Internal Auditor. For details regarding the policy, see section 10.7.5 above.
- The Internal Auditor has a personal compensation plan with respect to the distribution of an annual bonus, as part of the general compensation policy adopted by the Company. The personal compensation plan of the Internal Auditor is based, inter alia, on the Company's profit, professional targets associated with the internal audit work plan, including in accordance with the assessment of the Audit Committee and the assessment of the chairman of the Company's Board of Directors regarding the Internal Auditor's work. The targets are approved on an annual basis by the Compensation Committee, Audit Committee and Board of Directors, as is the fulfillment thereof. For additional details, see the annex regarding the compensation policy.
- The total compensation to the Internal Auditor in 2020 amounted to approximately NIS 1.9 million.
- On March 14 and 25, 2021, the Audit Committee and Board of Directors evaluated the correspondence of the compensation received by the Company's Internal Auditor in 2020, as specified in this section above, to the terms of the Company's compensation policy, and found that the compensation corresponds to the terms of the compensation policy of the Company and the institutional entities.

In light of the foregoing, in the assessment of the Board of Directors, the employment terms of the Internal Auditor are appropriate for his position, are reasonable and fair, and reflect the Internal Auditor's fulfillment of his personal targets, and his contribution to the Company.

In light of the foregoing, the Company's Board of Directors believes that the compensation given to the Internal Auditor does not affect his professional judgment.

11.5. Auditor's Report

11.5.1. Details Regarding the Auditing Firms

- **Kost Forer Gabbay & Kasierer** - Tenure commenced in 1978. Name of responsible partner: Tel Hai Zion, C.P.A. (since April 2019).
- **Somekh Chaikin** - Tenure commenced in 1998. Name of responsible partner: Avraham Fruchtman, C.P.A.

11.5.2. Payments to the auditors

NIS in thousands, excluding VAT

	2020				2019			
	Audit and tax services	**Audit-related services**	**Other services**	**Total**	**Audit and tax services**	**Audit-related services**	**Other services**	**Total**
The Company	100	-	-	100	100	-	-	100
Clal Insurance and subsidiaries	4,918	40	651	5,609	5,323	221	1,003	6,547
Clal Agency Holdings and subsidiaries	136	-	-	136	136	-	-	136
Other companies	59	-	-	59	50	-	-	50
Total companies	**5,213**	**40**	**651**	**5,904**	**5,609**	**221**	**1,003**	**6,833**

11.5.3. Auditors' work hours

	2020				2019			
	Audit and tax services	**Audit-related services**	**Other services**	**Total**	**Audit and tax services**	**Audit-related services**	**Other services**	**Total**
The Company	447	-	-	447	494	-	-	494
Clal Insurance and subsidiaries	21,437	133	2,662	24,232	22,590	635	3,748	27,102
Clal Agency Holdings and subsidiaries	785	-	-	785	797	-	-	797
Other companies	364	-	-	346	291	-	-	129
Total companies	**23,015**	**133**	**2,662**	**25,810**	**24,172**	**635**	**3,748**	**28,522**

* The amounts include a solvency audit.

The overall scope of work hours of the auditors in the Group in 2020 amounted to 25,810 work hours, as compared with 28,522 hours in 2019.

The professional fees of the accountants with respect to the audit services were determined by the Board of Directors, in accordance with the recommendation of the Audit Committee. The professional fees with respect to the audit services were determined following negotiations with the auditors, in which the scope and complexity of the audit were evaluated, with reference to the auditor's salary, according to the conventional practice in the branch. The professional fees with respect to services which are not associated with auditing were determined primarily in accordance with the type of work, the scope of work hours and the audited subject.

11.6. The corporation's donations

As part of its social activities, in 2020, the Group donated a total of approximately NIS 3 million in Israel, in accordance with the defined strategy: support for entities and associations working to support special needs groups, including population groups affected by illness, disabled population groups, with an emphasis on supporting children and youths, including by encouraging education. For example, Nahar HaYarden Association, which manages a unique camp for children dealing with chronic, genetic, or life-endangering illnesses.

Additionally, during the reporting year the Company was the primary sponsor in Pitchon Lev's fundraising broadcast before Rosh Hashana. Pitchon Halev Association strives to break the inter-generational poverty cycle in Israel, and each year assists around half a million people in Israel. This is the third year in a row that the Company donates to the “7 Plan”, which is designed for youths in the geographical periphery, and which accompanies them for 7 years, from the high school period until they are integrated into higher education and in post-military employment.

Due to the coronavirus crisis, this year the Company also worked on helping people who suffered economically, including, inter alia, donating to the project “Israel Mutual Responsibility Fund”, which provides financial assistance to families undergoing financial difficulties due to the current crisis.

As part of the Company’s approach, which focuses on encouraging excellence and equal opportunity, during the reporting year the Company joined the Israeli Paralympic Committee and the Sports Association for the Disabled, and was the primary sponsor for the gold team athletes and for the athlete Asaf Yasur, in their preparations for the 2021 Tokyo Olympics.

To the best of the Company’s knowledge, there are no ties between the associations to which the Group donated NIS 50,000 or more during the reporting year, and the Company or its officers.

11.7. Effectiveness of internal control over financial reporting and disclosure -

11.7.1. The Securities Regulations

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

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

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

11.7.2. The Commissioner’s directives regarding internal control over financial reporting and disclosure

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

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

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

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

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

During the covered period ended December 31, 2020, no change took place in the institutional entity's internal control over financial reporting which could have materially influenced, or which could reasonably have been expected to materially influence, the institutional entity's internal control over financial reporting. Executive certifications regarding the effectiveness of internal control over financial reporting and disclosure, with reference to the relevant processes, in accordance with the Commissioner's circulars, are attached to the report.

Clal Insurance Enterprises Holdings Ltd.

Haim Samet	**Yoram Naveh**
Chairman of the Board of Directors	**Chief Executive Officer**

March 25, 2021

* * *

Table of Contents

Somekh Chaikin
KPMG Millennium Tower
17 Ha'Arbaa St., P.O. Box 609
Tel Aviv 6100601
03 6848000

Building a better working world
Kost Forer Gabbay and Kasierer
144 Menachem Begin Rd.
Tel Aviv 6492102
Tel: +972 3 623 2525
Fax: +972 3 562 2555
ey.com

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, 2020 and 2019, 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, 2020. 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, 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, 2020 and 2019, 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, 2020, 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, 2020, and our report dated March 25, 2021 includes an unqualified opinion regarding the effective application of those controls.

Tel Aviv,
March 25, 2021

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	2020	2019
Assets			
Intangible assets	6	**1,255,264**	1,297,627
Deferred tax assets	23	**12,236**	9,953
Deferred acquisition costs	7	**1,996,644**	2,021,204
Property, plant and equipment	8	**208,036**	219,785
Right-of-use asset	27	**502,043**	541,700
Investments in investee companies accounted by the equity method	9	**136,104**	183,649
Investment property for investment-linked contracts	10,13	**3,043,442**	3,097,370
Other investment property	10	**1,209,486**	1,250,039
Reinsurance assets	17,18	**3,629,329**	3,551,810
Current tax assets	23	**9,689**	129,425*)
Other accounts receivable	11	**627,677**	798,786
Outstanding premiums	12	**650,952**	700,148
Financial investments for investment-linked contracts	13	**70,798,761**	62,397,461
Other financial investments:			
Marketable debt assets	14(a)	**5,823,747**	5,935,408
Non-marketable debt assets	14(b)	**22,092,629**	22,469,858
Stocks	14(d)	**1,692,465**	1,357,758
Others	14(e)	**3,574,299**	2,598,556
Total other financial investments		**33,183,140**	32,361,580
Cash and cash equivalents for investment-linked contracts	13,15(a)	**5,273,150**	6,554,645
Other cash and cash equivalents	15(b)	**1,948,922**	2,558,717
Total assets		**124,484,875**	117,673,899
Total assets for investment-linked contracts	13	**79,564,525**	72,813,606

*) Retrospective adoption, see Note 3(s)(2).

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

Consolidated Statements of Financial Position as of December 31

NIS in thousands	Note	As of December 31 2020	2019
Capital			
Share capital	16	**155,448**	155,448
Premium on shares		**1,638,770**	1,636,478
Capital reserves		**969,936**	817,419
Retained earnings		**3,535,095**	3,088,161 *)
Total capital attributable to Company shareholders		**6,299,249**	5,697,506
Non-controlling interests		**56,685**	52,869
Total capital		**6,355,934**	5,750,375
Liabilities			
Liabilities with respect to non-investment-linked insurance contracts and investment contracts	17,19,20,21,22	**31,078,895**	31,444,910 *)
Liabilities with respect to investment-linked insurance contracts and investment contracts	18,20,21,22	**77,291,364**	71,833,004
Deferred tax liabilities	23	**540,825**	453,729 *)
Liabilities with respect to employee benefits, net	24	**83,486**	96,269
Lease liability	27	**580,567**	591,263
Other accounts payable	26	**3,965,383**	3,269,153
Current tax liabilities	23	**64,647**	513
Financial liabilities	25	**4,523,774**	4,234,683
Total liabilities		**118,128,941**	111,923,524
Total capital and liabilities		**124,484,875**	117,673,899

*) Retrospective adoption, see Note 3(s)(2).

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

March 25, 2021 **Approval date of the financial statements**	**Haim Samet** **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**	**2020**	**2019**	**2018**
Gross premiums earned		**9,494,300**	9,666,116	10,275,018
Premiums earned by reinsurers		**1,466,514**	1,264,885	1,380,033
Premiums earned on retention	28	**8,027,786**	8,401,231	8,894,985
Income (loss) from investments, net, and financing income	29	**5,050,742**	9,680,469	1,244,869
Income from management fees	30	**1,246,681**	1,409,977	884,197
Income from commissions	31	**311,268**	283,918	291,346
Other income	32	**645**	49	75
Total income		**14,637,122**	19,775,644	11,315,472
Payments and changes in liabilities with respect to insurance contracts and investment contracts, gross		**11,989,849**	18,116,499*)	9,424,875*)
Share of reinsurers in payments and change in liabilities with respect to insurance contracts		**(974,301)**	(1,316,678)	(1,106,784)
Payments and changes in liabilities with respect to insurance contracts and investment contracts on retention	32	**11,015,548**	16,799,821	8,318,091
Commissions, marketing expenses and other acquisition costs	33	**1,931,289**	2,000,103	2,020,065
General and administrative expenses	34	**933,903**	891,255	910,230
Impairment of intangible assets	6	**2,492**	17,241	114,824
Other expenses	35	**9,062**	9,629	10,697
Financing expenses	36	**154,699**	236,288	157,931
Total expenses		**14,046,993**	19,954,337	11,531,838
Share in the results of investee companies accounted by the equity method, net	9	**(4,192)**	(7,128)	(25,668)
Income (loss) before taxes on income		**585,937**	(185,821)	(242,034)
Taxes on income (tax benefit)	23	**143,274**	(58,896)*)	(107,054)*)
Income (loss) for the period		**442,663**	(126,925)	(134,980)
Attributable to:				
Company shareholders		**438,676**	(130,196)	(140,264)
Non-controlling interests		**3,987**	3,271	5,284
Income (loss) for the period		**442,663**	(126,925)	(134,980)
Earnings (loss) per share attributable to Company shareholders:	37			
Basic earnings (loss) per share (in NIS)		**6.48**	(2.32)	(2.52)
Diluted earnings (loss) per share (in NIS)		**6.48**	(2.32)	(2.52)
Number of shares used to calculate earnings per share:	37			
Basic		**67,645**	56,043	55,577
Diluted		**67,645**	56,043	55,577

*) Retrospective adoption, see Note 3(s)(2).

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

Consolidated Statements of Comprehensive Income

NIS in thousands	Note	2020	2019	2018
Income (loss) for the period		**442,663**	(126,925)*)	(134,980)*)
Other comprehensive income:				
Components of other comprehensive income which, following initial recognition in comprehensive income, have been or will be transferred to the statement of income:				
Foreign currency translation differences for foreign operations applied to capital reserves		**(20,761)**	(27,977)	28,640
Foreign currency translation differences for foreign operations applied to profit and loss		**9,568**	11,905	92
Change, net, in the fair value of available for sale financial assets applied to capital reserves		**474,417**	952,784	116,209
Change, net, in the fair value of available for sale financial assets transferred to the statement of income		**(344,942)**	(616,044)	(287,850)
Impairment loss with respect to available for sale financial assets transferred to the statement of income		**112,395**	33,450	41,051
Other comprehensive income (loss) for the period which has been or will be transferred to the statement of income, before tax		**230,677**	354,118	(101,858)
Tax (tax benefit) with respect to available-for-sale financial assets		**80,817**	126,539	(44,646)
Tax (tax benefit) with respect to other components		**(2,425)**	(3,651)	6,574
Tax (tax benefit) with respect to components of other comprehensive income for the period which have been or will be transferred to the statement of income	23(d)	**78,392**	122,888	(38,072)
Other comprehensive income (loss) which, following initial recognition under comprehensive income, have been or will be transferred to the statement of income, net of tax		**152,285**	231,230	(63,786)
Components of other comprehensive income which will not be transferred to the statement of income:				
Actuarial income (loss) from defined benefit plan		**15,723**	(16,337)	8,281
Tax (tax benefit) with respect to components of other comprehensive income which will not be transferred to the statement of income	23(d)	**5,112**	(4,952)	2,448
Other comprehensive income (loss) which will not be transferred to the statement of income, net of tax		**10,611**	(11,385)	5,833
Other comprehensive income (loss) for the period		**162,896**	219,845	(57,953)
Total comprehensive income (loss) for the period		**605,559**	92,920	(192,933)
Attributable to:				
Company shareholders		**601,743**	88,796	(197,296)
Non-controlling interests		**3,816**	4,124	4,363
Total comprehensive income (loss) for the period		**605,559**	92,920	(192,933)

*) Retrospective adoption, see Note 3(s)(2).

The notes attached to the consolidated financial statements constitute 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, 2020										
As of January 1, 2020	**155,448**	**1,636,478**	**(14,692)**	**691,091**	**180,329**	**(39,309)**	**3,088,161**	**5,697,506**	**52,869**	**5,750,375**
Income for the period	**-**	**-**	**-**	**-**	**-**	**-**	**438,676**	**438,676**	**3,987**	**442,663**
Components of other comprehensive income (loss):										
Foreign currency translation differences for foreign operations applied to capital reserves	**-**	**-**	**(20,761)**	**-**	**-**	**-**	**-**	**(20,761)**	**-**	**(20,761)**
Foreign currency translation differences applied to the statement of income	**-**	**-**	**9,568**	**-**	**-**	**-**	**-**	**9,568**	**-**	**9,568**
Change, net, in the fair value of available for sale financial assets applied to capital reserves	**-**	**-**	**-**	**474,679**	**-**	**-**	**-**	**474,679**	**(262)**	**474,417**
Change, net, in the fair value of available for sale financial assets transferred to the statement of income	**-**	**-**	**-**	**(344,823)**	**-**	**-**	**-**	**(344,823)**	**(119)**	**(344,942)**
Impairment loss with respect to available for sale financial assets transferred to the statement of income	**-**	**-**	**-**	**112,366**	**-**	**-**	**-**	**112,366**	**29**	**112,395**
Actuarial gains from defined benefit plan	**-**	**-**	**-**	**-**	**-**	**-**	**15,631**	**15,631**	**92**	**15,723**
Tax benefit (tax) with respect to components of comprehensive income (loss)	**-**	**-**	**2,425**	**(80,937)**	**-**	**-**	**(5,081)**	**(83,593)**	**89**	**(83,504)**
Other comprehensive income (loss) for the period, net of tax	**-**	**-**	**(8,768)**	**161,285**	**-**	**-**	**10,550**	**163,067**	**(171)**	**162,896**
Total comprehensive income (loss) for the period	**-**	**-**	**(8,768)**	**161,285**	**-**	**-**	**449,226**	**601,743**	**3,816**	**605,559**
Transactions with shareholders which were applied directly to equity:										
Expiration of warrants for senior employees	**-**	**2,292**	**-**	**-**	**-**	**-**	**(2,292)**	**-**	**-**	**-**
As of December 31, 2020	**155,448**	**1,638,770**	**(23,460)**	**852,376**	**180,329**	**(39,309)**	**3,535,095**	**6,299,249**	**56,685**	**6,355,934**

Consolidated Statements of Changes in Equity (Cont.)

	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										
As of January 1, 2019	143,382	1,009,801	(2,271)	448,369	180,329	(39,309)	3,248,232*)	4,988,533	48,745	5,037,278
Impact of the initial adoption of IFRS 16	-	-	-	-	-	-	(12,598)	(12,598)	-	(12,598)
Income for the period	-	-	-	-	-	-	(130,196)*)	(130,196)	3,271	(126,925)
Components of other comprehensive income (loss):										
Foreign currency translation differences for foreign operations applied to capital reserves	-	-	(27,977)	-	-	-	-	(27,977)	-	(27,977)
Foreign currency translation differences for foreign operations applied to profit and loss	-	-	11,905	-	-	-	-	11,905	-	11,905
Change, net, in the fair value of available for sale financial assets applied to capital reserves	-	-	-	951,089	-	-	-	951,089	1,695	952,784
Change, net, in the fair value of available for sale financial assets transferred to the statement of income	-	-	-	(615,751)	-	-	-	(615,751)	(293)	(616,044)
Impairment loss with respect to available for sale financial assets transferred to the statement of income	-	-	-	33,441	-	-	-	33,441	9	33,450
Actuarial losses from defined benefit plan	-	-	-	-	-	-	(16,222)	(16,222)	(115)	(16,337)
Tax 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 for the period	-	-	(12,421)	242,722	-	-	(141,505)	88,796	4,124	92,920
Transactions with shareholders which were applied directly to equity:										
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)	3,088,161	5,697,506	52,869	5,750,375

*) Retrospective adoption, see Note 3(s)(2).

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

Consolidated Statements of Changes in Equity (Cont.)

	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, 2018										
As of January 1, 2018	143,367	1,001,880	(24,429)	533,373	180,329	(39,309)	3,390,785*)	5,185,996	44,382	5,230,378
Income for the period	-	-	-	-	-	-	(140,264)*)	(140,264)	5,284	(134,980)
Components of other comprehensive income (loss):										
Foreign currency translation differences for foreign operations applied to capital reserves	-	-	28,640	-	-	-	-	28,640	-	28,640
Foreign currency translation differences for foreign operations applied to profit and loss	-	-	92	-	-	-	-	92	-	92
Change, net, in the fair value of available for sale financial assets applied to capital reserves	-	-	-	117,006	-	-	-	117,006	(797)	116,209
Change, net, in the fair value of available for sale financial assets transferred to the statement of income	-	-	-	(287,181)	-	-	-	(287,181)	(669)	(287,850)
Impairment loss with respect to available for sale financial assets transferred to the statement of income	-	-	-	41,012	-	-	-	41,012	39	41,051
Actuarial gains from defined benefit plan	-	-	-	-	-	-	8,252	8,252	29	8,281
Tax 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)	-	-	(134,450)	(197,296)	4,363	(192,933)
Transactions with shareholders which were applied directly to equity:										
Exercise and expiration of warrants for senior employees	15	7,921	-	-	-	-	(7,936)	-	-	-
Share-based payments	-	-	-	-	-	-	(167)	(167)	-	(167)
As of December 31, 2018	143,382	1,009,801	(2,271)	448,369	180,329	(39,309)	3,248,232	4,988,533	48,745	5,037,278

*) Retrospective adoption, see Note 3(s)(2).

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

Consolidated Statements of Cash Flows

NIS in thousands	Annex	For the year ended December 31 2020	2019	2018
Cash flows from operating activities				
Before taxes on income	(A)	**(1,295,034)**	3,061,668	(550,845)
Income tax received (paid)		**41,905**	65,312	(72,799)
Net cash from (used in) operating activities		**(1,253,129)**	3,126,980	(623,644)
Cash flows from investing activities				
Consideration from disposal of property, plant and equipment		**15**	284	217
Consideration from disposal of investments in other investee companies		**15,154**	25,416	50,090
Consideration from disposal of investment in available for sale financial assets by companies which are not insurance and finance companies		**19,298**	14,413	26,098
Investment in available for sale financial assets by companies that are not insurance and finance companies		**(152,163)**	-	(15,054)
Investment in shares and loans in investee companies		**(47,415)**	(25,080)	-
Investment in property, plant and equipment		**(22,970)**	(35,674)	(20,699)
Investment in intangible assets		**(191,541)**	(201,735)	(282,004)
Net cash used in investing activities		**(379,622)**	(222,376)	(241,352)
Cash flows from financing activities				
Issuance of share capital (after deducting issuance costs)		**-**	632,783	-
Consideration from issue of deferred liability notes		**-**	1,660,221	-
Costs of issue and exchange of deferred liability notes		**-**	(12,359)	-
Repayment of deferred liability notes		**(22,168)**	(787,372)	(50,899)
Repayment of lease liability		**(44,049)**	(67,473)	-
Interest paid on bonds and deferred liability notes		**(128,091)**	(113,682)	(115,981)
Net cash used in financing activities		**(194,308)**	1,312,118	(166,880)
Impact of exchange rate fluctuations on cash and cash equivalents balances		**(64,231)**	(50,545)	43,752
Net increase (decrease) in cash and cash equivalents		**(1,891,290)**	4,166,177	(988,124)
Cash and cash equivalents at beginning of period	(B)	**9,113,362**	4,947,185	5,935,309
Cash and cash equivalents at end of period	(C)	**7,222,072**	9,113,362	4,947,185

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

Consolidated Statements of Cash Flows (Cont.)

	For the year ended December 31		
NIS in thousands	2020	2019	2018
(A) Cash flows from operating activities before taxes on income [1] [2]			
Income (loss) for the period	**442,663**	(126,925)*)	(134,980)*)
Items not involving cash flows:			
The Company's share in the losses of investee companies accounted by the equity method	**4,192**	7,128	25,668
Dividends received from investee companies accounted by the equity method	**766**	14,492	19,253
Changes in liabilities with respect to non-investment-linked insurance contracts and investment contracts	**(366,015)**	943,626	536,884
Change in liabilities with respect to investment-linked insurance contracts and investment contracts	**5,458,360**	6,466,107	2,020,818
Change in deferred acquisition costs	**24,560**	(47,665)	(28,965)
Change in reinsurance assets	**(77,519)**	(572,431)	(177,603)
Depreciation of property, plant and equipment and right-of-use asset	**88,447**	92,775	41,593
Amortization of intangible assets	**231,412**	229,626	216,174
Impairment of intangible assets	**2,492**	17,241	114,824
Profit from disposal of property, plant and equipment	**1**	70	98
Loss (profit) from right-of-use asset	**(19)**	125	-
Interest and linkage differences accrued with respect to deferred liability notes and lease liabilities	**143,345**	148,489	132,553
Interest accrued and revaluation of liabilities to banking corporations and others	**379,270**	(123,959)	118,418
Change in fair value of investment property for investment-linked contracts	**90,453**	(20,135)	(55,422)
Change in fair value of other investment property	**25,229**	80	(8,932)
Share-based payment transactions	**-**	(8)	(167)
Net loss (profit) from financial investments for insurance contracts and investment contracts, from and investment-linked contracts	**(2,274,816)**	(5,867,076)	1,985,142
Taxes on income (tax benefit)	**143,274**	(58,896)	(107,054)
Net loss (profit) from other financial investments:			
Marketable debt assets	**(22,223)**	(114,175)	(30,741)
Non-marketable debt assets	**102,122**	(64,573)	(266,560)
Stocks	**17,373**	(184,131)	(72,831)
Others	**(57,954)**	(341,548)	203,108
Financial investments and investment property for investment-linked contracts:			
Acquisition of investment property	**(120,998)**	(131,994)	(74,951)
Consideration from the sale of investment property	**84,473**	55,099	-
Acquisitions net of financial investments	**(6,126,484)**	1,654,848	(3,939,414)
Receipts (investments) from the sale of (investment in) available for sale financial assets and investment property in insurance business operations:			
Marketable debt assets	**213,935**	(232,954)	138,969
Non-marketable debt assets	**275,355**	(418,175)	106,440
Stocks	**(256,063)**	266,691	(28,711)
Others	**(717,840)**	579,120	(239,162)
Acquisition of other investment property	**(44,228)**	(55,547)	(29,545)
Consideration from the sale of other investment property	**50,684**	54,901	-

*) Retrospective adoption, see Note 3(s)(2).

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

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

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

Consolidated Statements of Cash Flows (Cont.)

	For the year ended December 31		
NIS in thousands	2020	2019	2018
(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	**(1,580)**	4,871	3,605
Other accounts receivable	**171,109**	441,073	(706,238)
Outstanding premiums	**49,196**	176,708	16,986
Other accounts payable	**769,054**	269,615	(334,888)
Liabilities with respect to employee benefits	**2,940**	(825)	4,786
Total cash flows from operating activities before taxes on income	**(1,295,034)**	3,061,668	(550,845)
(B) Cash and cash equivalents at beginning of period:			
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 beginning of period	**9,113,362**	4,947,185	5,935,309
(C) Cash and cash equivalents at end of period:			
Cash and cash equivalents for investment-linked contracts	**5,273,150**	6,554,645	3,648,899
Other cash and cash equivalents	**1,948,922**	2,558,717	1,298,286
Balance of cash and cash equivalents at end of period	**7,222,072**	9,113,362	4,947,185
(D) Cash flows with respect to interest and dividends received, included under operating activities:			
Interest received	**2,015,450**	2,177,448	2,222,119
Dividend received	**322,670**	479,198	455,819
(E) Operations which are not associated with cash flows			
Investment in assets against other accounts payable	**-**	-	14,699

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

Table of Notes

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 consolidated financial statements as of December 31, 2020 (hereinafter: the "**Financial Statements**") include the statements of the Company and its subsidiaries (hereinafter, jointly: the "**Group**"), as well as the Group's interests in joint ventures and associates.

As of the publication date of the report, the Company is a company without a control core. 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 from the Commissioner for the control of Clal Insurance Company ("**Clal Insurance**"). Further to the foregoing, on October 19, 2020 the Company received a letter from the Commissioner entitled "update regarding the outline for exercising the means of control of Clal Insurance" (which replaced the Commissioner's letter on the subject dated July 21, 2020), specifying, inter alia, the Commissioner's reference to the arrangements which will apply to exercising the Company's means of control in Clal Insurance, the appointment of directors in Clal Insurance and in the Company, and participation in the general meeting of Clal Insurance (the "**Outline for Exercising the Means of Control**"). On November 30, 2020, a clarification letter was received from the Commissioner, in connection with the outline for exercising the means of control For additional details regarding the control outline, including regarding the appointment of directors in the Company and in Clal Insurance, see section c(2) below.

The discussions being held between the Company and the Commissioner regarding the aforementioned letters have not yet been exhausted.

B. Developments during the reporting period with respect to the control and holding of the Company

1. Appointment of a trustee for the controlling shareholders' holdings in the Company's shares, establishment of an outline over time for the sale of IDB Development's control and holdings in the Company, and the completion of its implementation

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.

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.

Note 1: General (Cont.)

B. Developments during the reporting period with respect to the control and holding of the Company (Cont.)

1. Appointment of a trustee for the controlling shareholders' holdings in the Company's shares, establishment of an outline over time for the sale of IDB Development's control and holdings in the Company, and the completion of its implementation (Cont.)

During the period from 2017 until the reporting date, all of the shares of Clal Holdings which had been held by the trustee were sold (the last sale was performed in September 2020), and in January 2021, IDB Development's stake in the Company was also sold, through the receiver who was appointed for IDB Development.

As the Company was informed, during the years 2017-2019 IDB Development engaged in swap transactions with various banking institutions, with respect to shares of the Company which it sold to third parties (hereinafter: the "**Buyers**" and the "**Swap Transactions**", as applicable). During 2019 and until the reporting date, all of the swap transactions concluded.

2. Engagements of IDB Development with buyers

As the Company was informed, On May 2, 2019, IDB Development engaged in agreements with two third parties which are unrelated to IDB Development (the "**Buyers**"), according to which each of the buyers will acquire Company shares in the Company 4.99% of its issued capital. One of the buyers was also given the option to acquire additional shares which constitute approximately 3% of the Company's issued capital (Mr. Arkin, who exercised the option, and who holds a permit for holding the Company, as described below). Additionally, IDB Development engaged in an agreement with a company wholly owned by Mr. Eyal Lapidot ("**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, according to dates which are unknown to the Company. 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 November 7, 2019, the transaction was completed, and 4.99% of the shares were transferred to a company owned by Lapidot.

3. Permits for holding the means of control of Clal Insurance

In accordance with the provisions of the Control Law, the holding of more than five of a certain type of means of control of an institutional entity is conditional upon the receipt of a permit for the holding of means of control from the Commissioner, and the control of an institutional entity or insurance agency also requires a permit from the Commissioner.

As of the publication date of the report, to the best of the Company's knowledge, four entities have received a permit for holding means of control, including two institutional entities.

Note 1: General (Cont.)

B. Developments during the reporting period with respect to the control and holding of the Company (Cont.)

3. Permits for holding the means of control of Clal Insurance (Cont.)

On May 11 and 12, 2020, Clal Insurance received a copy of the Commissioner's letters to Mr. Moshe (Mori) Arkin and to Mr. Alfred Akirov (to each of them separately), in which he clarified, further to the reports dated May 6 and 10, 2020 (see section c(1) below), that the holding permit which was given to Mr. Arkin, with respect to the holding of up to 8% of the Company's shares, and the holding permit which was given to Mr. Akirov, for the holding of up to 10% of the Company's shares, dated April 5, 2020, does not allow them, or any other party on their behalf, to take action, either independently or together with others, in a manner which would result in their ability to direct the activity of Clal Insurance, inter alia, through involvement in decision making processes regarding the appointment of its directors and officers.

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

C. Developments during the reporting period regarding the appointment of directors in the Company and in Clal Insurance

1. Conclusion of the Chairman of the Board's tenure and the examiner's report

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

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

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

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

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

Note 1: General (Cont.)

C. Developments during the reporting period regarding the appointment of directors in the Company and in Clal Insurance (Cont.)

1. Conclusion of the Chairman of the Board's tenure and the examiner's report (Cont.)

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

Accordingly, Mr. Naveh ceased serving as the Chairman of the Board and as a director in the Company and in Clal Insurance at the end of August 20, 2020, and Ms. Mali Margaliot was appointed as the Company's Acting Chairwoman of the Board (until a Permanent Chairman was appointed for the Company - see Note 42(b)). An Acting Chairman of the Board was not appointed in Clal Insurance, in accordance with the Commissioner's instructions.

2. The Commissioner's directives regarding the appointment of directors in the Company and in Clal Insurance

During the trustee's period of service, various directives of the Commissioner were received, pertaining to the appointment of directors in the Group, including through the committee for the appointment of directors in Clal Insurance and in the Company, led by the Honorable Judge (Emeritus) Sarah Gadot, who was appointed by the Commissioner in 2015 to recommend to the trustee suitable candidates for tenure as directors (the "**Gadot Committee**"). In accordance with the recommendations of the Gadot committee, 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 31(a) 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[1]. 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, without prejudice to the right of another shareholder to propose candidates by law, insofar as any such right is available. On July 2, 2020, and further to the notice of the Chairman of the Board in connection with the conclusion of his tenure (see section c(1) above), the Company's Board of Directors sent a preliminary inquiry to the Commissioner, in order to receive his position in connection with the resolution of the Company's Board of Directors to take action to strengthen the Board of Directors of Clal Insurance, by appointing additional directors among the directors holding office in the Company (who are not outside directors), to the Board of Directors of Clal Insurance. On July 2, 2020 the Company received the Commissioner's response, stating that a director search and appointment committee (the "**Search Committee**") had not yet been appointed in Clal Insurance, and that exercising the means of control with respect to the composition of the Board of Directors of Clal Insurance, and particularly, the appointment of directors in Clal Insurance by the Company's Board of Directors, in its role as the Company's representative as the shareholder in Clal Insurance, before a control permit has been given, will be considered as action which is not in compliance with the Commissioner's instructions.

The Commissioner also announced that there are reasonable grounds to object to the appointment of directors holding office in the Company as directors in Clal Insurance, due to the real concern, in light of the current state of affairs, regarding the existence of a conflict of interest in accordance with section 41i(a).

As stated above, on July 21, 2020, October 30, 2020 and November 30, 2020, the Company received from the Commissioner letters in connection with an outline for exercising the means of control of Clal Insurance, which included, inter alia, reference to the method for appointing directors in Clal Insurance and in the Company, as specified below.

---

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

Note 1: General (Cont.)

C. Developments during the reporting period regarding the appointment of directors in the Company and in Clal Insurance (Cont.)

2. The Commissioner’s directives regarding the appointment of directors in the Company and in Clal Insurance (Cont.)

The Commissioner’s position, as reflected in his aforementioned last letter, regarding which clarifications were sent by the Commissioner on November 30, 2020, is that in light of the Group’s corporate structure, according to which Clal Insurance is a private company controlled by the Company, which is a public company, and which has no ultimate controlling shareholder, and with the aim of realizing the intent of the Control Law regarding an insurer with no controlling shareholder, and to establish a comprehensive and appropriate arrangement regarding the holding structure of Clal Insurance at this time, it is necessary to create an outline to ensure the realization of the relevant purposes, in accordance with certain principles, of which the main ones are specified below. In accordance with the outline for exercising the means of control, these principles will be set forth, inter alia, in the control permit which will be given to the Company, by virtue of the Commissioner’s authority pursuant to section 32(b) of the Control Law, as follows: Clal Insurance will be subject to the provisions regarding an “insurer with no controlling shareholder”, including the provisions of sections 41K and L of the Control Law, and the provisions of the Board of Directors Circular regarding an insurer with no controlling shareholder, subject to the adjustments specified below. An external committee will be formed, which will recommend the appointment of directors in Clal Insurance in accordance with the provisions of the Supervision Law regarding a insurer without a control core[2].

In light of the above, the Commissioner established an outline for the selection of directors, as specified in his letter, which primarily stated the following:

A. All of the directors in Clal Insurance (excluding outside directors and independent directors) will be presented to the general meeting for appointment once per year.

B. The Company’s Board of Directors will be entitled to propose candidates for the Board of Directors of Clal Insurance (notwithstanding the provisions of the law regarding an insurer with no controlling shareholder - the Board of Directors may propose more than one candidate);

C. The Board of Directors of Clal Insurance will be entitled to propose candidates on its behalf. However, it will not be entitled to appoint directors in Clal Insurance;

D. The Search Committee will also propose candidates to the Board of Directors of Clal Insurance. The Search Committee will propose candidate for tenure, according to the maximum number of directors whose appointment will be discussed in the meeting. In case of the appointment of directors in any framework other than the annual general meeting, the Search Committee will recommend at least twice as many candidates as the number of available positions.

---

[2] On January 12, 2021, the Commissioner announced that the Minister of Finance had appointed the committee, in accordance with the provisions of section 41M of the Control Law, regarding the appointment of directors in Clal Insurance.
The committee’s work arrangements will be determined in accordance with section 41Q of the Control Law. The members of the committee regarding Clal Insurance include: Committee chairman - the Honorable Judge (Emeritus) Yosef (Sefi) Eilon; Prof. Efraim Tzedaka; Mr. Avraham Rinot; Dr. Rachel Adatto (independent director in Clal Insurance); Prof. Orli Sade Ben Ami (independent director in Clal Insurance). In accordance with information which was given to the Company, the committee announced its work procedures on January 26, 2021. Further to the committee’s work policy, which set a deadline of 180 days for its work, the Board of Directors of Clal Insurance contacted the committee in accordance with section 14 of the work policy, and notified it that it had decided to convene a shareholders’ meeting, whose agenda will include, inter alia, the appointment of directors. The meeting will be convened on or around September 12, 2021.

Note 1: General (Cont.)

C. Developments during the reporting period regarding the appointment of directors in the Company and in Clal Insurance (Cont.)

2. The Commissioner's directives regarding the appointment of directors in the Company and in Clal Insurance (Cont.)

E. For the sake of guaranteeing the independence of the Board of Directors of Clal Insurance, as part of the Commissioner's authority to appoint officers, the Commissioner will take into account, inter alia, the verification that most of the board members who were appointed to the Board of Directors of Clal Insurance were recommended by the Search Committee, and the verification of an "absence of ties", as defined in section 240(b) of the Companies Law, 1999, *mutatis mutandis*, between candidates for tenure as directors, and Clal Holdings. It was further clarified, with respect to directors whose appointment will be recommended by the Search Committee to the general meeting of Clal Insurance, that tenure as a director in the Company will not constitute, *per se*, from the Commissioner's perspective, grounds for refusing tenure as a director[3], and that the foregoing will not derogate from the possibility of appointing a person who serves as a director in the Company, as a director in Clal Insurance, subject to the Commissioner's discretion. It was further clarified, as part of the Commissioner's considerations, that the Commissioner may also approve a composition of the Board of Directors in which the number of directors who were appointed from among the candidates recommended by the Search Committee will be less than a majority of directors, but a reasonable number, in light of the circumstances.

F. It was clarified that the number of directors serving on the Board of Directors of Clal Insurance may be determined by the general meeting of Clal Insurance, without derogating from the provisions of the Board of Directors circular regarding institutional entities, or from the Commissioner's authorities in general.

G. The chairman of the board will be among the candidates recommended by the committee; however, the Board of Directors may elect a chairman who is not among the candidates recommended by the committee, though in the foregoing case, it will be required to justify its decision, and will be required to attach it in case of a tie vote, in which the chairman will have a casting vote.

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

The between the Company and the Commissioner in connection with his letters regarding exercising the means of control, as stated above, have not yet been completed.

In February and May 2020, the general meeting of Clal Insurance approved an extension of the tenure of independent directors in Clal Insurance, in accordance with the recommendation of an internal Search Committee which is comprised of directors (mostly outside directors) that was created in accordance with the Board of Directors Circular[4].

---

[3] Directors who have been proposed by the Gadot committee for tenure on the Board of Directors of Clal Insurance will be considered by the Commissioner as directors who have been proposed by the Search Committee.

[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. Developments during the reporting period regarding the appointment of directors in the Company and in Clal Insurance (Cont.)

2. The Commissioner's directives regarding the appointment of directors in the Company and in Clal Insurance (Cont.)

On December 16, 2020, before the convention of the annual general meeting of Clal Insurance, the Commissioner notified the Company that, in consideration of the fact that the Search Committee's appointment processes had not yet concluded, and in light of the provisions of section 3 of the control outline, in light of the outline, and in light of the Search Committee's responsibilities regarding the appointment of directors in an insurer without a controlling shareholder, it is necessary to wait for the appointment of the Search Committee, before making changes to the Board of Directors of Clal Insurance. Accordingly, no changes were made to the composition of the Board of Directors of Clal Insurance in the annual general meeting, and the directors currently holding office remained in their positions.

In consideration of the fact that the Company is a company without a control core, and of the Commissioner's directives which are published from time to time, and as part of the Company's Board of Directors preparation for the annual general meeting, in September 2020 the Board of Directors appointed a special board committee, which will serve, inter alia, as a committee passing recommendations to the Board of Directors in connection with the formulation of a list of recommended criteria for the appointment of directors in the Company, and will recommend additional suitable candidates for tenure on the Company's Board of Directors (the "**Company's Search Committee**").

The members of the Company's Search Committee included Mr. Sami Moualem and Prof. Yossi Yagil, who serve as outside directors in the Company, and Ms. Hana Mazal (Mali) Margaliot, the Acting Chairwoman of the Board at that time, who also served as the committee chair. On November 3, 2020, the Company's Board of Directors appointed Mr. Zvi Ziv, former CEO of Bank Hapoalim, and who will serve as a member of the Gadot Committee, as stated above, as an observer on the committee.

The Company's Search Committee held 13 meetings, and its activity included receiving assistance from external legal advisors and an external executive headhunter company.

As part of the activity of the Company's Search Committee, on October 4, 2020 the Company published a call for suitable candidates to present their candidacy to the Company's Search Committee, and to the principal shareholders other than institutional entities, which hold at least 1% of the voting rights in the Company, to propose candidates on their behalf for tenure on the Company's Board of Directors, subject to restrictions in accordance with the law and regulations (including Antitrust Laws)[5], by the dates which it specified and announced (the "**Call For Bids**").

The Company's Search Committee initiated meetings with certain shareholders which hold at least 1% of the voting rights (according to information in its possession), and which are not institutional entities, and held meetings with several such shareholders who had requesting them, in order to hear their positions regarding the process of appointing directors in the Company, and regarding the proposal of candidates they consider suitable for tenure on the Company's Board of Directors.

Further to the call for bids which was published by the Company, over 70 candidate applications were submitted to the Company, and in parallel, discussions were held in the Company's Search Committee, and later in the Board of Directors, in connection with the size, composition, and profile of the appropriate Board of Directors, the ratio of outside / independent directors, gender diversity, and more. Recommended profiles of desirable candidates on the Company's Board of Directors were also evaluated and defined in accordance with the Company's needs. Additional conditions were also determined regarding tenure on the Company's Board of Directors, beyond the conditions for qualification prescribed in law, including that the following people may not serve as a director in the Company: any person who controls a significant real corporation, any person with ties to a controller as stated above, or any officer of a significant real corporation, or any person who is not entitled to serve as a director in an insurer in accordance with the Commissioner's directives.

---

[5] For details regarding the Commissioner's position in connection with the involvement of institutional entities in the process of proposing directors in the Company, see the Company's immediate report dated October 4, 2020, referenced below.

Note 1: General (Cont.)

C. Developments during the reporting period regarding the appointment of directors in the Company and in Clal Insurance (Cont.)

2. The Commissioner's directives regarding the appointment of directors in the Company and in Clal Insurance (Cont.)

In consideration of the recommended profiles and the desired composition of the Board of Directors on the one hand, and the effectiveness and efficiency which are required in the Board of Directors' work on the other hand, and following discussions in the Company's Search Committee and Board of Directors, on November 26, 2020 the Company published an invitation to the annual general meeting, regarding the appointment of 6 directors (including one outside director), who will join the two outside directors who currently hold office in the Company, and whose terms have not yet concluded.

The general meeting was presented with a list of twelve (12) candidates for tenure as "ordinary directors", which included the candidacy of the five (5) candidates who had been recommended by the shareholders[6], the candidacy of the three (3) candidates currently holding office, and the candidacy of the four (4) new candidates who had not been recommended by shareholders, as stated above. The general meeting was also presented with two (2) new candidates who had not been proposed by shareholders, as stated above, for tenure as outside directors.

On January 3, 2021, 3 directors who were recommended by the shareholders, 2 currently serving director, and one outside director, were appointed in the meeting.

3. Implications

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

Additionally, the entire set of changes and events specified above may affect, inter alia, the reputation of the Company and the Group's member companies. It is noted that a future transfer of the control of the Company to a third party may affect clauses in certain agreements of member companies in the Group with third parties (including reinsurers), which may require, upon the fulfillment of circumstances involving the above change in control, negotiations with these third parties in order to keep the agreements in force.

---

[6] After the convention of the meeting, one of the candidates who was proposed by a shareholder withdrew his candidacy, and another shareholder, who holds over 1% of the Company's shares, proposed 2 additional candidates.

Note 1: General (Cont.)

D. Coronavirus pandemic

Following the coronavirus outbreak in China, and its spread to many other countries, economic activity declined beginning in the first quarter of 2020 in many regions around in the world, including in Israel (hereinafter: the “Crisis”). These changes have affected, and continue to affect, the Group’s activities and profitability. The Group is also exposed to capital market declines, to the contraction of economic activity, and to the materialization of insurance risks due to the crisis. For details regarding the sensitivity and exposure to risk factors, see also Note 38(c)(2) below, and an update to the interest rate sensitivity in Note 3(s)(2) to the financial statements.

The crisis is affecting the Group in the following ways:

1. Business continuity

The crisis was defined as an emergency event which led to the announcement of restrictions on movement and employment, and caused, inter alia, the absence of employees from workplaces in general, and in the Group in particular, as well as the furloughing of some employees. Once routine economic activity gradually resumed, the Company returned most of its employees to work at the Company’s offices, and it is continuing to comply with the instructions issued by professional and regulatory entities.

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

2. Capital markets and the Group’s assets

During the first quarter of 2020, a significant decline was recorded in capital markets around the world and in Israel, due to the coronavirus outbreak. This trend was reversed during the year, and was even entirely offset, and profit from investment income was created. For details regarding investment income and income from management fees which were collected, see Notes 13, 14, 29 and 30 below.

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.

With respect to the Group’s non-marketable assets: Investment property, other non-marketable financial investments, including investment funds - The Company tested for impairment of investments, using information which was received from the fund managers, and in accordance with the opinions which were received from independent external valuers. For details regarding the foregoing effect with respect to investment property, other non-marketable financial investments and investment-linked policies, see Notes 10 and 14.

Impairment test of tangible and intangible assets:

As of December 31, 2020, the Company has performed a valuation of intangible assets, including goodwill. For additional details, see Note 6 below.

Note 1: General (Cont.)

D. Coronavirus (Cont.)

3. Results of insurance activity

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

A. Long term savings segment

1. Decrease in the collection of contributions in pension and provident funds

   Following the effects of the coronavirus crisis on economic activity in the market, there was a decrease in the collection of current contributions in pension funds, provident funds and study funds. The decrease in contributions occurred mostly in the second quarter of 2020.

2. Managers insurance in life insurance

   During the reporting period, beginning in the second quarter, a decrease was recorded in the scope of current collection in managers’ insurance policies. This decrease was also mostly attributable to the decrease of the employment rate, and the sharp increase in the number of furloughed employees in the economy. This trend began to lessen in July 2020.

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

B. Insurance risks and reinsurance

According to Clal Insurance’s assessment, and to the best of its knowledge, until the approval date of the financial statements, it had no significant direct insurance exposures due to the crisis in the non-life insurance segment, except for the Company’s exposure to credit insurance. Following the crisis, the exposure to credit defaults in the credit insurance activity increased, and the Group updated the insurance reserves in an immaterial sum, including in consideration of the actions taken by the state as part of the assistance plan for the Israeli economy, through credit insurance.

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

Note 1: General (Cont.)

D. Coronavirus (Cont.)

3. Results of insurance activity (Cont.)

B. Insurance risks and reinsurance (Cont.)

Regarding the reinsurer's stability risk, which could materialize insofar as the reinsurers suffer significant losses due to the crisis - the Board of Directors of Clal Insurance has established maximum exposure frameworks for the reinsurers with whom Clal Insurance has engaged, based on their international ratings. Clal Insurance mostly engages with reinsurers rated A or higher. Clal Insurance is monitoring the status of the reinsurers to which it is exposed, and as of the approval date of the financial statements, it is not aware of any significant change for the worse in their ability to service their liabilities. For additional details regarding the Company's exposure to reinsurers, see Note 38(f)(8), and for details regarding the Company's policy with respect to reinsurance exposure, see Note 39(f)(8) below.

4. Liquidity, financial position and financing sources

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

5. Cybersecurity risks

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

6. Motions to approve class actions

In light of the restriction on activities as part of the efforts to contain the spread of the coronavirus, motions were filed against Clal Insurance and against other insurance companies to approve the claims as class actions, alleging an easing of the risk in the insurance branches which allegedly signify that the policyholders are entitled to a corresponding reimbursement of premiums. 3 motions to approve class actions were filed against Clal Insurance, as stated above, in the motor (property, compulsory), apartment and business insurance segments. For additional details, see Note 41 below.

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

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

Note 1: General (Cont.)

E. 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 Capital Markets, Insurance and Savings.
The Control Law	-	The Control of Financial Services (Insurance) Law, 1981, including the amendments thereto.
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.

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					
2020	**(0.7)**	**(0.6)**	**1.7**	**(7.0)**	**(3.7)**
2019	0.6	0.3	(9.6)	(7.8)	(4.9)
2018	0.8	1.2	3.3	8.1	2.4

	Representative EUR exchange rate	Representative USD exchange rate	Representative GBP exchange rate
As of December 31, 2020	**3.944**	**3.215**	**4.392**
As of December 31, 2019	3.878	3.456	4.560
As of December 31, 2018	4.292	3.748	4.793

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.

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.

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

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:

(A) 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 38(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 38(e)(e1)(d). For details regarding changes in the calculation of insurance liabilities in non-life insurance, see Note 38(e)(e2).

For details regarding the sensitivity tests to insurance risk, see Note 38(e)(e1)(c).

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

E. Use of estimates and discretion (Cont.)

(2) Critical estimates (Cont.)

(B) 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 41(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).

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

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

E. Use of estimates and discretion (Cont.)

(2) Critical estimates (Cont.)

(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 38(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

1. 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 38(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 40, 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 and Note 11, 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 38(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.

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.

Note 3: Significant Accounting Policies (Cont.)

A. Consolidation basis (Cont.)

3. Non-controlling interests (Cont.)

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.

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.

Note 3: Significant Accounting Policies (Cont.)

A. Consolidation basis (Cont.)

5. Investments in associate companies and joint ventures (Cont.)

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 in the holding rates in companies accounted by the equity method, while retaining significant influence or joint control, including transition from significant influence to 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.

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.

Note 3: Significant Accounting Policies (Cont.)

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.

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.

Note 3: Significant Accounting Policies (Cont.)

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. <u>Long term savings and long-term care insurance in the health insurance segment</u>

   A. <u>Recognition of revenue</u> - see section (n) below.

   B. <u>Liabilities with respect to life insurance and long-term care insurance contracts in the health insurance segment</u>

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.

<u>Liabilities to supplement the annuity reserve</u>

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 38(e)(e.1).

<u>Outstanding claims and INBR claims</u>

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 life insurance 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)

(1) 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.

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

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"), in accordance with the provisions of the consolidated circular, Volume 5, Part 2, Chapter 1, Section C, regarding the measurement of liabilities, section 1.1.4 (hereinafter: the "LAT Circular"). 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, 2020 was 0.35% (as of December 31, 2019 - 0.30%), 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.

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 38(e)(e1)(d), including regarding the effect of the update to the illiquidity premium in 2020.

See Note 3(s)(2) for details regarding the initial adoption, in 2020, of insurance circular 2020-1-5, "amendment to the provisions of the consolidated circular regarding the measurement of liabilities - liability adequacy test (LAT)".

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.

Note 3: Significant Accounting Policies (Cont.)

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

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.
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: Ms. Galit Robstein, 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 38(e)(e2)(4).

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.)

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:

(1) 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.

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.

Note 3: Significant Accounting Policies (Cont.)

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.

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 loans and 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.

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.)

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. Non-derivative financial liabilities (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. Derivative financial instruments

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. CPI-linked financial assets and liabilities which are not measured at fair value

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.

Note 3: Significant Accounting Policies (Cont.)

F. Financial instruments (Cont.)

5. Offsetting of financial instruments

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.

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):

Land	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.

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.

Note 3: Significant Accounting Policies (Cont.)

H. Intangible assets (Cont.)

2. Other intangible assets (Cont.)

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 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.

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.

Note 3: Significant Accounting Policies (Cont.)

H. Intangible assets (Cont.)

2. Other intangible assets (Cont.)

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.

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.

Note 3: Significant Accounting Policies (Cont.)

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.

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 expedient 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.

Note 3: Significant Accounting Policies (Cont.)

J. Leases (Cont.)

(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.

(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.

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.

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.

Note 3: Significant Accounting Policies (Cont.)

K. Impairment (Cont.)

2. Non-financial assets (Cont.)

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.

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).

Note 3: Significant Accounting Policies (Cont.)

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.

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.

Note 3: Significant Accounting Policies (Cont.)

L. Employee benefits (Cont.)

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.

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.

Note 3: Significant Accounting Policies (Cont.)

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.

N. Recognition of revenue

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

1. Premiums
   A. 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 prepaid premiums.

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.

Note 3: Significant Accounting Policies (Cont.)

N. Recognition of revenue (Cont.)

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.

3. Revenue from management fees

A. Management fees for investment-linked insurance contracts

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 30).

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. Management fees from pension funds and provident funds

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.

Note 3: Significant Accounting Policies (Cont.)

N. Recognition of revenue (Cont.)

4. Revenue from commissions

A. Life insurance

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. Non-life insurance

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

C. Reinsurance

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

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

Standard / Interpretation / Amendment	Topic	Application and Transitional Provisions	Main effects
(1) 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 adoption of the amendment had no significant impact on the financial statements.

Note 3: Significant Accounting Policies (Cont.)

S. Initial adoption of amendments to international accounting standards (Cont.)

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

On March 29, 2020, insurance circular 2020-1-5 was published under the title “amendment to the provisions of the consolidated circular regarding the measurement of liabilities - liability adequacy test (LAT)” (hereinafter: the “Amendment to the LAT Circular”). In accordance with the LAT circular, the Company adjusted, through retrospective adoption, its financial statements as of December 31, 2019 and 2018, and for the two years then ended, in order to reflect therein, retrospectively, the impact of the change in accounting treatment, regarding the liability adequacy test in life insurance and in health insurance, through adoption in all periods.

The circular determined that the LAT test will be calculated by grouping together all of the products in the life insurance branch, and by grouping together all of the products in the long-term care insurance branch, instead of performing a calculation with respect to groups of policies, as defined by the Commissioner. This change allows evaluating together policies reflecting profit, with policies reflecting loss.

This change is expected to lead to a better economic representation of capital in the financial statements, as well as reducing the excess volatility in the financial statements of insurance companies, which imposes difficulties on the analysis of their results from the perspective of policyholders, savers, investors, reinsurers and other users of the financial statements. The excess volatility is mostly due to the effect of volatility in interest rate curve in a low interest rate environment.

As a result of the above, a part of the excess fair value of the assets over their book value, which was attributed in the financial statements for the years 2018 and 2019 to the calculation of insurance liabilities in life insurance with respect to the calculation of LAT, will be attributed, beginning in 2020, to the calculation of insurance liabilities in health insurance with respect to the calculation of LAT. For additional details, see Note 38(e)(e1)(d).

The effect of this change on the Company’s financial statements was as follows:

In the consolidated statements of financial position

NIS in thousands	**As reported in the past**	**Impact of the amendment**	**As presented in these financial statements**
As of December 31, 2019			
Current tax assets	282,539	(153,114)	129,425
Liabilities with respect to non-investment-linked insurance contracts	32,239,033	(794,123)	31,444,910
Deferred tax liabilities	329,798	123,931	453,729
Retained earnings	2,571,083	517,078	3,088,161
Total capital	5,233,297	517,078	5,750,375
As of December 31, 2018			
Liabilities with respect to non-investment-linked insurance contracts	30,646,995	(145,711)	30,501,284
Deferred tax liabilities	401,903	55,353	457,256
Retained earnings	3,157,874	90,358	3,248,232
Total capital	4,946,920	90,358	5,037,278

Note 3: Significant Accounting Policies (Cont.)

S. Initial adoption of amendments to international accounting standards (Cont.)

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

In the consolidated statements of income

NIS thousands (excluding data regarding net earnings (loss) per share)	As reported In the past	Impact of the Amendment	As presented in these financial statements
For the year ended December 31, 2019			
Payments and changes in liabilities with respect to insurance contracts and investment contracts, gross	18,764,911	(648,412)	18,116,499
Taxes on income (tax benefit)	(280,588)	221,692	(58,896)
Total profit (loss)	(553,645)	426,720	(126,925)
Basic net earnings (loss) per share (in NIS)	(9.94)	7.62	(2.32)
Diluted net earnings (loss) per share (in NIS)	(9.94)	7.62	(2.32)
Total comprehensive income (loss)	(333,800)	426,720	92,920
For the year ended December 31, 2018			
Payments and changes in liabilities with respect to insurance contracts and investment contracts, gross	9,350,694	74,181	9,424,875
Taxes on income (tax benefit)	(81,692)	(25,362)	(107,054)
Total profit (loss)	(86,161)	(48,819)	(134,980)
Basic earnings (loss) per share (in NIS)	(1.65)	(0.88)	(2.52)
Diluted earnings (loss) per share (in NIS)	(1.65)	(0.88)	(2.52)
Total comprehensive income (loss)	(144,114)	(48,819)	(192,933)

In the statement of changes in equity

NIS in thousands	As reported In the past	Impact of the amendment	As presented in these financial statements
	NIS in thousands		
As of January 1, 2018			
Retained earnings	3,251,608	139,177	3,390,785

Note 38(c)(2), risk management - sensitivity tests to market risks

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

Note 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 expedient which was given to insurers who meet certain criteria for adopting the provisions of IFRS 9, Financial Instruments, beginning on January 1, 2023. 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 expedients; or the adoption of the fair value approach. In June 2020, in accordance with an announcement issued by the Capital Market Authority, the standard's date of initial adoption in Israel will be set as the quarterly and annual periods beginning on January 1, 2023, without an option for early adoption. It was further noted any additional delay in the adoption date of the standard in the European Union, past the aforementioned date, will require a new discussion regarding the need for additional postponement of the adoption date in Israel.	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.)

<table>
<tr><th>Standard / Interpretation / Amendment</th><th>Topic</th><th>Application and Transitional Provisions</th><th>Main Expected Effects</th></tr>
<tr>
<td>IFRS 9 (2014), Financial Instruments</td>
<td>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.</td>
<td>In January 2018 IFRS 9 - Financial Instruments entered into effect, which replaced 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 amendment to the IFRS 4 allows an entity issuing insurance contracts to adopt IFRS 9 with adjustments, or to defer the adoption of IFRS 9 to January 1, 2023 (hereinafter: the “Temporary Exemption”).
The Company is applying the temporary exemption from adopting IFRS 9, as permitted in accordance with IFRS 4, since it did not previously adopt any version of IFRS 9, and its activities are mostly insurance-related.
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:
<table>
<tr><th>Liability</th><th>Book value
NIS in thousands</th><th>Proportion of total liabilities
%</th></tr>
<tr><td>Liabilities due to contracts covered under IFRS 4</td><td>79,636</td><td>88%</td></tr>
<tr><td>Liability with respect to non-derivative investment contracts which are measured at fair value through profit or loss</td><td>2,154</td><td>2%</td></tr>
<tr><td>Liabilities which constitute capital for the purpose of complying with the capital regime that applies to the Company</td><td>3,220</td><td>4%</td></tr>
<tr><td>Tax liabilities</td><td>2,424</td><td>2%</td></tr>
<tr><td>Total</td><td>87,443</td><td>96%</td></tr>
</table>
Since that date, no changes have occurred in the insurance company’s activities which would require re-assessment.</td>
<td>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.</td>
</tr>
</table>

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

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

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

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

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

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

Amendments to IBORs with respect to the interest rates reform - IFRS 4, IFRS 16, IFRS 7 and IAS 39.

In August 2020, the IASB published amendments to IFRS 7, Financial Instruments: Disclosures; to IFRS 39, Financial Instruments: Recognition and Measurement; to IFRS 4: Insurance Contracts; and to IFRS 16, Leases (hereinafter: the “Amendments”).

The amendments provide practical expedients for addressing the effects of the accounting treatment in the financial statements, by replacing the interbank offered rates (IBORs) with alternative risk free interest rates (RFRs).

In accordance with one of the practical expedients, the Company will account for contractual amendments or changes to the cash flows which are directly required due to the adoption of the reform, similarly to the accounting treatment for changes in variable interest. In other words, a company is required to recognize changes in interest rates by adjusting the effective interest rate without changing the financial instrument’s book value. The use of this practical expedient depends on the transition from IBORs to RFRs taking place based on equal economic conditions.

The amendments also allow the changes required by the IBOR reform to be implemented for designating the hedge and for documentation, without causing the hedge relationship to conclude when certain conditions are met. The amendments also included the provision of a temporary practical expedient in connection with the implementation of hedge accounting regarding the identification of the hedged risk as “separately identifiable”.

As part of the amendments, disclosure requirements were added in connection with the effect of the expected reform on the Company’s financial statements, including reference to the way in which the Company manages the implementation of the interest rates reform, the risks to which it is exposed as a result of the expected reform, and quantitative disclosures regarding financial instruments, according to IBOR rates which are expected to change.

The amendments will be applied with respect to annual periods beginning on or after January 1, 2021. The amendments will be adopted retrospectively; restatement of comparative figures is not required. Early adoption is permitted.

At this stage, the Company is evaluating the accounting effects, if any, that the transition from IBORs to RFRs could have on contracts with respect to financial instruments which are expected to be in effect on the date of the transition, including the effects of the adoption of the foregoing amendments.

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

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	**2020**	**2019**	**2018**	**2020**	**2019**	**2018**	**2020**	**2019**	**2018**	**2020**	**2019**	**2018**
Gross premiums earned	**-**	-	-	**-**	-	-	**5,728,544**	5,986,281	5,845,913	**5,728,544**	5,986,281	5,845,913
Premiums earned by reinsurers	**-**	-	-	**-**	-	-	**146,775**	136,355	135,807	**146,775**	136,355	135,807
Premiums earned on retention	**-**	-	-	**-**	-	-	**5,581,769**	5,849,926	5,710,106	**5,581,769**	5,849,926	5,710,106
Income from investments, net, and financing income	**118,733**	139,540	158,559	**477**	4,727	2,634	**4,592,600**	8,702,644	802,520	**4,711,810**	8,846,911	963,713
Income from management fees	**175,360**	176,500	175,627	**280,185**	280,453	271,359	**790,192**	951,549	436,111	**1,245,737**	1,408,502	883,097
Income from commissions	**-**	-	-	**-**	-	-	**23,653**	23,930	28,213	**23,653**	23,930	28,213
Other income	**572**	-	-	**-**	-	-	**-**	-	-	**572**	-	-
Total income	**294,665**	316,040	334,186	**280,662**	285,180	273,993	**10,988,214**	15,528,049	6,976,950	**11,563,541**	16,129,269	7,585,129
Payments and changes in liabilities with respect to insurance contracts and investment contracts, gross	**113,061**	134,356	152,437	**-**	-	-	**9,759,827**	14,356,263*)	5,889,902*)	**9,872,888**	14,490,619	6,042,339
Share of reinsurers in payments and change in liabilities with respect to insurance contracts	**-**	-	-	**-**	-	-	**(122,352)**	(117,856)	(81,589)	**(122,352)**	(117,856)	(81,589)
Payments and changes in liabilities with respect to insurance contracts and investment contracts on retention	**113,061**	134,356	152,437	**-**	-	-	**9,637,475**	14,238,407	5,808,313	**9,750,536**	14,372,763	5,960,750
Commissions, marketing expenses and other acquisition costs	**66,304**	61,937	56,488	**96,644**	110,991	106,356	**674,861**	721,903	742,225	**837,809**	894,831	905,069
General and administrative expenses	**113,480**	101,937	107,633	**174,362**	171,369	177,013	**394,616**	388,725	381,421	**682,458**	662,031	666,067
Impairment of intangible assets	**-**	352	114,824	**306**	379	-	**1,999**	14,819	-	**2,305**	15,550	114,824
Other expenses	**4,453**	3,562	7,854	**3,635**	3,679	1,365	**-**	-	184	**8,088**	7,241	9,403
Financing expenses (income)	**3**	(1)	(2)	**186**	200	4	**7,488**	14,169	2,322	**7,677**	14,368	2,324
Total expenses	**297,301**	302,143	439,234	**275,133**	286,618	284,738	**10,716,439**	15,378,023	6,934,465	**11,288,873**	15,966,784	7,658,437
Share in the results of investee companies accounted by the equity method, net	**-**	-	-	**(449)**	(922)	(1,281)	**(2,064)**	95	(8,929)	**(2,513)**	(827)	(10,210)
Income (loss) before taxes on income	**(2,636)**	13,897	(105,048)	**5,080**	(2,360)	(12,026)	**269,711**	150,121	33,556	**272,155**	161,658	(83,518)
Other comprehensive income (loss) before taxes on income	**581**	1,733	-	**951**	3,530	(3,707)	**96,136**	56,488	35,885	**97,668**	61,751	32,178
Total comprehensive income (loss) before taxes on income	**(2,055)**	15,630	(105,048)	**6,031**	1,170	(15,733)	**365,847**	206,609	69,441	**369,823**	223,409	(51,340)
1) Total premiums (including pure savings premiums (investment contracts) which were applied directly to reserve).							**7,312,561**	7,171,626	6,282,926	**7,312,561**	7,171,626	6,282,926

*) Retrospective adoption, see Note 3(s)(2).

Note 5: Segmental Reporting (Cont.)

C. Report on operating segments (Cont.)

	Health			General			Other		
NIS in thousands	**2020**	**2019**	**2018**	**2020**	**2019**	**2018**	**2020**	**2019**	**2018**
Gross premiums earned	**1,296,408**	1,329,382	2,106,995	**2,471,385**	2,352,950	2,324,119	**-**	-	-
Premiums earned by reinsurers	**65,602**	63,674	300,418	**1,254,137**	1,064,856	943,808	**-**	-	-
Premiums earned on retention	**1,230,806**	1,265,708	1,806,577	**1,217,248**	1,288,094	1,380,311	**-**	-	-
Income from investments, net, and financing income	**128,032**	297,353	11,461	**8,882**	173,171	135,505	**3,284**	460	4,553
Income from management fees	**-**	-	-	**-**	-	-	**-**	-	5,974
Income from commissions	**5,134**	4,283	8,760	**217,740**	202,629	201,612	**145,011**	139,682	134,315
Other income	**-**	-	-	**39**	49	73	**17**	-	2
Total income	**1,363,972**	1,567,344	1,826,798	**1,443,909**	1,663,943	1,717,501	**148,312**	140,142	144,844
Payments and changes in liabilities with respect to insurance contracts and investment contracts, gross	**619,989**	1,726,812	1,822,451	**1,500,422**	1,901,903	1,562,129	**-**	-	-
Share of reinsurers in payments and change in liabilities with respect to insurance contracts	**(130,345)**	(221,401)	(471,418)	**(721,604)**	(977,421)	(553,777)	**-**	-	-
Payments and changes in liabilities with respect to insurance contracts and investment contracts on retention	**489,644**	1,505,411	1,351,033	**778,818**	924,482	1,008,352	**-**	-	-
Commissions, marketing expenses and other acquisition costs	**510,384**	505,132	520,420	**558,484**	580,205	572,422	**104,882**	106,540	103,404
General and administrative expenses	**77,761**	71,467	73,487	**82,049**	80,238	73,377	**15,972**	16,402	20,032
Other expenses	**-**	216	-	**-**	-	10	**607**	512	849
Financing expenses (income)	**5,549**	11,923	12,318	**(2,163)**	(3,358)	11,325	**992**	1,028	388
Total expenses	**1,083,338**	2,094,149	1,957,258	**1,417,188**	1,581,567	1,665,486	**122,453**	124,482	124,673
Share in the results of investee companies accounted by the equity method, net	**(702)**	(48)	(5,039)	**(4,292)**	(5,145)	(9,159)	**167**	-	-
Income (loss) before taxes on income	**279,932**	(526,853)	(135,499)	**22,429**	77,231	42,856	**26,026**	15,660	20,171
Other comprehensive income (loss) before taxes on income	**(104,511)**	74,376	(29,613)	**26,163**	30,114	3,847	**2,678**	(2,937)	1,170
Total comprehensive income (loss) before taxes on income	**175,421**	(452,477)	(165,112)	**48,592**	107,345	46,703	**28,704**	12,723	21,341

Note 5: Segmental Reporting (Cont.)

C. Report on operating segments (Cont.)

	Not allocated to segments			Adjustments and offsets			Total		
NIS in thousands	2020	2019	2018	2020	2019	2018	2020	2019	2018
Gross premiums earned	-	-	-	(2,037)	(2,497)	(2,009)	9,494,300	9,666,116	10,275,018
Premiums earned by reinsurers	-	-	-	-	-	-	1,466,514	1,264,885	1,380,033
Premiums earned on retention	-	-	-	(2,037)	(2,497)	(2,009)	8,027,786	8,401,231	8,894,985
Income from investments, net, and financing income	198,993	363,207	130,090	(259)	(633)	(453)	5,050,742	9,680,469	1,244,869
Income from management fees	-	-	-	944	1,475	(4,874)	1,246,681	1,409,977	884,197
Income (expenses) from commissions	-	-	-	(80,270)	(86,606)	(81,554)	311,268	283,918	291,346
Other income	15	-	-	2	-	-	645	49	75
Total income	199,008	363,207	130,090	(81,620)	(88,261)	(88,890)	14,637,122	19,775,644	11,315,472
Payments and changes in liabilities with respect to insurance contracts and investment contracts, gross	-	-	-	(3,450)	(2,835)	(2,044)	11,989,849	18,116,499	9,424,875
Share of reinsurers in payments and change in liabilities with respect to insurance contracts	-	-	-	-	-	-	(974,301)	(1,316,678)	(1,106,784)
Payments and changes in liabilities with respect to insurance contracts and investment contracts on retention	-	-	-	(3,450)	(2,835)	(2,044)	11,015,548	16,799,821	8,318,091
Commissions, marketing expenses and other acquisition costs	-	-	-	(80,270)	(86,605)	(81,250)	1,931,289	2,000,103	2,020,065
General and administrative expenses	74,846	65,291	83,250	817	(4,174)	(5,983)	933,903	891,255	910,230
Impairment of intangible assets	187	1,029	-	-	662	-	2,492	17,241	114,824
Other expenses (income)	367	1,641	29	-	19	406	9,062	9,629	10,697
Financing expenses (income)	142,511	212,247	132,048	133	80	(472)	154,699	236,288	157,931
Total expenses	217,911	280,208	215,327	(82,770)	(92,853)	(89,343)	14,046,993	19,954,337	11,531,838
Share in the results of investee companies accounted by the equity method, net	3,148	(1,108)	(1,260)	-	-	-	(4,192)	(7,128)	(25,668)
Income (loss) before taxes on income	(15,755)	81,891	(86,497)	1,150	4,592	453	585,937	(185,821)	(242,034)
Other comprehensive income (loss) before taxes on income	222,291	176,667	(103,406)	2,111	(2,190)	2,247	246,400	337,781	(93,577)
Total comprehensive income (loss) before taxes on income	206,536	258,558	(189,903)	3,261	2,402	2,700	832,337	151,960	(335,611)

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	**2020**	**2019**	**2018**	**2020**	**2019**	**2018**
Gross premiums	**531,941**	460,012	466,725	**422,980**	333,780	333,907
Reinsurance premiums	**235,875**	288,121	281,482	**202,609**	112,438	119,565
Premiums on retention	**296,066**	171,891	185,243	**220,371**	221,342	214,342
Change in unearned premium balance, on retention	**(58,343)**	3,441	25,270	**(5,945)**	(6,285)	(2,850)
Premiums earned on retention	**237,723**	175,332	210,513	**214,426**	215,057	211,492
Income from investments, net, and financing income	**11,462**	75,740	58,708	**(1,874)**	65,594	43,131
Income from commissions	**51,183**	61,423	55,791	**14,643**	13,537	12,852
Total income	**300,368**	312,495	325,012	**227,195**	294,188	267,475
Payments and changes in liabilities with respect to insurance contracts and investment contracts, gross	**473,195**	467,085	422,470	**310,703**	488,364	342,604
Share of reinsurers in payments and change in liabilities with respect to insurance contracts	**(292,383)**	(327,451)	(222,708)	**(69,017)**	(265,395)	(91,090)
Payments and changes in liabilities with respect to insurance contracts and investment contracts on retention	**180,812**	139,634	199,762	**241,686**	222,969	251,514
Commissions, marketing expenses and other acquisition costs	**79,450**	79,231	75,823	**99,735**	100,931	96,960
General and administrative expenses	**15,365**	13,366	10,818	**9,074**	9,013	7,471
Financing expenses (income)	**(104)**	(700)	3,563	**101**	(61)	394
Total expenses	**275,523**	231,531	289,966	**350,596**	332,852	356,339
Share in the profits (losses) of associate companies, net	**(2,060)**	(2,470)	(4,396)	**(1,373)**	(1,646)	(2,931)
Income (loss) before taxes on income	**22,785**	78,494	30,650	**(124,774)**	(40,310)	(91,795)
Other comprehensive income before taxes on income	**10,951**	11,299	4,582	**10,618**	9,863	3,422
Total comprehensive income (loss) before taxes on income	**33,736**	89,793	35,232	**(114,156)**	(30,447)	(88,373)
Liabilities with Respect to Insurance Contracts						
Gross	**2,433,094**	2,286,995	2,284,274	**2,556,333**	2,548,267	2,328,034
Reinsurance	**1,014,270**	836,177	575,942	**1,079,219**	1,068,771	877,243
Retention	**1,418,824**	1,450,818	1,708,332	**1,477,114**	1,479,496	1,450,791

1) Liabilities and others branches primarily include the results of the third party, managers and employers liability insurance branches, the activity in which constitutes approximately 78% of total premiums in those branches, and the results of the third party, professional and employers insurance branches,
the activity for which, in 2019 and in 2018, constituted approximately 81% and 83%, respectively, of the total premiums in those branches.

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	**2020**	**2019**	**2018**	**2020**	**2019**	**2018**	**2020**	**2019**	**2018**	**2020**	**2019**	**2018**
Gross premiums	**686,131**	677,136	713,301	**115,303**	107,112	109,793	**836,014**	786,924	727,652	**2,592,369**	2,364,964	2,351,378
Reinsurance premiums	**178,191**	97,771	1,952	**60,379**	52,746	54,675	**632,139**	583,340	554,786	**1,309,193**	1,134,416	1,012,460
Premiums on retention	**507,940**	579,365	711,349	**54,924**	54,366	55,118	**203,875**	203,584	172,866	**1,283,176**	1,230,548	1,338,918
Change in unearned premium balance, on retention	**(1,034)**	73,908	7,152	**(2,293)**	295	(307)	**1,687**	(13,813)	12,128	**(65,928)**	57,546	41,393
Premiums earned on retention	**506,906**	653,273	718,501	**52,631**	54,661	54,811	**205,562**	189,771	184,994	**1,217,248**	1,288,094	1,380,311
Income from investments, net, and financing income	**1,212**	17,774	13,804	**(310)**	1,275	9,375	**(1,608)**	12,788	10,487	**8,882**	173,171	135,505
Income from commissions	**6,104**	1,286	-	**16,937**	14,248	16,823	**128,873**	112,135	116,146	**217,740**	202,629	201,612
Other income	**-**	-	-	**39**	49	73	**-**	-	-	**39**	49	73
Total income	**514,222**	**672,333**	**732,305**	**69,297**	70,233	81,082	**332,827**	314,694	311,627	**1,443,909**	1,663,943	1,717,501
Payments and changes in liabilities with respect to insurance contracts and investment contracts, gross	**420,083**	472,275	462,293	**29,986**	45,556	23,762	**266,455**	428,623	311,000	**1,500,422**	1,901,903	1,562,129
Share of reinsurers in payments and change in liabilities with respect to insurance contracts	**(145,265)**	(34,468)	236	**(18,692)**	(29,069)	(13,779)	**(196,247)**	(321,038)	(226,436)	**(721,604)**	(977,421)	(553,777)
Payments and changes in liabilities with respect to insurance contracts and investment contracts on retention	**274,818**	437,807	462,529	**11,294**	16,487	9,983	**70,208**	107,585	84,564	**778,818**	924,482	1,008,352
Commissions, marketing expenses and other acquisition costs	**167,588**	180,654	182,935	**10,633**	11,666	9,640	**201,078**	207,723	207,064	**558,484**	580,205	572,422
General and administrative expenses	**19,819**	19,673	16,535	**18,515**	18,977	18,129	**19,276**	19,209	20,424	**82,049**	80,238	73,377
Other expenses	**-**	-	-	**-**	-	10	**-**	-	-	**-**	-	10
Financing expenses (income)	**(390)**	(141)	1,013	**(1,421)**	(1,899)	3,180	**(349)**	(557)	3,175	**(2,163)**	(3,358)	11,325
Total expenses	**461,835**	637,993	663,012	**39,021**	45,231	40,942	**290,213**	333,960	315,227	**1,417,188**	1,581,567	1,665,486
Share in the profits (losses) of associate companies, net	**(386)**	(463)	(824)	**-**	-	-	**(473)**	(566)	(1,008)	**(4,292)**	(5,145)	(9,159)
Income (loss) before taxes on income	**52,001**	33,877	68,469	**30,276**	25,002	40,140	**42,141**	(19,832)	(4,608)	**22,429**	77,231	42,856
Other comprehensive income (loss) before taxes on income	**3,185**	1,877	1,476	**(1,565)**	6,026	(6,831)	**2,974**	1,049	1,198	**26,163**	30,114	3,847
Total comprehensive income (loss) before taxes on income	**55,186**	35,754	69,945	**28,711**	31,028	33,309	**45,115**	(18,783)	(3,410)	**48,592**	107,345	46,703
Liabilities with Respect to Insurance Contracts												
Gross	**474,510**	474,972	495,220	**53,640**	52,946	63,741	**956,158**	1,030,048	936,041	**6,473,735**	6,393,228	6,107,310
Reinsurance	**124,808**	83,490	684	**26,528**	25,623	31,979	**677,081**	713,827	620,069	**2,921,906**	2,727,888	2,105,917
Retention	**349,702**	391,482	494,536	**27,112**	27,323	31,762	**279,077**	316,221	315,972	**3,551,829**	3,665,340	4,001,393

1) Property and other branches mostly include the results of the business property insurance and apartment and engineering insurance branches, the activity in which during the reporting year, and last year, constituted approximately 78% of total premiums in these branches (in 2018 - approximately 77%)

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	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Assets:														
Intangible assets	872,019	902,987	80,814	84,246	231,424	246,245	40,914	34,682	30,093	29,467	-	-	1,255,264	1,297,627
Deferred acquisition costs	1,176,357	1,237,092	581,729	548,862	238,558	235,250	-	-	-	-	-	-	1,996,644	2,021,204
Investments in investee companies	62,729	65,147	(53)	3,297	23,248	44,979	35,694	-	14,486	70,226	-	-	136,104	183,649
Investment property for investment-linked contracts	3,043,442	3,097,370	-	-	-	-	-	-	-	-	-	-	3,043,442	3,097,370
Other investment property	1,033,078	1,022,084	14,357	55,786	159,109	172,169	2,942	-	-	-	-	-	1,209,486	1,250,039
Financial investments for investment-linked contracts	69,639,584	61,263,538	1,159,177	1,133,923	-	-	-	-	-	-	-	-	70,798,761	62,397,461
Other financial investments:														
Marketable debt assets	692,411	835,841	465,441	965,307	2,012,885	1,521,773	-	-	2,653,010	2,612,487	-	-	5,823,747	5,935,408
Non-marketable debt assets	17,570,706	20,058,102	2,985,041	815,298	1,535,720	1,595,336	250	-	912	1,122	-	-	22,092,629	22,469,858
Stocks	334,507	163,356	52,825	435,104	34,454	97,164	-	-	1,270,679	662,134	-	-	1,692,465	1,357,758
Others	1,753,942	616,024	140,691	433,122	79,402	249,225	-	-	1,600,264	1,300,185	-	-	3,574,299	2,598,556
Total other financial investments	20,351,566	21,673,323	3,643,998	2,648,831	3,662,461	3,463,498	250	-	5,524,865	4,575,928	-	-	33,183,140	32,361,580
Cash and cash equivalents for investment-linked contracts	5,273,086	6,554,553	64	92	-	-	-	-	-	-	-	-	5,273,150	6,554,645
Other cash and cash equivalents	319,304	676,448	43,197	202,578	224,940	421,868	141,319	130,301	1,220,162	1,127,522	-	-	1,948,922	2,558,717
Reinsurance assets	251,425	220,125	455,998	603,797	2,921,906	2,727,888	-	-	-	-	-	-	3,629,329	3,551,810
Outstanding premiums	178,285	208,908	57,080	67,053	412,483	421,477	3,104	2,710	-	-	-	-	650,952	700,148
Other assets	339,098	599,376	220,402	208,448	273,280	219,331	55,070	63,561	527,852	655,082*)	(56,021)	(46,149)	1,359,681	1,699,649
Total assets	102,539,973	97,520,951	6,256,763	5,556,913	8,147,409	7,952,705	279,293	231,254	7,317,458	6,458,225	(56,021)	(46,149)	124,484,875	117,673,899
Total assets for investment-linked contracts	78,391,049	71,665,479	1,173,476	1,148,127	-	-	-	-	-	-	-	-	79,564,525	72,813,606
Liabilities:														
Liabilities with respect to non-investment-linked insurance contracts and investment contracts	21,822,704	22,008,134*)	2,783,448	3,045,582	6,473,735	6,393,228	-	-	-	-	(992)	(2,034)	31,078,895	31,444,910
Liabilities with respect to investment-linked insurance contracts and investment contracts	76,314,394	70,752,437	995,436	1,097,913	-	-	-	-	-	-	(18,466)	(17,346)	77,291,364	71,833,004
Financial liabilities	354,318	122,260	1,613	3,355	54,646	19,830	-	-	4,113,214	4,089,250	(17)	(12)	4,523,774	4,234,683
Other liabilities	1,982,435	1,261,422	623,513	781,273	1,170,682	1,086,588	142,438	116,641	1,424,109	1,178,333*)	(108,269)	(13,330)	5,234,908	4,410,927
Total liabilities	100,473,851	94,144,253	4,404,010	4,928,123	7,699,063	7,499,646	142,438	116,641	5,537,323	5,267,583	(127,744)	(32,722)	118,128,941	111,923,524

*) Retrospective adoption, see Note 3(s)(2).

Note 6: Intangible Assets 2)

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, 2019	597,722	272,288	8,813	637,133	2,555,710	4,071,666
Acquisitions and self-development 1)	-	-	-	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
Acquisitions and self-development 1)	**-**	**-**	**-**	**4,115**	**187,426**	**191,541**
Balance as of December 31, 2020	**597,722**	**272,288**	**8,813**	**641,756**	**2,942,957**	**4,463,536**
Amortization and impairment losses						
Balance as of January 1, 2019	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
Impairment loss 3)	-	-	-	-	17,241	17,241
Write-off of completely depreciated assets	-	-	-	-	(1,406)	(1,406)
Balance as of December 31, 2019	298,222	246,083	8,813	634,202	1,787,048	2,974,368
Amortization for the year	**-**	**3,381**	**-**	**605**	**227,426**	**231,412**
Impairment loss 3)	**-**	**-**	**-**	**-**	**2,492**	**2,492**
Balance as of December 31, 2020	**298,222**	**249,464**	**8,813**	**634,807**	**2,016,966**	**3,208,272**
Book value, net						
Balance as of January 1, 2019	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
Balance as of December 31, 2020	**299,500**	**22,824**	**-**	**6,949**	**925,991**	**1,255,264**

1) Additions with respect to software programs include additions with respect to self-development in amounts of approximately NIS 113,628 thousand and approximately NIS 135,390 thousand, during the years ended December 31, 2020 and 2019, respectively.

2) For details regarding the policy regarding current amortization and impairment losses, and for details regarding the amortization periods, see Note 3(h).

3) See section B(1) below.

4) During the reporting period, Batach Thorne engaged in agreements for the acquisition of several insurance portfolios, in the total amount of NIS 4,115 thousand.

It also engaged with them in agreements regarding continued accompaniment and handling of portfolios.

B. Impairment test and additional information

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

	Original differences attributed to the value of insurance portfolios		Customer portfolios and future management fees		Goodwill	
	As of December 31					
NIS in thousands	2020	2019	2020	2019	2020	2019
Provident fund operations 1)	**-**	-	**22,824**	26,205	**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)	**6,949**	3,439	**-**	-	**37,766**	37,766
Total	**6,949**	3,439	**22,824**	26,205	**299,500**	299,500

Note 6: Intangible Assets (Cont.)

B. Impairment test and additional information (Cont.)

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, 2020 and 2019, the calculated recoverable amount is higher than the book value of the provident operations, and therefore, impairment of goodwill did not occur.

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

	As of December 31, 2020	**As of December 31, 2019**
Valuation methodology	DCF	DCF
Operational discount rate WACC before tax	10.55%	10.1%
Operational discount rate WACC after tax	8.80%	8.80%
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	0.50%	0.49%
Average long term rate of management fees in study fund	0.50%	0.51%
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, 2020, 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 designated bonds) was credited at a rate of approximately 4.96% with respect to members' assets, and at a rate of 3.36% with respect to assets of annuity recipients, and the cash flows were capitalized to their present values, at a rate of 10.5% 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, 2020.

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, the weighted return on the free assets (excluding designated 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% 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.

3. Agencies

For the purpose of preparing the financial statements, the Company conducted an impairment test of the goodwill attributed to the agencies operation.

As of December 31, 2020 and 2019, 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	**2020**	**2019**
Life insurance and long term savings	**1,176,357**	1,237,092
Health insurance	**581,729**	548,862
Non-life insurance *)	**238,558**	235,250
Total	**1,996,644**	2,021,204

*) 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 funds**	**Total**	**Long-term care**	**Illness and hospitalization**	**Total**
Balance as of January 1, 2019	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
Additions:						
Acquisition fees	**153,297**	**32,844**	**186,141**	**359**	**151,248**	**151,607**
Other acquisition costs	**105,589**	**-**	**105,589**	**1,627**	**150,093**	**151,720**
Total additions	**258,886**	**32,844**	**291,730**	**1,986**	**301,341**	**303,327**
Current amortization	**(104,277)**	**(46,213)**	**(150,490)**	**(12,596)**	**(112,853)**	**(125,449)**
Amortization with respect to cancellations	**(201,975)**	**-**	**(201,975)**	**(8,197)**	**(136,814)**	**(145,011)**
Balance as of December 31, 2020	**874,746**	**301,611**	**1,176,357**	**98,796**	**482,933**	**581,729**

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, 2019	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**
Acquisitions	-	**20,626**	**58**	**963**	**1,323**	**22,970**
Write-offs	-	**(21)**	**(24)**	**-**	**-**	**(45)**
Balance as of December 31, 2020	**65,639**	**282,503**	**149**	**70,428**	**233,039**	**651,758**
Depreciation and impairment losses						
Balance as of January 1, 2019	50,745	191,756	125	40,229	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	212,020	43	41,414	103,515	409,048
Depreciation for the year	**1,300**	**17,294**	**18**	**4,313**	**11,778**	**34,703**
Write-offs	-	**(19)**	**(10)**	**-**	**-**	**(29)**
Balance as of December 31, 2020	**53,356**	**229,295**	**51**	**45,727**	**115,293**	**443,722**
Book value, net						
Balance as of January 1, 2019	14,894	42,549**)	279	29,245**)	138,193**)	225,160
Balance as of December 31, 2019	13,583	49,878	72	28,051	128,201	219,785
Balance as of December 31, 2020	**12,283**	**53,208**	**98**	**24,701**	**117,746**	**208,036**

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

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

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, 2020

Company name	**ADC Holdings**	**Atudot Pension Fund for Workers & Independent Workers Ltd.**	**22 Kingsway Limited**	**Ibex London Limited**	**Clal Wacker Investments LP**	**WC Edgewater Venture, L.L.C**	**WC 75 Tresser, L.L.C**	**660 Columbus Ave. Investors, L.L.C.**	**Credit Suisse Emerging Markets**	**IDE Technologies 1)**	**Michlol Urban Real Estate Renewal Solutions Ltd.**	**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**	**Capital market**	**Water technologies**	**financing and accompaniment of real estate projects**	
Country of incorporation	**Israel**	**Israel**	**Israel**	**Israel**	**United States**	**United States**	**United States**	**United States**	**Cayman Islands**	**Israel**	**Israel**	
Main location of the business operation	**Israel**	**Israel**	**Israel**	**Israel**	**United States**	**United States**	**United States**	**United States**	**Cayman Islands**	**Israel**	**Israel**	
Holding rate in equity (%)	**33.33%**	**50.00%**	**50.00%**	**50.00%**	**12.25%**	**17.15%**	**17.15%**	**9.75%**	**2.69%**	**7.22%**	**35.00%**	
Holding rate in voting rights (%)	**33.33%**	**50.00%**	**50.00%**	**50.00%**	**12.25%**	**17.15%**	**17.15%**	**9.75%**	**2.69%**	**7.22%**	**35.00%**	
Total assets	**37,834**	**41,239**	**-**	**27,750**	**3,772**	**171,379**	**392,870**	**187,283**	**-**	**-**	**273,892**	
Total liabilities	**54**	**11,894**	**-**	**-**	**-**	**110,901**	**264,467**	**205,595**	**-**	**-**	**263,499**	
Total net assets (total assets less total liabilities)	**37,780**	**29,345**	**-**	**27,750**	**3,772**	**60,478**	**128,403**	**(18,312)**	**-**	**-**	**10,393**	
The Group's share in net assets (net assets * holding rate)	**12,593**	**14,660**	**-**	**13,875**	**462**	**10,370**	**22,020**	**(1,785)**	**-**	**-**	**3,639**	
Balance of excess cost and other adjustments	**-**	**28,215**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**32,055**	
Value of the investee company in the Group's books	**12,593**	**42,875**	**-**	**13,875**	**462**	**10,370**	**22,020**	**(1,785)**	**-**	**-**	**35,694**	**136,104**
Revenues	**11,141**	**47,848**	**(4,184)**	**-**	**-**	**(851)**	**(8,834)**	**(33,884)**	**-**	**473,308**	**11,316**	
Total profit and loss	**850**	**2,861**	**(4,184)**	**-**	**-**	**(851)**	**(8,834)**	**(33,884)**	**-**	**45,283**	**4,762**	
The Group's share in profit and loss of the investee company	**283**	**1,431**	**(2,092)**	**-**	**-**	**(146)**	**(1,515)**	**(3,305)**	**-**	**3,269**	**1,667**	
Amortization of adjustments to fair value which were performed on the acquisition date	**-**	**(1,880)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(1,500)**	
Other adjustments	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(404)**	**-**	
The Group's share in the profit and loss of the investee company, as presented in the books	**283**	**(449)**	**(2,092)**	**-**	**-**	**(146)**	**(1,515)**	**(3,305)**	**-**	**2,865**	**167**	**(4,192)**
Foreign currency translation differences for investee companies	**-**	**-**	**-**	**-**	**-**	**(689)**	**(1,603)**	**68**	**(650)**	**549**	**-**	**(2,325)**
The Group's share in the comprehensive income (loss) of the investee company, as presented in the books	**283**	**(449)**	**(2,092)**	**-**	**-**	**(835)**	**(3,118)**	**(3,237)**	**(650)**	**3,414**	**167**	**(6,517)**

1) Since the reporting date, the investment in IDE Technologies has been accounted for as a financial investment. For additional details, see Note 14.

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 12.6 million, and which are included under the item for other accounts payable. In 2020, Clal Insurance repaid to ADC Holdings a loan in the amount of approximately NIS 0.1 million. On February 15, 2019, the loan was extended for an additional two years.

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, 2019

Company name	**ADC Holdings**	**Atudot Pension Fund for Workers & Independent Workers Ltd.**	**22 Kingsway Limited**	**Ibex London Limited**	**Clal Wacker Investments LP**	**WC Edgewater Venture, L.L.C**	**WC 75 Tresser, L.L.C**	**660 Columbus Ave. Investors, L.L.C.**	**Dominion Tower Holdings, LP**	**Credit Suisse Emerging Markets**	**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%	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	74	5,085	
Amortization of adjustments to fair value which were performed on the acquisition date	-	(1,880)	-	-	-	-	-	-	-	-	-	
Other adjustments	-	-	-	-	-	-	-	-	-	15	(6,720)	
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 (loss) 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, and which are included under the item for other accounts payable. In 2019, Clal Insurance repaid to ADC Holdings a loan in the amount of approximately NIS 0.1 million. On February 15, 2019, the loan was extended for an additional two years.

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	Atudot Pension Fund for Workers & Independent Workers Ltd.	22 Kingsway Limited	Ibex London Limited	WC Edgewater Venture, L.L.C	WC 75 Tresser, L.L.C	660 Columbus Ave. Investors, L.L.C.	Dominion Tower Holdings, LP	Credit Suisse Emerging Markets	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**	**Capital market**	**Water technologies**	
Country of incorporation	**Israel**	**Israel**	**Israel**	**Israel**	**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**	**Cayman Islands**	**Israel**	
Holding rate in equity (%)	33.33%	50.00%	50.00%	50.00%	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%	17.15%	17.15%	9.75%	49.00%	2.69%	3.61%	
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)	(1,570)	1,785	
Amortization of adjustments to fair value which were performed on the acquisition date	-	(1,880)	-	-	-	-	-	-	-	-	
Other adjustments	-	-	-	-	-	-	-	-	1,047	(5,340)	
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 (loss) 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. For additional details,

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, and which are included under the item for other accounts payable. In 2018, Clal Insurance repaid to ADC Holdings a loan in the amount of approximately NIS 0.1 million. On February 15, 2019, the loan was extended for an additional two years.

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	2020	2019
Balance as of January 1	**183,649**	214,504
Investment during the period	**47,415**	25,080
Equity losses	**(4,192)**	(7,128)
Other comprehensive income (loss)	**(2,325)**	912
Erosion of loans	**(1,390)**	(10,223)
Dividend received	**(766)**	(14,492)
Other	**(71,133)** (1)	413
Consideration from sale of investment	**(15,154)**	(25,416)
Balance as of December 31	**136,104**	183,649

1) Since the reporting date, the investment in IDE Technologies has been accounted for as a financial investment. For additional details, see Note 14.

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

	Country of incorporation	Rights the company % in capital	Investment in the consolidated company
2020			
Clal Insurance Company Ltd. ("Clal Insurance") (1)	**Israel**	**99.98**	5,464,181
Clal Agency Holdings (1998) Ltd. ("Clal Agencies")	**Israel**	**100.00**	110,009
Clalbit Systems Ltd.	**Israel**	**100.00**	8,148
Clal Factoring Ltd.	**Israel**	**100.00**	15,908
Clal Business Credit Ltd.	**Israel**	**100.00**	22,435
Clal Finance Ltd. (2)	**Israel**	**100.00**	2,155
2019			
Clal Insurance Company Ltd. ("Clal Insurance")	Israel	99.98	4,889,641*)
Clal Agency Holdings (1998) Ltd. ("Clal Agencies")	Israel	100.00	88,079
Clalbit Systems Ltd.	Israel	100.00	9,411
Clal Factoring Ltd.	Israel	100.00	15,832
Clal Business Credit Ltd.	Israel	100.00	22,328
Clal Finance Ltd.	Israel	100.00	2,026

*) Retrospective adoption, see Note 3(s)(2).

1. During the reporting year, Clal Insurance issued to the Company a Tier 1 capital note in the amount of NIS 450 million. For additional details, see Note 42(d).
2. During the reporting year, Clal Finance issued to the Company a capital note in the amount of NIS 35 million. For additional details, see Note 42(f).

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

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 [2)]		Offices abroad		Residential abroad		Total	
NIS in thousands	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
Balance as of January 1	**1,740,008**	1,642,447	**744,057**	672,988	**464,818**	514,012	**148,487**	170,893	**3,097,370**	3,000,340
Additions										
Net acquisitions and additions for current assets	**79,198**	82,760	**33,367**	34,933	**-**	-	**-**	-	**112,565**	117,693
Discounted costs and expenses	**7,037**	10,837	**762**	1,199	**-**	-	**634**	2,265	**8,433**	14,301
Total additions	**86,235**	93,597	**34,129**	36,132	**-**	-	**634**	2,265	**120,998**	131,994
Write-offs										
Disposals	**-**	(55,099)	**-**	-	**(84,473)**	-	**-**	-	**(84,473)**	(55,099)
Total write-offs	**-**	(55,099)	**-**	-	**(84,473)**	-	**-**	-	**(84,473)**	(55,099)
Translation differences	**-**	-	**-**	-	**(25,099)**	(33,187)	**(9,783)**	(13,314)	**(34,882)**	(46,501)
Changes in fair value with respect to realized real estate	**-**	1,897	**-**	-	**3,042**	-	**-**	-	**3,042**	1,897
Changes in fair value with respect to unrealized real estate	**(38,714)**	57,166	**(16,078)**	34,937	**3,654**	(16,007)	**(7,475)**	(11,357)	**(58,613)**	64,739
Changes in fair value [1)]	**(38,714)**	59,063	**(16,078)**	34,937	**(18,403)**	(49,194)	**(17,258)**	(24,671)	**(90,453)**	20,135
Balance as of December 31	**1,787,529**	1,740,008	**762,108**	744,057	**361,942**	464,818	**131,863**	148,487	**3,043,442**	3,097,370
Details regarding the discount rates which were used to determine fair value	**5%-10%**	5%-9.5%	**6%-10%**	5.75%-9%	**4.75%-7.14%**	5%-8.86%	**5.5%**	5.25%		

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.)

A. Composition and movement (Cont.)

	Other									
	Offices in Israel 2)		Logistical and commercial centers in Israel 2)		Offices abroad		Residential abroad		Total	
NIS in thousands	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
Balance as of January 1	**776,344**	767,198	**162,047**	150,390	**231,693**	257,481	**79,955**	91,826	**1,250,039**	1,266,895
Additions										
Net acquisitions and additions for current assets	**33,656**	34,120	**6,834**	15,247	**-**	-	**-**	-	**40,490**	49,367
Discounted costs and expenses	**3,257**	4,738	**140**	222	**-**	-	**341**	1,220	**3,738**	6,180
Total additions	**36,913**	38,858	**6,974**	15,469	**-**	-	**341**	1,220	**44,228**	55,547
Write-offs										
Disposals	**-**	(54,901)	**-**	-	**(50,684)**	-	**-**	-	**(50,684)**	(54,901)
Total write-offs	**-**	(54,901)	**-**	-	**(50,684)**	-	**-**	-	**(50,684)**	(54,901)
Translation differences	**-**	-	**-**	-	**(11,626)**	(15,812)	**(5,200)**	(7,154)	**(16,826)**	(22,966)
Changes in fair value with respect to realized real estate 1)	**-**	1,890	**-**	-	**1,831**	-	**-**	-	**1,831**	1,890
Changes in fair value with respect to unrealized real estate 1)	**(12,772)**	23,299	**(3,913)**	(3,812)	**1,676**	(9,976)	**(4,093)**	(5,937)	**(19,102)**	3,574
Changes in fair value	**(12,772)**	25,189	**(3,913)**	(3,812)	**(8,119)**	(25,788)	**(9,293)**	(13,091)	**(34,097)**	(17,502)
Balance as of December 31	**800,485**	776,344	**165,108**	162,047	**172,890**	231,693	**71,003**	79,955	**1,209,486**	1,250,039
Details regarding the discount rates which were used to determine fair value	**5%-10%**	5%-9.5%	**6%-10%**	5.75%-9%	**4.75%-7.14%**	5%-8.86%	**5.5%**	5.25%		

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 for 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 data Unobservable	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 (4.75% to 10%)	The fair value calculation will increase if: • The NOI from the property increases • The cash flow discount rate decreases
Investment property under construction	The valuation is based on an estimate of the fair value of investment property after the completion of its construction, after deducting the present value of the estimated construction costs which are expected to arise for the purpose of completing it, and after deducting reasonable entrepreneurial profit, when relevant, while taking into account a capitalization rate adjusted for the relevant risks, and the property's characteristics. Insofar as the real estate is in the preliminary stages of presentation, it is presented at cost.		There is no reciprocal relationship between the material unobservable inputs.

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 fully 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	2020	2019
Increase of 0.5%	**(184,977)**	(186,404)
Decrease of 0.5%	**215,529**	215,395

Investment property for non-investment-linked contracts

	Increase (decrease) in profit and loss before tax for the year ended December 31	
NIS in thousands	2020	2019
Increase of 0.5%	**(76,358)**	(76,239)
Decrease of 0.5%	**89,144**	88,255

C. Amounts recognized in the statement of income (excluding changes in fair value and in foreign currency differences)

	For the year ended December 31		
NIS in thousands	2020	2019	2018
Rental income from investment property *)	**248,170**	293,748	290,206
Direct operating expenses arising from investment property which generated rental income during the period	**(26,074)**	(32,695)	(30,486)
	222,096	261,053	259,720

(*) Due to the coronavirus crisis, the Group established estimates of the reduced cash flows expected from revenue-generating properties, due to arrangements which were implemented in practice, in some cases, until normal activity resumes, and reduced the income accordingly.

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

	As of December 31	
NIS in thousands	2020	2019
Owned	**2,842,279**	3,027,041
Under capitalized lease:		
Up to 15 years	**448,628**	421,741
15-50 years	**875,720**	879,187
Over 50 years	**86,301**	19,440
Total	**4,252,928**	4,347,409

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, 2020, to a total of approximately NIS 414 million, of which a total of approximately NIS 291 million was out of the funds of profit sharing policies (and 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, last year).

Note 11: Other Accounts Receivable

A. Composition

	As of December 31	
NIS in thousands	2020	2019
Prepaid expenses	**52,890**	39,940
Advance payments to suppliers	**397**	3,293
Collateral with respect to securities	**57,674**	317,429
Receivables with respect to the acquisition of securities	**136,359**	98,629
Advances on account of commissions for insurance agents	**26,200**	16,240*)
Insurance companies and insurance mediators	**246,226**	220,870
Trade receivables and income receivable	**82,780**	57,781
Subrogation and residuals	**23,510**	25,877
Others	**23,378**	37,115
Total	**649,414**	817,174
Less the provision for doubtful debts, primarily with respect to reinsurers (see section B below)	**(21,737)**	(18,388)*)
Total other accounts receivable	**627,677**	798,786

*) Reclassified.

For details regarding the Group’s exposure to credit risks and market risks, see Note 38.

For details regarding other accounts receivable which constitute related parties and interested parties, see Note 39.

B. Movement in the provision for doubtful debts

	As of December 31	
NIS in thousands	2020	2019
Balance as of January 1	**18,388**	18,102*)
Lost debts	**(530)**	(1,193)
Change in provision for the period - charged to profit and loss	**3,879**	1,479
Total provision for doubtful debts	**21,737**	18,388*)

*) Reclassified.

Note 12: Outstanding Premiums

A. Composition 1),2)

NIS in thousands	As of December 31 2020	2019
Outstanding premiums	**708,330**	762,791
Less provision for doubtful debts	**(57,378)**	(62,643)
Total outstanding premiums	**650,952**	700,148
Includes outstanding checks and standing orders	**365,758**	350,766

1)For details regarding the Group’s exposure to credit risks and market risks, see Note 38.

2) For details regarding outstanding premiums from related parties and interested parties, see Note 39.

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

NIS in thousands	2020	2019
Balance as of January 1	**62,643**	72,214
Change in provision for the period - charged to profit and loss	**(5,265)**	(9,571)
Balance as of December 31	**57,378**	62,643

C. Aging

NIS in thousands	As of December 31 2020	2019
Total non-impaired outstanding premiums		
Without arrears	**398,437**	429,286
In arrears *):		
Less than 90 days	**63,533**	79,679
90 to 180 days	**56,088**	45,835
Over 180 days	**93,018**	102,745
	212,639	228,259
Total non-impaired outstanding premiums	**611,076**	657,545
Impaired outstanding premiums	**39,876**	42,603
Total outstanding premiums	**650,952**	700,148

*) Includes a total of NIS 140,767 thousand (December 31, 2019 - NIS 168,026 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 2020	2019
Investment property	**3,043,442**	3,097,370
Financial investments:		
Marketable debt assets	**24,263,517**	26,869,855
Non-marketable debt assets	**6,696,981**	6,558,458
Stocks	**19,770,339**	13,948,919
Other financial investments 2)	**20,067,924**	15,020,229
Total financial investments	**70,798,761**	62,397,461
Cash and cash equivalents	**5,273,150**	6,554,645
Other 3)	**449,172**	764,130
Total assets for investment-linked contracts	**79,564,525**	72,813,606

1) For details regarding the exposure to assets for investment-linked contracts, see Note 38.
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) Fair value hierarchy of financial assets which are measured at fair value

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, 2020			
NIS in thousands	Level 1	Level 2	Level 3	Total
Financial investments:				
Marketable debt assets	**21,244,064**	**3,019,453**	**-**	**24,263,517**
Non-marketable debt assets	**-**	**6,652,556**	**44,425**	**6,696,981**
Stocks	**18,622,037**	**-**	**1,148,302**	**19,770,339**
Other financial investments *)	**12,806,001**	**2,717,765**	**4,544,158**	**20,067,924**
Total financial investments	**52,672,102**	**12,389,774**	**5,736,885**	**70,798,761**
*) Of which, with respect to derivatives	**85,644**	**1,611,094**	**-**	**1,696,738**

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.)

	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.

(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, 2020	**68,880**	**746,971**	**3,708,770**	**4,524,621**
Total income (loss) recognized in the statement of income	**(3,853)**	**90,424**	**30,923**	**117,494**
Acquisitions	**-**	**345,269**	**1,323,342**	**1,668,611**
Sales	**-**	**-**	**(516,819)**	**(516,819)**
Redemptions	**(15,371)**	**-**	**-**	**(15,371)**
Interest and dividend receipts	**(5,231)**	**(34,362)**	**(2,058)**	**(41,651)**
Balance as of December 31, 2020	**44,425**	**1,148,302**	**4,544,158**	**5,736,885**
Total income (loss) for the period included under profit and loss with respect to held financial assets - balance as of December 31, 2020 *)	**(7,127)**	**90,424**	**36,434**	**119,731**

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)
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

*) In the item for income from investments, net, and financing income.

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

Note 14: Other Financial Investments

	As of December 31, 2020			
NIS in thousands	Fair value through profit and loss	Available for sale	Loans and receivables	Total
Marketable debt assets [(a)]	**47,339**	**5,776,408**	**-**	**5,823,747**
Non-marketable debt assets [(b)]	**2,283**	**-**	**22,090,346**	**22,092,629**
Stocks [(d)]	**-**	**1,692,465**	**-**	**1,692,465**
Others [(e)]	**543,785**	**3,030,514**	**-**	**3,574,299**
Total	**593,407**	**10,499,388**	**22,090,346**	**33,183,140**

	As of December 31, 2019			
NIS in thousands	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

A. Marketable debt assets

Composition

	As of December 31	
NIS in thousands	2020	2019
Government bonds		
Presented at fair value through profit and loss:		
Available for sale	**3,009,397**	3,691,097
Total government bonds	**3,009,397**	3,691,097
Other debt assets:		
Non-convertible		
Presented at fair value through profit and loss:		
Designated upon initial recognition	**21,466**	86,755
Available for sale	**2,767,011**	2,157,556
Total other non-convertible debt assets	**2,788,477**	2,244,311
Convertible		
Presented at fair value through profit and loss:		
Designated upon initial recognition	**25,873**	-
Total other convertible debt assets	**25,873**	-
Total marketable debt assets	**5,823,747**	**5,935,408**
Impairment applied to income statement (cumulative)	**176**	5,622

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

	As of December 31, 2020				As of December 31, 2019			
		Fair value				Fair value		
NIS in thousands	Book value	Total	Level 2	Level 3	Book value	Total	Level 2	Level 3
Government bonds treated as loans and receivables								
Designated bonds	**14,169,989**	**23,717,468**	-	**23,717,468**	14,163,272	24,010,374	-	24,010,374
Deposits in treasury	**2,108,721**	**2,989,103**	**-**	**2,989,103**	2,131,914	3,010,778	**-**	3,010,778
Total government bonds	**16,278,710**	**26,706,571**	**-**	**26,706,571**	16,295,186	27,021,152	**-**	27,021,152
Other non-convertible debt assets								
Presented at fair value through profit and loss:								
Designated upon initial recognition	**2,283**	**2,283**	**2,283**	**-**	2,854	2,854	2,854	-
Presented as loans and receivables, excluding deposits in banks 1)	**5,158,713**	**5,911,269**	**4,699,225**	**1,212,044**	5,435,543	6,218,670	5,164,035	1,054,635
Deposits in banks	**652,923**	**766,590**	**766,590**	**-**	736,275	864,354	864,354	-
Total other non-convertible debt assets	**5,813,919**	**6,680,142**	**5,468,098**	**1,212,044**	6,174,672	7,085,878	6,031,243	1,054,635
Total non-marketable debt assets	**22,092,629**	**33,386,713**	**5,468,098**	**27,918,615**	22,469,858	34,107,030	6,031,243	28,075,787
Impairment applied to income statement (cumulative)	**89,503**				80,244			

1) For additional details, see Note 38(e)(e1)(d)(4).

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

	As of December 31	
NIS in thousands	2020	2019
Government bonds	**16,278,710**	16,295,186
Debt assets which were not specifically impaired, gross:		
Without arrears	**5,768,254**	6,107,178
In arrears *):		
Less than 90 days	**1,144**	2,363
90 to 180 days	**290**	3,245
Over 180 days	**3,753**	2,080
	5,187	7,688
Total debt assets which were not specifically impaired, gross	**22,052,151**	22,410,052
Collective provision	**(5,795)**	(2,488)
Total debt assets which were not specifically impaired, net	**22,046,356**	22,407,564
Impaired debt assets:		
Impaired assets, gross	**129,981**	140,050
Provision for loss	**(83,708)**	(77,756)
Impaired debt assets, net	**46,273**	62,294
Total non-marketable debt assets	**22,092,629**	22,469,858

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

It is noted that the above amounts do not represent the actual amounts 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

In percent	As of December 31 2020	2019
Marketable debt assets		
Linkage basis		
Linked to the consumer price index	**0.07**	0.01
NIS	**2.03**	1.26
Linked to foreign currency	**4.76**	5.17
Non-marketable debt assets		
Linkage basis		
Linked to the consumer price index	**4.79**	4.70
NIS	**2.39**	2.16
Linked to foreign currency	**4.04**	4.79

D. Stocks

NIS in thousands	As of December 31 2020	2019
Marketable		
Available for sale	**1,145,925**	1,038,780
Total marketable stocks	**1,145,925**	1,038,780
Non-marketable		
Available for sale	**546,540**	318,978
Total non-marketable stocks	**546,540**	318,978
Total stocks	**1,692,465**	1,357,758
Impairment applied to income statement (cumulative)	**208,187**	112,468

E. Other financial investments

1. Composition

NIS in thousands	As of December 31 2020	2019
Marketable		
Presented at fair value through profit and loss:		
Designated upon initial recognition	**280,336**	141,052
Derivative instruments (2)	**3,678**	1,821
Available for sale	**883,301**	578,917
Total marketable financial investments	**1,167,315**	721,790
Non-marketable		
Presented at fair value through profit and loss:		
Designated upon initial recognition	**6,163**	5,643
Derivative instruments (2)	**253,608**	89,154
Available for sale	**2,147,213**	1,781,969
Total non-marketable financial investments	**2,406,984**	1,876,766
Total other financial investments	**3,574,299**	2,598,556
Impairment applied to income statement (cumulative)	**95,733**	46,187

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	2020	2019
Stocks	**109,058**	79,879
CPI	**99,714**	9,069
Foreign currency	**(4,073,317)**	(3,003,780)
Goods	**4,905**	9,403

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, 2020			
NIS in thousands	Level 1	Level 2	Level 3	Total
Financial investments:				
Marketable debt assets	**5,735,154**	**88,593**	**-**	**5,823,747**
Non-marketable debt assets	**-**	**2,283**	**-**	**2,283**
Stocks	**1,145,925**	**-**	**546,540**	**1,692,465**
Other financial investments *)	**1,169,270**	**253,608**	**2,151,421**	**3,574,299**
Total financial investments	**8,050,349**	**344,484**	**2,697,961**	**11,092,794**
*) Of which, with respect to derivatives	**3,326**	**253,608**	**-**	**256,934**

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

	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.

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, 2020	**318,978**	**1,805,874**	**2,124,852**
Total income (loss) which was recognized:			
Under profit and loss	**(21,157)**	**43,734**	**22,577**
Under other comprehensive income	**51,854**	**136,731**	**188,585**
Acquisitions	**151,184**	**506,571**	**657,755**
Sales	**(28,000)**	**(341,380)**	**(369,380)**
Dividend and interest received	**(23,918)**	**(109)**	**(24,027)**
Transfers to level 3 *)	**97,599**	**-**	**97,599**
Balance as of December 31, 2020	**546,540**	**2,151,421**	**2,697,961**
Total income (loss) for the period included under profit and loss with respect to financial assets held as of December 31, 2020	**(21,157)**	**47,666**	**26,509**

*) The investment in IDE Technologies , which in the past was accounted for at equity, is accounted for as a financial investment. For additional details, see Note 9(A).

	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

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 (projected) 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 rating: (1)

	As of December 31	
In percent	**2020**	**2019**
AA and higher	**(0.2)**	(0.2)
BBB to A	**1.5**	1.7
Unrated	**2.6**	4.3

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

	As of December 31	
In percent	**2020**	**2019**
Unrated	**3.3**	4.5

1) 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+.
2) 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, 2020		Balance as of December 31, 2019	
NIS in thousands	**Group A**	**Group B**	**Group A**	**Group B**
Financial investments for investment-linked contracts	**-**	**70,798,761**	-	62,397,461
Cash and cash equivalents for investment-linked contracts	**-**	**5,273,150**	-	6,554,645
Other financial investments - stocks	**-**	**1,692,465**	-	1,357,758
Other financial investments - others	**-**	**3,574,299**	-	2,598,556
Other financial investments - marketable debt assets	**5,776,408**	**47,339**	5,850,168	85,240
Other financial investments - non-marketable debt assets	**33,340,440**	**46,273**	34,044,736	62,294
Cash and cash equivalents	**1,948,922**	**-**	2,558,717	-

For details regarding the evaluation of debt assets which fulfill the principal and interest test in accordance with IFRS 9, see Note 38(f)(2)(a1).

Note 15: Cash and Cash Equivalents

A. Cash and cash equivalents for investment-linked contracts

1. Composition

	As of December 31	
NIS in thousands	2020	2019
Cash and deposits available for immediate withdrawal	**2,289,984**	2,003,595
Short term deposits	**2,983,166**	4,551,050
Cash and cash equivalents	**5,273,150**	6,554,645

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%-0.07% (as of December 31, 2019 - 0.04%-0.24%).

Other deposits in banking corporations are for periods of one week to three months. The deposits bear interest at a rate of 0%-0.09% (as of December 31, 2019 - 0.22%-0.24%).

B. Other cash and cash equivalents

1. Composition

	As of December 31	
NIS in thousands	2020	2019
Cash and deposits available for immediate withdrawal	**1,846,909**	1,836,436
Short term deposits	**102,013**	722,281
Cash and cash equivalents	**1,948,922**	2,558,717

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%-0.07% (as of December 31, 2019 - 0.04%-0.24%).

Other deposits in banking corporations are for periods of one week to three months. The deposits bear interest at a rate of 0%-0.09% (as of December 31, 2019 - 0.22%-0.24%).

C. For additional details regarding the Group’s exposure to interest rate risk, market risk and regarding the sensitivity analysis, see Note 38(c)(2) and (3).

Note 16: Capital and Reserves

A. Share capital

	Ordinary shares *)		
	2020	2019	2018
	In thousands of shares with a par value of NIS 1		
Issued and paid-up share capital as of January 1	**67,645**	55,579	55,563
Issuance of shares	**-**	12,066	-
Exercise of warrants for senior employees **)	**-**	-	16
Issued and paid-up share capital as of December 31	**67,645**	67,645	55,579
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 40 - Share-Based Payment.

B. Capital reserves

1. The translation reserve for foreign operations is primarily comprised of effects from the GBP and USD.
2. 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 years, 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 3.5 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 as a central loss absorption cushion and in order to maintain the Company's ability to continue its activities in order to generate returns for its shareholders, 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.

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.

Note 16: Capital and Reserves (Cont.)

D. The Company's capital management and capital requirements (Cont.)

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, 1998 (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. 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.

(2) Economic solvency ratio

In accordance with the economic solvency regime, and according to the calculation which the insurance companies in the Group performed as of December 31, 2019, the companies are complying with the capital requirements, and even have a capital surplus beyond the capital requirement according to the provisions for the distribution period and the stock scenario adjustment. Additionally, in consideration of the impact of significant equity transactions which took place during the period between the date of the calculation, and the date of its publication (see Note 25(b)5 below), they fulfill the capital requirements without adjustment for the provisions with respect to the distribution period and the stock scenario adjustment.

The calculation which the Company conducted as of December 31, 2019 was examined by the auditors in accordance with ISAE 3400 - The Examination of Prospective Financial Information. This standard is relevant to audits of the solvency calculations, and does not constitute a part of the audit standards which apply to financial statements. It is emphasized that the forecasts and assumptions which constituted the basis for the preparation of the economic solvency ratio report are mostly based on past experience, as indicated in actuarial studies which are conducted from time to time. In light of the reforms taking place in the capital, insurance and savings market, and the changes in the economic environment, historical data does not necessarily predict future results. The calculation is sometimes based on assumptions regarding future events, on the actions of management, and on the future pattern of development of the risk margin, 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.

In the auditors' special report it was noted that they had not evaluated the adequacy of the amount of the discount during the distribution period as of December 31, 2019, except for evaluating that the discount amount does not exceed the expected discount amount of the risk margin and the solvency capital requirement with respect to life and health insurance risks, with respect to existing business operations during the distribution period, in accordance with the future pattern of development of required capital, which affects both the calculation of the release of expected capital, and the release of the expected risk margin, as specified in the provisions regarding the calculation of the risk margin. Attention is also called to that stated in the solvency ratio report regarding the uncertainty which due to regulatory changes and the exposure to contingent liabilities, whose effect on the solvency ratio cannot be estimated.

For additional details, see also section 2.2.3 of the Board of Directors' Report.

Note 16: Capital and Reserves (Cont.)

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

(3)Additional details regarding the economic solvency regime and updates during the reporting period

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

A. 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.

B. 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.

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, and 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.

Note 16: Capital and Reserves (Cont.)

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

(3) Additional details regarding the economic solvency regime and updates during the reporting period (Cont.)

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

C. In October 2020 an “Amendment to the consolidated circular regarding provisions for the implementation of a Solvency II-based economic solvency regime for insurance companies” was published, as well as additional directives of the Commissioner regarding the implementation of the economic solvency regime, including the publication of an update to the provisions of the consolidated circular regarding “public reporting - “disclosure regarding the economic solvency ratio”.
Presented below is a summary of the main changes to the provisions of the economic solvency regime, which are included in the foregoing circulars:

1. As stated in section 6(b) below, an alternative was added, with the Commissioner’s approval, to adopt different distribution provisions than the existing ones (which address a gradual increase of the capital requirements until December 2024). The alternative distribution provisions refer to the capital cushion and allow deducting the difference between economic reserves on retention (including a risk margin and plus the fair value of HETZ bonds), calculated as of December 31, 2019, vs. the accounting reserves on retention as of that date, with reference to certain reserves, and subject to the restrictions which were specified in the amendment. The addition of the aforementioned alternative allows increasing economic equity by reducing the amount discounted from the economic insurance reserves, as stated above. In a letter to the managers of insurance companies entitled “principles for calculating the discount during the distribution period in the Solvency II-based economic solvency regime”, provisions were established regarding the implementation of the discount during the distribution period, and regarding the calculation thereof, in a manner whereby the aforementioned discount will be reduced, on a linear basis, until December 31, 2032 (the “Discount During the Reporting Period”), subject to the determined adjustments. The value of the discount during the distribution period will correspond to the expected growth rate in the solvency ratio, calculated without expedients during the distribution period. See section 6 below.

2. Update to various directives regarding the calculation of the solvency capital requirement, including reducing the capital requirement with respect to stocks held for the long term (as defined in the circular) to 22%, instead of the usual rates, where with respect to stocks held against investment-linked liabilities, it can be assumed that up to 75% of the shares will be considered as stocks held for the long term. Additionally, an increase was made to the loss absorption adjustment with respect to deferred tax assets, beyond the balance of the deferred tax reserve which is included in the economic balance sheet, up to 5% of the basic solvency capital requirement, upon the fulfillment of the specified conditions.

3. Establishment of a disclosure obligation regarding the economic solvency ratio, including the implementation of the transitional provisions which were determined for the distribution period. Additionally, the scope of the disclosure in the economic solvency ratio report was increased with respect to the aspects of changes in the capital surplus, sensitivity tests, capital management and restrictions on dividend distributions. The results of the sensitivity test with respect to a decrease / increase in the interest rate will be published beginning with the economic solvency ratio report as of December 31, 2020. Details of changes in the capital surplus and the other sensitivity tests will be published beginning with the economic solvency ratio report as of December 31, 2021.

Note 16: Capital and Reserves (Cont.)

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

(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 upon the implementation of the transitional provisions during the distribution period, 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. It is noted that if the Commissioner has announced an extraordinary negative situation, upon the fulfillment of one of the circumstances specified in the economic solvency ratio regime, he is entitled to extend the period of the amendment, for a period of up to 7 years. 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 vested in him pursuant to the Control Law.

(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:

A. 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.

B. Beginning with the solvency ratio report as of December 31, 2019, one of the following alternatives:

1. 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.
2. Increasing economic equity by deducting from the insurance reserves the amount which is calculated in accordance with the economic solvency regime (hereinafter: the “Deduction”). The deduction will be decreased gradually, until 2032.

The Company chose the second alternative, after receiving the Commissioner’s approval.

C. 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.

Note 16: Capital and Reserves (Cont.)

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

(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.

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.

(8) Status of the control of the Company and of consolidated 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. Subsequently, the Commissioner sent additional letters which formalized the arrangements which apply to the Company's exercise of the means of control. The Company is holding discussions with the Commissioner in connection with the foregoing

As of the reporting date, the Company is a company without a control core.

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. According to the formula, the undertaking is in effect so long as Clal Insurance remains the controlling shareholder (as defined in the Control Law) of Clal Credit Insurance. On this matter, see section e(8) above. 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.

Note 16: Capital and Reserves (Cont.)

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 Company’s control have a capital surplus and fulfill the liquidity requirements 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					
	2020	2019	2020	2019	2020	2019
NIS in thousands	Gross		Reinsurance		Retention	
Life insurance and long-term savings						
Insurance Contracts	**19,447,944**	19,611,530*)	**(14,681)**	(16,478)	**19,433,263**	19,595,052*)
Investment contracts	**2,374,760**	2,396,604	**-**	-	**2,374,760**	2,396,604
	21,822,704	22,008,134	**(14,681)**	(16,478)	**21,808,023**	21,991,656
Less amounts deposited in a consolidated company as part of a defined benefit plan for employees of the Group 1)	**(992)**	(2,034)	**-**	-	**(992)**	(2,034)
Total long term savings	**21,821,712**	22,006,100	**(14,681)**	(16,478)	**21,807,031**	21,989,622
Insurance contracts included in the health insurance segment (Note 21)	**2,783,448**	3,045,582	**(441,750)**	(589,666)	**2,341,698**	2,455,916
Insurance contracts which are included in the non-life insurance segment (Note 19)	**6,473,735**	6,393,228	**(2,921,906)**	(2,727,888)	**3,551,829**	3,665,340
Total liabilities with respect to non-investment-linked insurance contracts and investment contracts	**31,078,895**	31,444,910*)	**(3,378,337)**	(3,334,032)	**27,700,558**	28,110,878*)

*) Retrospective adoption, see Note 3(s)(2).

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

	As of December 31					
	2020	2019	2020	2019	2020	2019
NIS in thousands	Gross		Reinsurance		Retention	
Life insurance and long-term savings						
Insurance Contracts	**72,374,157**	67,924,289	**(236,744)**	(203,647)	**72,137,413**	67,720,642
Investment contracts	**3,940,237**	2,828,148	**-**	-	**3,940,237**	2,828,148
	76,314,394	70,752,437	**(236,744)**	(203,647)	**76,077,650**	70,548,790
Less amounts deposited in a consolidated company as part of a defined benefit plan for employees of the Group (1)	**(18,466)**	(17,346)	**-**	-	**(18,466)**	(17,346)
Total long term savings	**76,295,928**	70,735,091	**(236,744)**	(203,647)	**76,059,184**	70,531,444
Insurance contracts included in the health insurance segment (Note 21)	**995,436**	1,097,913	**(14,248)**	(14,131)	**981,188**	1,083,782
Total liabilities with respect to investment-linked insurance contracts and investment contracts	**77,291,364**	71,833,004	**(250,992)**	(217,778)	**77,040,372**	71,615,226

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					
	2020	2019	2020	2019	2020	2019
NIS in thousands	Gross		Reinsurance		Retention	
Compulsory motor and liabilities branches						
Unearned premium reserve	**460,462**	371,539	**216,629**	191,996	**243,833**	179,543
Outstanding claims and premium deficiency reserve	**4,528,965**	4,463,723	**1,876,860**	1,712,954	**2,652,105**	2,750,769
Total compulsory motor and liabilities branches	**4,989,427**	4,835,262	**2,093,489**	1,904,950	**2,895,938**	2,930,312
Of which, total liabilities with respect to the compulsory motor insurance branch	**2,433,094**	2,286,995	**1,014,270**	836,177	**1,418,824**	1,450,818
Property and others branches						
Unearned premium reserve	**700,183**	668,122	**378,367**	347,946	**321,816**	320,176
Premium deficiency reserve	**-**	10,591	**-**	-	**-**	10,591
Outstanding claims	**784,125**	879,253	**450,050**	474,992	**334,075**	404,261
Total property and others branches	**1,484,308**	1,557,966	**828,417**	822,938	**655,891**	735,028
Total liabilities with respect to insurance contracts included under non-life insurance segments	**6,473,735**	6,393,228	**2,921,906**	2,727,888	**3,551,829**	3,665,340
Deferred acquisition costs						
Compulsory motor and liabilities branches	**85,625**	79,644	**32,637**	34,523	**52,988**	45,121
Property and others branches	**152,933**	155,606	**59,052**	55,274	**93,881**	100,332
Total deferred acquisition costs	**238,558**	235,250	**91,689**	89,797	**146,869**	145,453
Liabilities with respect to non-life insurance contracts less deferred acquisition costs						
Compulsory motor and liabilities branches (see section C1 below)	**4,903,802**	4,755,618	**2,060,852**	1,870,427	**2,842,950**	2,885,191
Property and others branches (See 2C below)	**1,331,375**	1,402,360	**769,365**	767,664	**562,010**	634,696
Total liabilities in non-life insurance contracts less deferred acquisition costs	**6,235,177**	6,157,978	**2,830,217**	2,638,091	**3,404,960**	3,519,887

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

	As of December 31					
	2020	2019	2020	2019	2020	2019
NIS in thousands	Gross		Reinsurance		Retention	
Actuarial valuations						
Ms. Galit Robstein (last year - Mr. David Engelmayer) 1)	**5,228,575**	5,259,652	**2,285,300**	2,136,351	**2,943,275**	3,123,301
Provisions on the basis of other estimates						
Estimate of the claims department regarding known outstanding claims	**23,602**	28,059	**13,681**	16,980	**9,921**	11,079
Addition for outstanding claims with respect to incurred but not reported (IBNR) claims	**20,478**	19,521	**14,440**	13,177	**6,038**	6,344
Unearned premium reserve	**1,160,645**	1,039,661	**594,996**	539,941	**565,649**	499,720
Other estimates	**519**	385	**-**	-	**519**	385
Net surplus revenues (accrual) with respect to foreign trade risks insurance	**39,916**	45,950	**13,489**	21,439	**26,427**	24,511
Total liabilities with respect to insurance contracts included in the non-life insurance segment in Israel	**6,473,735**	6,393,228	**2,921,906**	2,727,888	**3,551,829**	3,665,340

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					
	2020	2019	2020	2019	2020	2019
NIS in thousands	Gross		Reinsurance		Retention	
Balance at beginning of year	**4,755,618**	4,534,276	**1,870,427**	1,417,450	**2,885,191**	3,116,826
Cumulative claim costs with respect to the current underwriting year	**889,463**	714,338	**428,832**	371,040	**460,631**	343,298
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.	**30,657**	67,072	**12,352**	21,727	**18,305**	45,345
Impact of the provision with respect to the Winograd Committee *)	**(63,923)**	(164,907)	**(19,055)**	(42,447)	**(44,868)**	(122,460)
Balance of change in estimated cumulative claims cost with respect to previous underwriting years **)	**10,754**	333,026	**(34,167)**	236,595	**44,921**	96,431
Total change in cumulative claim costs	**866,951**	949,529	**387,962**	586,915	**478,989**	362,614
Claim settlement payments during the year:						
With respect to the current underwriting year	**(4,003)**	(5,043)	**(764)**	(2,475)	**(3,239)**	(2,568)
With respect to previous underwriting years	**(714,764)**	(723,144)	**(196,773)**	(131,463)	**(517,991)**	(591,681)
Total payments	**(718,767)**	(728,187)	**(197,537)**	(133,938)	**(521,230)**	(594,249)
Balance at end of year	**4,903,802**	4,755,618	**2,060,852**	1,870,427	**2,842,950**	2,885,191

*) For additional details, see Note 38(e)(e2)(4)(f).

**) The change in the estimated cumulative cost of claims with respect to previous underwriting years was due, inter alia, to the change for the worse in the development of claims in the employers and third party liability insurance branches, and also due to the addition with respect to best practices due to the change in the estimated discount rate and the adjustment of margins of conservatism according to best practices.

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.

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					
	2020	2019	2020	2019	2020	2019
NIS in thousands	Gross		Reinsurance		Retention	
Balance at beginning of year	**1,402,360**	1,335,168	**767,664**	596,490	**634,696**	738,678
Cumulative claim costs with respect to events during the reporting year	**791,077**	862,712	**397,597**	322,606	**393,480**	540,106
Change in cumulative claim costs with respect to events prior to the reporting year	**(65,356)**	70,740	**(37,028)**	61,783	**(28,328)**	8,957
Total change in cumulative claim costs	**725,721**	933,452	**360,569**	384,389	**365,152**	549,063
Claim settlement payments during the year:						
With respect to events during the reporting year	**(471,199)**	(498,147)	**(204,274)**	(116,012)	**(266,925)**	(382,135)
With respect to events prior to the reporting year	**(349,085)**	(399,711)	**(180,874)**	(175,069)	**(168,211)**	(224,642)
Total payments	**(820,284)**	(897,858)	**(385,148)**	(291,081)	**(435,136)**	(606,777)
Change in the unearned premium reserve, net of deferred acquisition costs	**34,170**	21,006	**26,280**	77,866	**7,890**	(56,860)
Change in the premium deficiency reserve	**(10,592)**	10,592	**-**	-	**(10,592)**	10,592
Balance at end of year	**1,331,375**	1,402,360	**769,365**	767,664	**562,010**	634,696

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 and backing assets, 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, 2020						
					Underwriting year						
NIS in thousands, adjusted to the CPI for November 2020 1)	**(2 2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**Total**
Claims paid (cumulative) at end of year											
After one year	145,061	5,269	4,374	4,308	2,206	3,675	5,920	4,967	5,013	4,003	
After two years	198,578	53,092	44,311	41,485	33,710	37,724	41,429	44,130	36,179		
After three years	293,405	155,886	139,339	132,615	118,231	123,083	126,844	116,192			
After four years	417,071	272,241	268,654	238,566	216,422	215,287	221,530				
After five years	539,525	411,067	386,185	342,905	293,003	285,102					
After six years	650,481	559,601	517,818	425,502	353,841						
After seven years	775,940	672,351	610,941	516,766							
After eight years	1,078,363	758,577	674,106								
After nine years	1,119,989	838,418									
After ten years	1,167,661										
Estimated cumulative claims (with payments including accrual) at end of year											
After one year 3)	1,361,551	946,348	882,013	782,423	667,970	645,894	639,586	675,963	710,098	889,465	
After two years	1,046,544	1,022,746	866,753	808,585	676,713	633,437	662,333	703,970	721,198		
After three years	1,114,118	1,034,495	863,231	799,006	642,612	655,602	703,919	756,013			
After four years	1,103,155	957,394	828,206	794,548	670,504	686,323	747,203				
After five years	1,107,378	1,006,094	885,558	820,898	675,995	687,516					
After six years	1,201,006	1,083,758	904,584	1,002,651	645,143						
After seven years	1,327,857	1,074,122	906,039	1,067,744							
After eight years	1,334,527	1,065,231	926,429								
After nine years	1,321,459	1,055,328									
After ten years	1,293,671										
Surplus (deficit) relative to the first year which did not include accrual 4)	(190,516)	(97,934)	(98,223)	(268,738)	31,570	(41,622)	(107,617)	(80,050)	(11,100)	-	(864,230)
Rate of the deviation relative to the first year which did not include accrual, in percent	(17.27)%	(10.23)%	(11.86)%	(33.63)%	4.67%	(6.44)%	(16.83)%	(11.84)%	(1.56)%		(12.28)%
Cumulative cost of claims as of December 31, 2020	1,293,671	1,055,328	926,429	1,067,744	645,143	687,516	747,203	756,013	721,198	889,465	8,789,710
Cumulative payments until December 31, 2020	1,167,661	838,418	674,106	516,766	353,841	285,102	221,530	116,192	36,179	4,003	4,213,798
Total liabilities as of December 31	126,010	216,910	252,323	550,978	291,302	402,414	525,673	639,821	685,019	885,462	4,575,912
Outstanding claims for years up to and including the 2010 underwriting year											327,890
Total gross liability with respect to insurance contracts in the compulsory motor and liabilities branches in Israel, less deferred acquisition costs with respect to 2020											4,903,802
	Up to and including the 2011 underwriting year										
*) Less outstanding claims as of the date of the deconsolidation of a subsidiary in Europe, as follows:	330,407										330,407

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) 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, 2020										
	Underwriting year										
NIS in thousands, adjusted to the CPI for November 2020 1)	**(22011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**Total**
Claims paid (cumulative) at end of year											
After one year	74,598	5,185	4,363	4,308	2,201	3,673	5,011	2,984	2,553	3,239	
After two years	125,940	49,145	43,485	37,440	33,128	37,289	28,802	23,351	19,516		
After three years	217,464	142,704	131,231	122,641	113,247	120,670	80,825	56,989			
After four years	335,086	246,539	253,437	226,741	210,249	205,193	140,431				
After five years	452,052	353,871	361,416	323,893	285,166	272,862					
After six years	554,291	489,518	465,075	401,460	343,751						
After seven years	668,081	588,486	535,069	455,066							
After eight years	728,213	656,819	591,512								
After nine years	767,599	722,560									
After ten years	802,365										
Estimated cumulative claims (with payments including accrual) at end of year											
After one year 3)	957,873	802,356	754,316	676,891	583,364	582,749	367,001	342,719	341,261	460,633	
After two years	832,823	799,734	746,776	667,404	589,279	543,363	394,769	346,306	329,352		
After three years	860,059	808,986	751,738	662,691	557,607	563,989	418,018	352,898			
After four years	848,969	783,400	715,496	657,051	572,609	591,445	432,713				
After five years	852,850	780,450	778,522	671,105	583,400	604,120					
After six years	869,113	866,581	768,971	673,942	582,950						
After seven years	915,130	872,083	764,948	703,031							
After eight years	915,537	870,433	779,232								
After nine years	904,932	869,554									
After ten years	894,895										
Surplus (deficit) relative to the first year which did not include accrual 4)	(45,926)	(86,154)	(63,736)	(40,340)	6,329	(21,371)	(65,712)	(10,179)	11,909		(315,180)
Rate of the deviation relative to the first year which did not include accrual, in percent	(5.41)%	(11.00)%	(8.91)%	(6.14)%	1.14%	(3.93)%	(17.91)%	(2.97)%	3.49%		(6.11)%
Cumulative cost of claims as of December 31, 2020	894,895	869,554	779,232	703,031	582,950	604,120	432,713	352,898	329,352	460,633	6,009,378
Cumulative payments until December 31, 2020	802,365	722,560	591,512	455,066	343,751	272,862	140,431	56,989	19,516	3,239	3,408,291
Balance of outstanding claims	92,530	146,994	187,720	247,965	239,199	331,258	292,282	295,909	309,836	457,394	2,601,087
Outstanding claims for years up to and including the 2010 underwriting year											241,863
Total liabilities on self-retention with respect to insurance contracts in the compulsory motor and liabilities branches, less deferred acquisition costs with respect to 2020											2,842,950
	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:	130,151										130,151

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) 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, 2020										
	Underwriting year										
NIS in thousands, adjusted to the CPI for November 2020 [1)]	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Total
Claims paid (cumulative) at end of year											
After one year	3,757	2,892	3,270	1,665	1,473	1,506	1,914	2,760	3,605	1,514	
After two years	39,745	34,827	33,662	25,068	23,951	24,733	27,411	25,062	24,300		
After three years	109,153	107,758	92,288	85,480	85,149	84,874	97,761	80,714			
After four years	189,518	173,684	180,518	160,620	155,363	145,597	169,137				
After five years	260,156	240,833	254,128	232,290	208,039	187,783					
After six years	327,702	339,329	321,569	289,768	247,516						
After seven years	409,015	412,223	368,386	319,525							
After eight years	444,609	469,282	395,641								
After nine years	469,713	494,648									
After ten years	491,090										
Estimated cumulative claims (with payments including accrual) at end of year											
After one year [2)]	522,494	529,236	517,537	475,766	400,390	402,441	388,990	396,922	441,166	498,210	
After two years	527,797	530,331	508,563	479,699	404,172	372,987	395,887	409,958	422,324		
After three years	539,665	543,053	516,596	462,285	396,174	383,863	442,619	446,369			
After four years	509,138	509,922	482,797	460,793	426,963	399,412	470,159				
After five years	504,036	494,739	532,695	466,511	435,715	396,977					
After six years	513,926	573,307	512,736	464,079	425,299						
After seven years	548,525	561,582	488,024	473,554							
After eight years	542,688	555,261	491,810								
After nine years	532,999	552,067									
After ten years	528,998										
Surplus (deficit) relative to the first year which did not include accrual [3)]	(19,860)	(42,145)	(9,013)	(11,269)	(21,127)	5,464	(81,169)	(49,447)	18,842		(209,724)
Rate of the deviation relative to the first year which did not include accrual, in percent	(3.90)%	(8.26)%	(1.87)%	(2.44)%	(5.23)%	1.36%	(20.87)%	(12.46)%	4.27%		(5.25)%
Cumulative cost of claims as of December 31, 2020	528,998	552,067	491,810	473,554	425,299	396,977	470,159	446,369	422,324	498,210	4,705,767
Cumulative payments until December 31, 2020	491,090	494,648	395,641	319,525	247,516	187,783	169,137	80,714	24,300	1,514	2,411,868
Total liabilities as of December 31, 2020	37,908	57,419	96,169	154,029	177,783	209,194	301,022	365,655	398,024	496,696	2,293,899
Outstanding claims for years up to and including the 2010 underwriting year											104,393
Total gross liabilities with respect to insurance contracts in the compulsory motor branches, less deferred acquisition costs as of December 31, 2020											2,398,292

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, 2020										
	Underwriting year										
NIS in thousands, adjusted to the CPI for November 2020 [1)]	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Total
Claims paid (cumulative) at end of year											
After one year	3,757	2,892	3,270	1,665	1,473	1,506	1,016	1,108	1,242	893	
After two years	39,745	34,827	33,662	25,068	23,951	24,733	14,933	9,751	8,629		
After three years	109,153	107,758	92,288	85,480	85,149	84,874	52,113	30,349			
After four years	189,518	173,684	177,111	160,620	154,444	145,597	89,584				
After five years	260,156	240,833	249,124	232,290	207,120	187,783					
After six years	326,756	337,850	314,722	289,593	244,642						
After seven years	406,950	399,780	361,471	319,348							
After eight years	439,382	448,471	387,345								
After nine years	461,005	473,755									
After ten years	476,192										
Estimated cumulative claims (with payments including accrual) at end of year											
After one year [2)]	511,780	516,895	504,575	463,865	391,850	393,934	198,679	162,480	155,241	262,689	
After two years	509,885	509,855	495,303	460,058	393,438	361,817	207,944	147,938	132,463		
After three years	522,083	522,560	505,686	450,744	368,158	365,115	229,245	155,806			
After four years	500,230	499,893	470,891	447,756	386,048	382,616	238,750				
After five years	495,122	483,381	518,241	460,078	393,061	384,067					
After six years	493,165	543,161	496,885	459,324	389,089						
After seven years	527,402	530,901	474,636	469,736							
After eight years	523,895	526,486	478,734								
After nine years	515,408	519,544									
After ten years	507,364										
Surplus (deficit) relative to the first year which did not include accrual [3)]	(7,134)	(19,651)	(7,843)	(18,992)	4,349	9,867	(40,071)	6,674	22,778		(50,023)
Rate of the deviation relative to the first year which did not include accrual, in percent	(1.43)%	(3.93)%	(1.67)%	(4.21)%	1.11%	2.50%	(20.17)%	4.11%	14.67%		(1.55)%
Cumulative cost of claims as of December 31, 2020	507,364	519,544	478,734	469,736	389,089	384,067	238,750	155,806	132,463	262,689	3,538,242
Cumulative payments until December 31, 2020	476,192	473,755	387,345	319,348	244,642	187,783	89,584	30,349	8,629	893	2,218,520
Total liabilities as of December 31, 2020	31,172	45,789	91,389	150,388	144,447	196,284	149,166	125,457	123,834	261,796	1,319,722
Outstanding claims for years up to and including the 2010 underwriting year											84,717
Total gross liabilities with respect to insurance contracts in the compulsory motor branches, less deferred acquisition costs as of December 31, 2020											1,404,439

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)

	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
Reporting year	Gross		On retention	
2020	**(58,932)**	**2,987**	**(10,787)**	**44,523**
2019	(67,336)	52,188	(6,820)	96,613
2018	(10,753)	19,455	7,280	27,952

D6. Data regarding the 2014-2020 underwriting years in the compulsory motor branch (NIS in thousands)

	Underwriting years						
Underwriting Year	**2020**	2019	2018	2017	2016	2015	2014
Gross premiums (including fees)	**537,063**	460,286	465,004	477,213	443,287	450,849	541,154
Comprehensive income (loss) on retention in the underwriting year, accumulated until the reporting date	**(10,787)**	12,474	20,060	2,454	6,143	12,448	16,778
Impact of investment income on cumulative income for the underwriting year	**323**	5,627	13,998	19,080	45,597	48,780	57,981

D7. Composition of 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 (loss) with respect to the underwriting year which was released during the reporting year	Adjustments with respect to the underwriting years which were released in previous years	Activity not included in the calculation of reserves	Total reported comprehensive income
2020	**-**	**8,394**	**(499)**	**(302)**	**7,593**
2019	-	8,396	101	(963)	7,534
2018	-	9,862	(230)	(471)	9,161

D8. Composition of comprehensive income (loss) in other liabilities insurance branches (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	
2020	**(110,535))**	**72,564**	**(77,241)**	**(36,915)**
2019	(60,340)	(125,380)	(59,690)	29,243
2018	(62,058)	(19,028)	(53,597)	(34,549)

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

Insurance Segment (Cont.)

D9. Data regarding the 2014-2020 underwriting years in the other liabilities insurance branch

	Underwriting years						
Underwriting Year	**2020**	2019	2018	2017	2016	2015	2014
Gross premiums (including fees)	**394,009**	333,856	334,699	308,838	310,593	308,960	377,840
Comprehensive income (loss) on retention in the underwriting year, accumulated until the reporting date	**(77,241)**	(68,581)	(57,367)	(53,263)	(70,432)	(43,191)	(64,107)
Impact of investment income on cumulative income for the underwriting year	**(12,591)**	5,430	13,580	18,302	24,310	25,414	27,011

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, 2020										
	Damage year										
NIS in thousands, adjusted to the CPI for November 2020 ¹)	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Total
Claims paid (cumulative) at end of year											
After one year	947,766	683,533	846,550	562,502	600,427	478,237	501,576	445,347	459,654	434,027	
After two years	1,604,290	1,091,559	1,258,404	670,527	1,034,000	804,965	819,189	747,819	735,539		
After three years	1,671,463	1,139,361	1,296,977	731,987	1,092,051	876,418	863,128	809,972			
After four years	1,696,656	1,182,012	1,336,139	768,880	1,130,543	904,961	871,174				
After five years	1,710,804	1,182,012	1,361,836	785,509	1,146,228	910,848					
After six years	1,727,063	1,194,311	1,385,242	801,427	1,152,499						
After seven years	1,736,118	1,205,605	1,392,413	810,275							
After eight years	1,742,187	1,211,906	1,395,071								
After nine years	1,745,256	1,215,231									
After ten years	1,750,198	108,398									
Cumulative claims (including payments)											
After one year	2,200,586	1,160,035	1,396,946	962,917	1,156,743	871,429	930,604	799,436	822,046	748,983	
After two years	2,263,354	1,847,018	1,469,564	834,377	1,215,942	951,060	934,132	937,592	865,591		
After three years	1,765,255	1,262,994	1,445,866	844,652	1,211,069	971,236	919,665	923,070			
After four years	1,778,067	1,259,566	1,423,766	829,653	1,211,670	949,642	894,716				
After five years	1,765,825	1,236,741	1,432,364	825,594	1,214,552	944,322					
After six years	1,761,972	1,237,805	1,432,902	836,527	1,212,983						
After seven years	1,769,199	1,232,234	1,421,611	827,609							
After eight years	1,758,586	1,233,512	1,414,425								
After nine years	1,760,209	1,231,188									
After ten years	1,759,788										
Estimated cumulative cost of claims as of December 31, 2020	1,759,788	1,231,188	1,414,425	827,609	1,212,983	944,322	894,716	923,061	865,577	748,978	10,822,646
Cumulative payments until December 31, 2020	1,750,198	1,215,231	1,395,071	810,275	1,152,499	910,848	871,174	809,972	735,539	434,027	10,084,837
Balance of outstanding claims	9,590	15,957	19,353	17,333	60,483	33,473	23,542	113,089	130,038	314,951	737,810
Outstanding claims for years up to and including the 2010 damage year											46,314
Total outstanding claims in the property and others branches as of December 31, 2020											784,124

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

	As of December 31, 2020										
	Damage year										
NIS in thousands, adjusted to the CPI for November 2020 1)	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2014**	**2020**	**Total**
Claims paid (cumulative) at end of year											
After one year	667,598	515,408	533,327	464,388	478,041	375,594	369,543	352,039	343,998	229,780	
After two years	1,032,464	832,898	737,912	483,582	693,322	590,919	548,307	511,070	483,021		
After three years	1,070,411	869,020	746,976	530,147	738,561	630,106	576,482	529,967			
After four years	1,094,661	905,301	767,888	560,151	759,852	646,137	583,297				
After five years	1,109,041	899,920	790,474	575,148	775,719	652,977					
After six years	1,120,929	912,204	804,778	586,857	784,228						
After seven years	1,129,027	922,846	812,746	596,702							
After eight years	1,135,854	929,325	815,594								
After nine years	1,139,765	932,713									
After ten years	1,143,575										
Cumulative claims (including payments)											
After one year	1,511,774	693,337	794,285	752,302	745,185	645,952	581,589	534,603	501,037	356,215	
After two years	1,568,754	1,528,695	856,687	590,996	805,667	657,321	596,956	554,089	524,144		
After three years	1,139,719	952,466	831,512	605,554	804,857	680,661	600,633	555,223			
After four years	1,157,414	958,862	826,676	604,171	807,087	676,737	592,148				
After five years	1,148,118	946,912	838,627	602,874	814,635	681,161					
After six years	1,152,847	946,857	837,203	615,557	815,180						
After seven years	1,159,651	941,906	832,543	612,327							
After eight years	1,149,996	944,077	827,739								
After nine years	1,152,619	942,583									
After ten years	1,152,239										
Cumulative cost of claims as of December 31, 2020	1,152,239	942,583	827,739	612,327	815,180	681,161	592,148	555,223	524,144	356,215	7,058,960
Cumulative payments until December 31, 2020	1,143,575	932,713	815,594	596,702	784,228	652,977	583,297	529,967	483,021	229,780	6,751,853
Balance of outstanding claims	8,664	9,870	12,145	15,625	30,953	28,184	8,852	25,257	41,123	126,434	307,107
Outstanding claims for years up to and including the 2010 damage year											26,968
Total outstanding claims in the property and others branches as of December 31, 2020											334,075

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, 2020

	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	**-**	**-**	**-**	**906,278**	**-**	**-**	**906,278**
Annuity with guaranteed factors							
Until May 2001	**10,366,620**	**28,502,659**	**-**	**-**	**-**	**-**	**38,869,279**
From June 2001	**-**	**5,366,119**	**6,630**	**21,780,533**	**-**	**-**	**27,153,282**
Paid annuity	**4,527,763**	**3,333,706**	**-**	**465,252**	**-**	**-**	**8,326,721**
Capital-based (without annuity option)	**1,761,976**	**6,916,786**	**-**	**2,218,207**	**-**	**-**	**10,896,969**
Supplementary pension reserve [2]	**1,557,769**	**1,571,228**	**-**	**16,669**	**-**	**-**	**3,145,666**
Other risk components	**129,411**	**672,768**	**722**	**794,036**	**680,113**	**246,856**	**2,523,906**
Total with respect to insurance contracts	**18,343,539**	**46,363,266**	**7,352**	**26,180,975**	**680,113**	**246,856**	**91,822,101**
Liabilities with respect to investment contracts in life insurance	**-**	**-**	**2,612**	**3,940,237**	**-**	**-**	**3,942,849**
Total in life insurance	**18,343,539**	**46,363,266**	**9,964**	**30,121,212**	**680,113**	**246,856**	**95,764,950**
Liabilities with respect to consolidated managing companies of provident funds [3]							**2,372,148**
Total							**98,137,098**
2 By financial exposure							
Non-investment-linked	**18,045,980**	**289,535**	**9,430**	**425,104**	**435,206**	**245,301**	**19,450,556**
Investment-linked	**297,559**	**46,073,731**	**534**	**29,696,108**	**244,907**	**1,555**	**76,314,394**
Total life insurance	**18,343,539**	**46,363,266**	**9,964**	**30,121,212**	**680,113**	**246,856**	**95,764,950**
Guaranteed-return liabilities with respect to managing companies of provident funds which were consolidated [3]							**2,372,148**
Total							**98,137,098**

1) Products issued by 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 1,939 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 38(e)(e1)(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 38(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, 2019

	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	-	-	-	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)	1,884,843*)	7,183,709	-	2,236,286	-	-	11,304,838
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	18,564,923	44,172,817	8,182	23,892,288	639,377	258,233	87,535,820
Liabilities with respect to investment contracts in life insurance	-	-	2,573	2,828,148	-	-	2,830,721
Total in life insurance	18,564,923	44,172,817	10,755	26,720,436	639,377	258,233	90,366,541
Liabilities with respect to consolidated managing companies of provident funds 3)							2,394,031
Total							92,760,572
2 By financial exposure							
Non-investment-linked	18,243,852*)	289,897	10,227	389,004	425,665	255,459	19,614,104
Investment-linked	321,071	43,882,920	528	26,331,432	213,712	2,774	70,752,437
Total life insurance	18,564,923	44,172,817	10,755	26,720,436	639,377	258,233	90,366,541
Guaranteed-return liabilities with respect to managing companies of provident funds which were consolidated 3)							2,394,031
Total							92,760,572

*) Retrospective adoption, see Note 3(s).

1) Products issued by 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 38(e)(e1)(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 38(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, 2020

	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	**17,443**	**13,995**	**-**	**-**	**-**	**-**	**31,438**
Savings component	**132,353**	**1,345,263**	**231**	**2,934,263**	**-**	**-**	**4,412,110**
Other	**25,230**	**220,685**	**116**	**327,872**	**644,906**	**68,793**	**1,287,602**
Total	**175,026**	**1,579,943**	**347**	**3,262,135**	**644,906**	**68,793**	**5,731,150**
Receipts with respect to investment contracts charged directly to insurance reserves [2]	**-**	**-**	**-**	**1,584,017**	**-**	**-**	**1,584,017**
Financial margin including management fees [3]	**199,511**	**524,728**	**(343)**	**257,155**	**-**	**-**	**981,051**
Payments and changes in liabilities with respect to insurance contracts, gross	**596,833**	**4,231,139**	**348**	**4,355,948**	**363,848**	**53,736**	**9,601,852**
Payments and changes in liabilities with respect to investment contracts [4]	**-**	**-**	**55**	**157,919**	**-**	**-**	**157,974**
Comprehensive income (loss) from life insurance businesses	**321,225**	**184,848**	**(230)**	**(176,015)**	**(51,958)**	**(8,159)**	**269,711**
Other comprehensive income from life insurance businesses	**68,270**	**7,878**	**23**	**7,661**	**7,998**	**4,306**	**96,136**
Total comprehensive income (loss) from life insurance businesses	**389,495**	**192,726**	**(207)**	**(168,354)**	**(43,960)**	**(3,853)**	**365,847**
Income from pension and provident funds							**2,444**
Other comprehensive income from pension and provident funds							**1,532**
Total comprehensive income from pension and provident funds							**3,976**
Total profit from life insurance and long term savings							**272,155**
Total comprehensive income from life insurance and long term savings							**369,823**
Annualized premium with respect to insurance contracts - new business [5]	**19**	**528**	**-**	**159,044**	**113,003**	**-**	**272,594**
One-time premium with respect to insurance contracts	**22**	**3,291**	**-**	**631,109**	**-**	**-**	**634,422**
One-time premium with respect to investment contracts	**-**	**-**	**-**	**1,539,927**	**-**	**-**	**1,539,927**
Transfers to the Company with respect to insurance contracts and investment contracts [6]	**-**	**-**	**-**	**240,448**	**-**	**-**	**240,448**
Transfers from the Company with respect to insurance contracts and investment contracts [6]	**50,443**	**428,466**	**-**	**922,887**	**-**	**-**	**1,401,796**

1. Products issued by 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 2,018 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, 2019

	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	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	337,541	628,532	79,665	1,307,830
Total	201,001	1,624,053	1,115	3,451,626	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	1,146,163*)	6,990,898	(70)	5,648,118	318,547	35,339	14,138,995
Payments and changes in liabilities with respect to investment contracts 4)	-	-	9	217,261	-	-	217,270
Comprehensive income (loss) from life insurance businesses	140,722	70,218	2,104	(113,951)	8,813	42,215	150,121
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	182,493	72,661	2,502	(110,059)	13,352	45,660	206,609
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 profit from life insurance and long term savings							161,658
Total comprehensive income from life insurance and long term savings							223,409
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

*) Retrospective adoption, see Note 3(s).

1. Products issued by 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	1,106,574*)	1,594,873	1,087	2,884,899	253,321	67,813	5,908,567
Payments and changes in liabilities with respect to investment contracts 4)	-	-	126	(18,792)	-	-	(18,666)
Comprehensive income (loss) from life insurance businesses	78,821	86,619	9,670	(163,772)	17,196	5,022	33,556
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	105,082	88,209	10,332	(161,447)	19,969	7,296	69,441
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 loss from life insurance and long term savings							(83,518)
Total comprehensive loss from life insurance and long term savings							(51,340)
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

*) Retrospective adoption, see Note 3(s).

1. Products issued by 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 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, 2020

	Long-term care		Illness and hospitalization *)		
NIS in thousands	Individual	Collective	Long term	Short term	Total
Investment-linked	**994,461**	**975**	**-**	**-**	**995,436**
Other	**1,373,959**	**839,768**	**555,278**	**14,443**	**2,783,448**
Total insurance liabilities	**2,368,420**	**840,743**	**555,278**	**14,443**	**3,778,884**

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

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

As of December 31, 2020

	Long-term care		Illness and hospitalization		
NIS in thousands	Individual	Collective	Long term	Short term	Total
Reserve for payable claims	**201,550**	**637,601**	**13,763**	**-**	**852,914**
Other risk components	**2,166,870**	**203,142**	**541,515**	**14,443**	**2,925,970**
Total insurance liabilities	**2,368,420**	**840,743**	**555,278**	**14,443**	**3,778,884**

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, 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.

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

B. Details of results by policy types

As of December 31, 2020

	Long-term care		Illness and hospitalization		
NIS in thousands	**Individual**	**Collective**	**Long term**	**Short term**	**Total**
Gross premiums	**267,251**	**40,522**	**969,472 1)**	**15,497 1)**	**1,292,743**
Payments and changes in liabilities with respect to insurance contracts and investment contracts, gross	**41,490**	**166,853**	**407,063**	**4,583**	**619,989**
Income (loss) from health insurance businesses	238,491	**(40,466)**	**83,690**	**(1,783)**	**279,932**
Other comprehensive income (loss) from health insurance businesses	**(51,794)**	**(48,414)**	**(5,035)**	**732**	**(104,511)**
Total comprehensive income (loss) from health insurance businesses	**186,697**	**(88,880)**	**78,655**	**(1,051)**	**175,421**
Annualized individual premium - new	**2,117**		**196,683 2)**		**198,799**

1) Of which, individual premiums in the amount of NIS 892,306 thousand, and collective premiums in the amount of NIS 92,663 thousand.

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

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 (loss) 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 income (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.

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

	Life insurance and long term savings				
NIS in thousands	**Insurance contracts *)**	**Investment Contracts**	**Total**	**Health insurance**	**Reinsurance assets in health insurance**
Balance as of January 1, 2019	78,564,918	4,139,939	82,704,857	7,076,980	685,826
Interest, linkage differentials and investment income 2)	8,173,840	357,541	8,531,381	144,389	17,834
Increase with respect to premiums charged to liabilities 3)	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	422,224 **)	-	422,224	33,380 1)	(61)
Other changes 4)	1,405,604	(671,009)	734,595	289,789	(99,802)
Balance as of December 31, 2019	87,535,819	5,224,752	92,760,571	4,143,495	603,797
Interest, linkage differentials and investment income 2)	**4,418,648**	**276,950**	**4,695,598**	**140,472**	**603,797**
Increase with respect to premiums charged to liabilities 3)	**4,554,389**	**1,586,035**	**6,140,424**	**214,534**	**9,824**
Decrease in rate of management fees from accrual	**(761,612)**	**(34,495)**	**(796,107)**	**-**	**-**
Decrease with respect to claims, redemptions and end of period	**(5,878,713)**	**464,322**	**(5,414,391)**	**(1,216)**	**-**
Changes due to change in assumptions	**(102,678)**)**	**-**	**(102,678)**	**(1(21,193)**	**(4,176)**
Other changes 4)	**2,056,248**	**(1,202,567)**	**853,681**	**(697,208)**	**(153,448)**
Balance as of December 31, 2020	**91,822,101**	**6,314,997**	**98,137,098**	**3,778,884**	**455,997**

*) Retrospective adoption, see Note 3(s).

**) See Note 38(e)(e1)(a) - item regarding main assumptions used to calculate insurance liabilities.

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

2) 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.

3) 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.

4) 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

A. Tax rates applicable to the Group's member companies

1. General

Most 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

Sector-specific agreements are in effect between the Israel Insurance Association and the tax authorities (hereinafter: the "**Tax Agreements**"), which are renewed and updated on an annual basis, and which regulate the treatment of tax issues which are unique to the sector. The tax agreements 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. The last agreement, which was signed in November 2020, extends by three additional years the previous agreement pertaining to the tax year 2016, such that it will also apply to the tax years 2017-2019, excluding the following subjects:

1. An agreement was reached regarding the method of recognition for tax purposes with respect to provisions that were made by the insurance companies in the financial statements in the years 2016-2018, due to the implementation of the Winograd committee's recommendations, which were mostly canceled in 2019, as follows:
   In the 2016 tax report, 10% of the decrease of the provision which was recorded in 2019 (the "**Adjustment Amount**") will be adjusted. If the adjustment amount exceeds 10% of the increase of the provision in 2016, then 10% of the increase of the provision in 2016 will be adjusted, and the remaining amount between the adjustment amount and this amount will be adjusted in 2017 (and jointly with the adjustment amount below: the "**Cumulative Adjustment Amount**"). The cumulative adjustment amount will be recognized as an expense in 2019.
2. It was agreed that the reversal of the LAT provision which was carried to retained earnings, as stated in Note 3(s)(2) above, and which originated in 2019, will be included as taxable income already in 2019, and the balance of the amount with respect to the years up to and including 2018, will be included as taxable income in 2020.

Note 23: Taxes on Income (Cont.)

2. Tax arrangements which are unique to the insurance branch (Cont.)

F. 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 tax provision in the financial statements for 2020 was made in accordance with the principles of the aforementioned agreement. The aforementioned agreement resulted in a decrease in the tax effect during the reporting period of approximately NIS 24 million (see section E below).

B. Tax rates applicable to the Group’s member companies

1. 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.
2. The statutory tax rates which apply to financial institutions, including, the Company, are:

In percent	Corporate tax rate	Capital gains tax rate	Overall tax rate in financial institutions
	23.00	17.00	34.19

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

C. Components of expenses (income) in taxes on income *)

NIS in thousands	For the year ended December 31 2020	2019	2018
Current tax expenses (income)			
With respect to the current period	**236,079**	641	(17,688)
Adjustments with respect to previous years, net	**(18,503)**	(13,726)	(12,669)
	217,576	(13,085)	(30,357)
Deferred tax expenses (income)			
Creation and reversal of temporary differences	**(51,966)**	(39,885)	(76,697)
Adjustments with respect to previous years, net	**(22,336)**	-	-
Adjustment of deferred tax balances due to the change in policy	**-**	(5,926)	-
	(74,302)	(45,811)	(76,697)
Total taxes on income (tax benefit)	**143,274**	(58,896)	(107,054)

*) Retrospective adoption, see Note 3(s)(2).

Note 23: Taxes on Income (Cont.)

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

	For the year ended December 31		
NIS in thousands	**2020**	**2019**	**2018**
Foreign currency translation differences for foreign operations	**(2,425)**	(3,651)	6,574
Available for sale financial assets	**80,817**	126,539	(44,646)
Actuarial gains (losses) from defined benefit plan	**5,112**	(4,952)	2,448
Total tax benefit (tax expense) with respect to components of other comprehensive income	**83,504**	117,936	(35,624)

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

	For the year ended December 31		
NIS in thousands	**2020**	**2019**	**2018**
Income (loss) before taxes on income *)	**585,937** **34.19%**	(185,821) 34.19%	(242,034) 34.19%
Tax (tax saving) is calculated according to the Group's primary tax rate	**200,321**	(63,529)	(82,747)
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	**(2,669)**	(1,969)	(2,089)
Tax neutralization is calculated with respect to the Company's share in the profits of investee companies	**(671)**	1,468	8,407
Differences in the measurement of assets and liabilities for tax purposes, and for the purpose of the adjusted reports	**5,967**	9,824	5,042
Difference with respect to the tax rate used to calculate deferred taxes	**591**	(611)	(698)
Rental income exempt from capital gains tax	**(3,099)**	(3,320)	(2,738)
Tax-exempt income	**(18,182)**	(13,985)	(21,922)
Unrecognized expenses	**2,435**	20,467	3,156
Unrecognized expenses with respect to share-based payment (see Note 40)	**-**	(3)	(57)
Use of losses and benefits from previous years with respect to which no deferred taxes were recorded	**-**	(419)	(1,269)
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	**(580)**	559	531
Taxes with respect to previous years	**(40,839)**	(13,726)	(12,669)
Taxes with respect to dividends from investee companies	**-**	12,296	-
Total taxes on income (tax benefit)	**143,274**	(58,896)	(107,054)
Effective tax rate	**24.45%**		

*) Retrospective adoption, see Note 3(s)(2).

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	Transferable deductions and losses for tax purposes *)	Employee benefits	Investee companies [1)]	Others [2)]	Total
Balance of deferred tax asset (liability) as of January 1, 2019	(152,878)	(9,602)	(62,815)	(135,731)	(133,943)	27,090	30,917	(558)	42,171	(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	76,727	582	545	3,291	39,885
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)**	**110,383**	**36,206**	**(13)**	**67,663**	**(443,776)**
Changes applied to the income statement	**(2,364)**	**(2,269)**	**(206)**	**46,020**	**7,595**	**12,637**	**4,313**	**(4,286)**	**12,862**	**74,302**
Changes applied to other comprehensive income	**-**	**-**	**2,017**	**(80,872)**	**-**	**-**	**(5,216)**	**-**	**567**	**(83,504)**
Classification of current taxes to deferred taxes	**-**	**-**	**12,200**	**-**	**-**	**(79,947)**	**1,651**	**-**	**(9,515)**	**(75,611)**
Balance of deferred tax asset (liability) as of December 31, 2020	**(179,525)**	**(14,215)**	**(40,621)**	**(323,604)**	**(117,929)**	**43,073**	**36,954**	**(4,299)**	**71,577**	**(528,589)**

*) For details regarding the changes due to the retrospective adoption due to the change in policy in the method used to measure LAT, see Note 3(s)(2) to the financial statements.

1) As of December 31, 2019 and 2020, 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.

F. Deferred tax assets and liabilities (Cont.) *)

NIS in thousands	As of December 31 2020	2019
Deferred tax assets	**12,236**	9,953
Liability with respect to deferred taxes	**(540,825)**	(453,729)
Total	**(528,589)**	(443,776)

*) Retrospective adoption, see Note 3(s)(2).

3. Deferred tax assets which were not recognized

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

NIS in thousands	As of December 31 2020	2019
Losses for tax purposes	**81,359**	82,354
Capital losses and real difference from marketable securities	**709,277**	710,350
Total	**790,636**	792,704

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:

A. The tax reports of the Group's member companies, to and including the tax year 2015 are considered final assessments in accordance with the provisions of section 145 of the Income Tax Ordinance.

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

1. The Company.
2. Clal Insurance Company Ltd.
3. Assets of Clal Insurance Company Property Ltd.
4. Clal Pension and Provident Funds Ltd.
5. Clal Factoring and Finance Ltd.
6. Clal Credit and Finance Ltd. (merged into Clal Insurance on December 31, 2018).
7. Clal Finance Consumer Credit Ltd. (merged with Clal Insurance on December 18, 2018).
8. Clal Credit Insurance 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 39.

For details regarding share-based payments, see Note 40.

		For the year ended December 31	
NIS in thousands	Details	**2020**	2019
Present value of funded obligations		**85,018**	89,205
Present value of unfunded obligations		**28,461**	32,905
Total present value of obligations	A(2)	**113,479**	122,110
Fair value of plan assets	A(2)	**48,263**	43,245
Impact of the maximum limit for assets		**-**	(358)
Liability which was recognized with respect to defined benefit plan		**65,216**	79,223
Recognized liability with respect to other long term benefits	C	**18,977**	17,693
Liabilities with respect to short term benefits *)		**231,612**	176,286
Total employee benefits		**315,805**	273,202
Presented under the following sections:			
Other accounts payable		**232,319**	176,933
Liabilities with respect to employee benefits, net		**83,486**	96,269

*) 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:

	As of December 31	
In percent	**2020**	2019
Managers insurance	**36**	36
Provident funds and pension funds	**64**	64
	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

	Liability with respect to defined benefit plan		Fair value of plan assets		Total liability (asset), net, recognized with respect to defined benefit plan	
NIS in thousands	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
Balance as of January 1	**122,110**	106,169	**42,887**	44,845	**79,223**	61,324
Expense/income applied to the statement of income 1)						
Current service cost	**11,804**	12,034	**-**	-	**11,804**	12,034
Past service cost	**1,823**	1,617	**245**	1,097	**1,578**	520
Interest costs	**2,315**	3,384	**773**	1,322	**1,542**	2,062
Settlements	**(633)**	(419)	**(383)**	(195)	**(250)**	(224)
Total expense/income applied to the statement of income	**15,309**	16,616	**635**	2,224	**14,674**	14,392
Recognized under other comprehensive income:						
Actuarial gains (losses) due to changes in demographic assumptions	**-**	283	**-**	-	**-**	283
Actuarial gain (loss) due to changes in financial assumptions 2)	**(4,694)**	14,923	**-**	-	**(4,694)**	14,923
Other actuarial losses (gains)	**(6,605)**	654	**-**	-	**(6,605)**	654
Actual returns less interest income	**-**	-	**4,424**	(478)	**(4,424)**	478
Total recognized under other comprehensive income	**(11,299)**	15,860	**4,424**	(478)	**(15,723)**	16,338
Additional movements						
Benefits paid	**(12,641)**	(16,535)	**(5,445)**	(7,579)	**(7,196)**	(8,956)
Redemption of central fund	**-**	-	**-**	(1,616)	**-**	1,616
Amounts deposited by the Group	**-**	-	**5,762**	5,491	**(5,762)**	(5,491)
Total additional movements	**(12,641)**	(16,535)	**317**	(3,704)	**(12,958)**	(12,831)
Balance as of December 31	**113,479**	122,110	**48,263**	42,887	**65,216**	79,223

1) Expenses are included under general and administrative expenses in the statement of income. See Note 34.
2) 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	**2020**	**2019**	**2018**
Average real discount rate as of December 31	**0.93**	0.55	2.47
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:

	As of December 31			
NIS in thousands	**Increase of one percent**		**Decrease of one percent**	
	2020	**2019**	**2020**	**2019**
Rate of future salary increases	**8,775**	13,128	**(6,877)**	(11,261)
Discount rate	**(6,677)**	(11,254)	**8,474**	13,383

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 the collective 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 2021 in defined benefit plans, financed for the plan assets, amounts to NIS 5,083 thousand.

The Group's estimate throughout the lifetime of the plan (according to a weighted average) at the end of the reporting period is 8.1 years (for 2019 - 9.4 years).

5. Actual returns

	For the year ended December 31		
NIS in thousands	**2020**	2019	2018
Actual returns on plan assets	**2,698**	1,045	584

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 the collective 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	**2020**	2019	2018
Amount recognized as expenditure with respect to defined deposit plans	**96,805**	97,580	93,536

C. Liabilities with respect to other long term benefits

	As of December 31	
NIS in thousands	**2020**	2019
Liabilities with respect to sick days	**6,412**	7,302
Liability with respect to dedication bonus	**5,044**	3,916
Liability with respect to seniority bonus	**7,521**	6,475
Total recognized liability with respect to other long term benefits	**18,977**	17,693

Note 24: Employee Benefits (Cont.)

D. Collective agreement between the Group's member companies and the Histadrut Worker's Committee in the Group

In September 2020, a collective agreement was signed between the Company's subsidiaries, Clal Insurance Company Ltd., Clal Pension and Provident Funds Ltd., Clal Credit Insurance Ltd., Clalbit Systems Ltd. and Canaf - Clal Financial Management Ltd. (the "Companies"), and the Histadrut New General Federation of Labor - the MAOF Histadrut (the "Histadrut"), and the Group's employee committee (the "Committee"), which extended the collective agreement that had been signed between the parties in July 2017 by one additional year, until December 31, 2021, subject to changes and additions, of which the primary ones are specified below (the "Agreement").

1. Update to the companies' workforce - Until the end of 2021, the companies' workforce will decrease by approximately 375 employees and managers (where until March 1, 2021, the workforce will decrease by 220 employees and managers) (hereinafter: the "Target Workforce Decrease"). The workforce decrease will also include employees who retire as part of the voluntary retirement program for employees over age 60, which was offered by the companies.
2. Beginning on July 1, 2020, the minimum wage for veteran monthly employees in the Company will be raised to amounts ranging from NIS 6,750 to NIS 9,250, depending on seniority. No additional salary raised will be given in 2020, except for continued productivity compensation.
3. Payments of salary bonuses to employees with respect to the years 2020-2021 will be made beginning in April 2021, and the rates thereof will be directly affected the Company's profits, as specified below:
   - A. The salary for April 2021 will include a salary raise at a rate of 2.5% of the base salary of employees who are entitled to a salary raise, instead of amounts with respect to previous years whose payment was deferred to 2021 in accordance with the 2017 agreement, and without any additional conditions.
   - B. The Company will also allocate, in the salary for April 2021, or at a later date, as stated below, an additional budget of 3% for the payment of a salary bonus to eligible employees with respect to 2021 (the "2021 Salary Bonus Budget"). The payment of the foregoing raise will be conditional on the companies' achievement of the workforce decrease target as of March 1, 2021. Insofar as the companies do not achieve the foregoing target, the payment of the foregoing salary bonuses will be postponed from the dates specified below until the date when they fulfill the updated target decrease as of that date (and will be paid retroactively with respect to April 2021).
   - C. Insofar as the Company's profit for 2020 is of an amount less than NIS 100 million, salary bonuses will be paid in the salary for April 2021 on account of the 2021 salary bonus budget, according to the CPI's rate of increase (index in lieu) with respect to the period from July 1, 2019 to April 1, 2021, plus 0.5%; however, in any case no less than 1%. The balance of the 2021 salary bonus budget, if any, will be postponed to April 2024. Insofar as the Company's profit for 2020 is in the range between NIS 100 million and NIS 300 million (exclusive), the entire 2021 salary bonus budget will be paid in the salary for April 2021.
   - D. Insofar as the Company's profit for 2020 is NIS 300 million or higher, the 2021 salary bonus budget will be 4%.
   - E. In general, half of the total salary additions budget will be paid as a uniform addition, and the other half will be paid as a differential addition in the managers' discretion.
   - F. The companies will also continue paying performance-dependent variable compensation (commission), the budget of which will be no less than 1% of the total base salary for the purpose of calculating the 2021 salary bonus budget.
4. The summary regarding a special annual payment under the 2017 agreement will also apply to 2021. Insofar as the Group'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. For details regarding the options plan, see Note 40.

Note 24: Employee Benefits (Cont.)

5. The understandings reached in the 2017 agreement regarding the increased participation in meals, the participation in summer camp payments, and the persistence and excellence bonus for employees who joined the Company after November 2012, and employer's deposits for compensation, will apply in 2021 as well.
6. The welfare budget for 2021 will amount to a total of approximately NIS 17.5 million.
7. Industrial peace will be maintained throughout the entire period of the agreement. The agreement also exhausts the claims and assertions of all of the parties throughout the entire period of the agreement.
8. Beyond the above, the companies recorded a non-recurring expense in 2019 and in 2020, with respect to the voluntary retirement plan which was offered to employees age 60 or older, in the amount of approximately NIS 8 million and NIS 10.8 million, respectively.

According to the Company's estimate, the changes and additions specified above will not have a significant impact on the workforce expenses which were expected in accordance with the previous collective agreement.

Note 25: Financial Liabilities

A. Financial liabilities

	As of December 31			
	Book value		Fair value *)	
NIS in thousands	2020	2019	2020	2019
Total financial liabilities presented at amortized cost [b]				
Liability certificates	**3,949,471**	3,974,027	**4,245,354**	4,327,026
Loans from banking corporations	**111,938**	111,938	**113,169**	118,565
Total liabilities presented at amortized cost	**4,061,409**	4,085,965	**4,358,523**	4,445,591
Liabilities measured at fair value through profit and loss:				
Liabilities with respect to derivative financial instruments and short sales:				
Future contracts	**415,103**	104,532	**415,103**	104,532
Foreign currency swap transactions	**616**	31,161	**616**	31,161
Share options	**3,449**	-	**3,449**	-
Options on foreign indices	**18,774**	10,739	**18,774**	10,739
Short sales	**24,423**	-	**24,423**	-
Other	**-**	2,286	**-**	2,286
Total liabilities measured at fair value through profit and loss 1)	**462,365**	148,718	**462,365**	148,718
Total financial liabilities	**4,523,774**	4,234,683	**4,820,888**	4,594,309
1) Of which, with respect to investment-linked liabilities	**295,326**	103,082	**295,326**	103,082

For additional information regarding the Group's exposure to interest rate, foreign currency and liquidity risks, see Note 38(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 3)

	Additional information	Capital type 1)	Linkage terms	Interest type	Annual interest rate		Marketable/ Non-marketable	Level in fair value hierarchy 2)	Early redemption date 4)	Interest rate used to calculate fair value	Original amount issued	Book value		Fair value	
					Effective	Nominal						2020	2019	2020	2019
					%					%	NIS in thousands				
Liability certificates (Series A)	(1)	Tier 2 subordinated capital	CPI-linked	Fixed	4.99	4.89	Marketable	1	N/A.	-	400,000	**22,116**	44,464	**23,128**	47,692
Loan from interested party bank	(2)	Tier 3 hybrid capital	Unlinked	Variable	2.40	2.40	Non-marketable	2	Paid in March 2021	0.54	111,938	**111,938**	111,938	**113,169**	118,565
Liability certificates (Series C)	(3)	Tier 2 hybrid capital	CPI-linked	Fixed	2.97-4.35	3.75	Marketable	1	August 2021	-	774,701	**82,483**	82,861	**85,109**	89,651
Liability certificates (Series G)	(3)	Tier 2 hybrid capital	CPI-linked	Fixed	2.39-2.45	2.32	Marketable	1	December 2023	-	364,846	**363,376**	364,976	**390,166**	402,790
Liability certificates (Series H)	(3)	Tier 2 hybrid capital	Unlinked	Fixed	2.98-4.31	4.14	Marketable	1	December 2022	-	469,388	**470,722**	471,372	**497,364**	512,994
Liability certificates (Series I)	(3)	Tier 2 hybrid capital	CPI-linked	Fixed	2.51-3.84	2.48	Marketable	1	July 2025	-	423,486	**416,155**	417,012	**472,780**	484,934
Liability certificates (Series J)	(3)	Tier 2 hybrid capital	Unlinked	Fixed	3.38-4.61	3.92	Marketable	1	July 2024	-	959,854	**952,424**	950,556	**1,065,534**	1,089,146
Liability certificates (Series K)	(3)	Tier 2	Unlinked	Fixed	2.42-2.79	2.64	Marketable	1	March 2030	-	1,636,172	**1,642,195**	1,642,786	**1,711,273**	1,699,819
Total liability certificates											5,140,385	**4,061,409**	4,085,965	**4,358,523**	4,445,591

1) For details regarding the inclusion of deferred liability notes in the calculation of recognized capital, see Note 16(e).
2) For the definition of the hierarchy levels, see Note 2(e)(3).
3) The issuer of all of the liability certificates is Clalbit Finance, except for a loan from an interested party bank and an equity instrument, for which the issuer is Clal Insurance.
4) For additional details, see section 3(h)(1) below.

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, subject to the right of prepayment. The interest is being paid in semi-annual installments. The loan was repaid in full, through prepayment, on March 16, 2021, in accordance with the terms of the loan.
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 in 2019.

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. See h(3) below.

(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

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 Clalbit Finance's 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	2020	2019
First year	**213,604**	18,815
Second year	**466,322**	214,672
Third year	**361,274**	466,312
Fourth year	**957,332**	363,452
Fifth year and thereafter	**2,062,877**	3,022,714
Total	**4,061,409**	4,085,965

*) Assuming early redemption, see section B(3)(h)(1) above.

Note 25: Financial Liabilities (Cont.)

B. Deferred liability notes (Cont.)

6. Movement in liabilities from financing activities

	Bonds	Loans *)	Total Liability certificates	Interest payable with respect to Deferred liability notes	Total
Balance as of January 1, 2019	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**
Changes due to cash flows from financing activities					
Repayment of deferred liability notes	**(22,168)**	**-**	**(22,168)**	**-**	**(22,168)**
Interest paid	**-**	**-**	**-**	**(128,091)**	**(128,091)**
Total cash from financing activities	**(22,168)**	**-**	**(22,168)**	**(128,091)**	**(150,259)**
Effect of changes in index	**(5,443)**	**-**	**(5,443)**	**-**	**(5,443)**
Changes to the effective interest rate	**3,055**	**-**	**3,055**	**126,449**	**129,504**
Balance as of December 31, 2020	**3,949,471**	**111,938**	**4,061,409**	**33,572**	**4,094,981**

*) For details regarding actions after the balance sheet date, see section b(2) above.

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-20
		Debt rating for deferred liability notes	(AA)	Negative		
		Debt rating (Tier 2 hybrid capital)	(AA-)	Negative		
Midroog	Clal Insurance	(IFS)1)	Aa1(hyb)	Negative	Jun-20 3)	Jun-20 3)
		Debt rating - Tier 2 subordinated liability certificates	Aa2(hyb)	Negative		
		Debt rating - liability certificates under Tier 2 hybrid capital	Aa3(hyb)	Negative		
Moody's international rating company	Clal Credit Insurance	(IFSR)	A3	Stable	Feb-21 4)	Feb-21 4)

1) Financial stability rating of an insurer.

2) In September 2020, Maalot left unchanged the ratings and the forecast presented in the above table.

3) In June 2020, Midroog left the ratings presented in the above table, but changed the stable from stable to negative.

4) Clal Credit Insurance is rated A3 (IFSR) by the international rating company Moody's. In March 2020, the international company's rating became public. On February 14, 2021, Moody's notified the Company that the rating will remain unchanged, but the outlook will change from negative to stable.

E. Fair value of liabilities with respect to derivative financial instruments and short sales

1) Fair value measurement

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, 2020		
NIS in thousands	Level 1	Level 2	Total
Derivatives	**22,223**	**415,719**	**437,942**
Short sales	**24,423**	**-**	**24,423**
Total	**46,646**	**415,719**	**462,365**

	As of December 31, 2019		
NIS in thousands	Level 1	Level 2	Total
Derivatives	**11,104**	**137,614**	**148,718**

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	2020	2019
Stocks	**6,801**	(33,253)
CPI	**1,875,331**	1,512,027
Foreign currency	**738,472**	91,370
Goods	**-**	(754)
Fixed interest	**(113,233)**	(115,867)

Note 26: Other Accounts Payable

Composition

	As of December 31	
NIS in thousands	**2020**	**2019**
Employees and other wage and salary commitments	**237,741**	176,933
Expenses payable	**125,593**	152,168
Provisions with respect to legal claims ¹⁾	**61,356**	33,944
Suppliers and service providers	**62,602**	60,076
Government institutions and authorities	**5,817**	14,847
Reinsurers’ share in deferred acquisition costs	**91,689**	89,797
Insurance companies and insurance mediators:		
Deposits of reinsurers	**1,237,273**	1,228,866
Other accounts	**185,862**	255,263
Total insurance companies and insurance mediators:	**1,423,135**	1,484,129
Insurance agents	**412,679**	453,418
Policyholders and members	**311,058**	459,469
Provision for profit sharing of policyholders	**50,802**	47,458
Interest payable with respect to deferred liability notes	**33,570**	35,213
Prepaid premiums	**63,141**	65,802
Payables with respect to collateral for non-marketable futures contracts	**1,028,893**	145,464
Payables with respect to acquisition of securities	**35,167**	28,384
Investee companies accounted by the equity method	**12,567**	12,286
Other payables	**9,573**	9,765
Total other accounts payable	**3,965,383**	3,269,153

1) Movement in the provisions with respect to legal claims

	For the year ended December 31	
NIS in thousands	**2020**	**2019**
Balance as of January 1	**33,944**	51,488
Provisions realized during the year	**(14,486)**	(18,979)
Provisions created during the year	**41,898**	1,435
Balance as of December 31	**61,356**	33,944

Note 27: Leases

A. Leases in which the Group is the lessee

The Group has adopted IFRS 16, Leases, since January 1, 2019.

1. 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**
Additions to right-of-use assets with respect to leases new leases during the period	**407**	**-**	**18,294**	**18,701**
Updates to right-of-use assets with respect to linkage to the index	**(3,101)**	**(76)**	**(28)**	**(3,205)**
Write-offs	**-**	**-**	**(10,383)**	**(10,383)**
Balance as of December 31, 2020	**516,606**	**23,131**	**54,379**	**594,116**
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**
Amortization for the period	**31,116**	**2,017**	**20,611**	**53,744**
Write-offs from right-of-use assets	**-**	**-**	**(8,974)**	**(8,974)**
Balance as of December 31, 2020	**61,954**	**4,021**	**26,098**	**92,073**
Balance of amortized cost as of December 31, 2019	488,462	21,203	32,035	541,700
Balance of amortized cost as of December 31, 2020	**454,652**	**19,110**	**28,281**	**502,043**

2. 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**
Additions to new lease liabilities during the period	**407**	**-**	**18,294**	**18,701**
Updates to lease liabilities with respect to linkage to the index	**(3,101)**	**(76)**	**(28)**	**(3,205)**
Financing expenses	**18,078**	**681**	**526**	**19,285**
Payment of lease liability	**(20,470)**	**(2,433)**	**(21,146)**	**(44,049)**
Write-offs of lease liabilities	**-**	**-**	**(1,428)**	**(1,428)**
As of December 31, 2020	**530,643**	**21,699**	**28,225**	**580,567**

Analysis of lease liability repayment dates

NIS in thousands	As of December 31, 2020	As of December 31, 2019
Up to one year	**30,469**	21,127
One to five years	**130,315**	113,705
Over five years	**419,784**	456,431
Total	**580,567**	591,263

Note 27: Leases

B. 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	2020	2019
Up to one year	**241,944**	267,638
One year to five years	**797,328**	891,621
Over five years	**1,791,173**	2,033,553
Total	**2,830,445**	3,192,812
Of which, receivable future minimum lease payments attributed to properties in which the Company is the lessee under a finance lease	**769,564**	901,930

For additional information regarding leasing agreements in connection with investment property, see Note 10.

Note 28: Premiums Earned

	For the year ended December 31, 2020		
NIS in thousands	**Gross**	**Reinsurance**	**Retention**
Premiums in life insurance	**5,731,150**	**146,775**	**5,584,375**
Premiums in health insurance	**1,292,743**	**65,602**	**1,227,141**
Premiums in non-life insurance	**2,592,369**	**1,309,193**	**1,283,176**
Total premiums	**9,616,262**	**1,521,570**	**8,094,692**
Change in unearned premium balance and other changes *)	**(121,962)**	**(55,056)**	**(66,906)**
Total premiums earned	**9,494,300**	**1,466,514**	**8,027,786**

	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 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.

Note 29: Income (loss) from Investments, Net, and Financing Income

	For the year ended December 31		
NIS in thousands	**2020**	**2019**	**2018**
Income (loss) from assets held against investment-linked liabilities			
Investment property	**65,339**	166,924	229,522
Financial investments			
Marketable debt assets	**442,735**	1,944,680	79,638
Non-marketable debt assets	**81,462**	561,856	(5,463)
Stocks	**2,458,955**	4,303,542	(152,354)
Other	**872,745**	733,771	(441,251)
Cash and cash equivalents	**(20,901)**	(7,053)	33,446
Other	**(20,520)**	(18,771)	(10,741)
Total income (loss) from assets held against investment-linked liabilities, net	**3,879,815**	7,684,949	(267,203)
Income (loss) from assets held against non-investment-linked liabilities, capital and others			
Income from investment property			
Revaluation of investment property	**(17,271)**	5,464	6,238
Current income with respect to investment property	**57,858**	58,877	78,165
Total income from investment property	**40,587**	64,341	84,403
Income (loss) from financial investments, excluding interest, linkage differentials, foreign currency differences and dividends with respect to:			
Available for sale assets (a)	**123,926**	562,196	199,637
Assets presented at fair value through profit or loss (b)	**44,308**	202,327	(278,412)
Assets presented as loans and receivables (c)	**11,766**	1,095	502
Total	**180,000**	765,618	(78,273)
Interest income[1] and linkage differentials from financial assets not at fair value through profit and loss	**953,918**	1,138,688	1,388,355
Interest income and linkage differentials from financial assets at fair value through profit and loss	**3,025**	7,436	8,534
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]	**(54,493)**	(36,208)	40,868
Income from dividends	**47,890**	55,645	68,185
Total income (loss) from investments, net, and financing income	**5,050,742**	9,680,469	1,244,869
1) The aforementioned income includes interest with respect to impaired financial assets which are not measured at fair value through profit or loss	**11,408**	2,960	2,005

2) For details regarding foreign currency differences with respect to financial liabilities, see Note 36.

Note 29: Income (Loss) from Investments, Net, and Financing Income (Cont.)

A. Net profits from investments with respect to available for sale financial assets

NIS in thousands	For the year ended December 31 2020	2019	2018
Net profit from realized securities	**344,942**	616,044	287,850
Net impairment charged to profit and loss	**(221,016)**	(53,848)	(88,213)
Total income (loss) from investments with respect to available for sale financial assets	**123,926**	562,196	199,637

B. Income (loss) from investments with respect to assets presented at fair value through profit and loss

NIS in thousands	For the year ended December 31 2020	2019	2018
Net changes in fair value, including profit from disposal			
With respect to assets designated upon initial recognition	**(49,402)**	(2,492)	(399)
With respect to assets held for trading	**93,710**	204,819	(278,013)
Total income (loss) from investments with respect to assets presented at fair value through profit and loss	**44,308**	202,327	(278,412)

C. Income (loss) from investments with respect to assets presented as loans and receivables

NIS in thousands	For the year ended December 31 2020	2019	2018
Income (loss) from disposal of assets presented as loans and receivables	**15,465**	1,971	1,653
Reversal of impairment (impairment) charged to profit and loss	**(3,699)**	(876)	(1,151)
Total gains from investments with respect to assets presented as loans and receivables	**11,766**	1,095	502

Note 30: Income from Management Fees

NIS in thousands	For the year ended December 31 2020	2019	2018
Management fees in the pension and provident fund branches	**456,489**	458,428	448,086
Variable management fees with respect to life insurance contracts *)	**304,866**	485,403	2,995
Fixed management fees with respect to life insurance contracts	**456,746**	445,413	414,082
Management fees with respect to investment contracts	**28,580**	20,733	19,034
Total income from management fees	**1,246,681**	1,409,977	884,197

*) 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.

Note 31: Income from Commissions

NIS in thousands	For the year ended December 31 2020	2019	2018
Insurance agency commissions	**64,741**	53,076	52,761
Reinsurance commissions, less change in deferred acquisition costs with respect to reinsurance	**246,527**	230,842	238,585
Total income from commissions	**311,268**	283,918	291,346

Note 32: Payments and Changes in Liabilities with Respect to Insurance Contracts and Investment Contracts on Retention

	For the year ended December 31		
NIS in thousands	2020	2019	2018
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	**747,332**	732,544	748,097
Less reinsurance	**(90,140)**	(88,601)	(119,334)
	657,192	643,943	628,763
Redeemed policies	**3,036,063**	2,735,270	2,288,894
Expired policies	**102,632**	226,585	14,883
Retirement	**597,066**	503,949	414,656
Claim settlement costs	**57,280**	55,453	16,666
Total claims	**4,450,233**	4,165,200	3,363,862
Increase (decrease) in liabilities with respect to life insurance contracts (excluding changes in contingencies) on retention	**5,025,818**	9,853,102 *)	2,461,073*)
Increase in liabilities with respect to life insurance investment contracts due to the yield component	**157,974**	217,270	(18,666)
Increase in liabilities with respect to a contract for the management of a guaranteed return provident fund	**113,061**	134,356	152,437
Total payments and change in liabilities on retention with respect to insurance contracts and investment contracts in long term savings	**9,747,086**	14,369,928*)	5,958,706*)
Total payments and change in liabilities with respect to non-life insurance contracts			
Gross	**1,500,422**	1,901,903	1,562,129
Reinsurance	**(721,604)**	(977,421)	(553,777)
On retention	**778,818**	924,482	1,008,352
Total payments and change in liabilities with respect to health insurance contracts			
Gross	**619,989**	1,726,812	1,822,451
Reinsurance	**(130,345)**	(221,401)	(471,418)
On retention	**489,644**	1,505,411	1,351,033
Total payments and change in liabilities with respect to insurance contracts and investment contracts on retention	**11,015,548**	16,799,821	8,318,091

*) Retrospective adoption, see Note 3(s)(2).

Note 33: Commissions, Marketing Expenses and Other Acquisition Costs

	For the year ended December 31		
NIS in thousands	2020	2019	2018
Acquisition costs:			
Acquisition fees	**642,249**	700,950	710,163
Other acquisition costs	**516,311**	531,188	468,754
Change in deferred acquisition costs	**24,560**	(47,665)	(28,965)
Total acquisition costs	**1,183,120**	1,184,473	1,149,952
Other current fees	**561,033**	617,258	641,415
Other marketing expenses	**187,136**	198,372	228,698
Total commissions, marketing expenses and other acquisition costs	**1,931,289**	2,000,103	2,020,065

Note 34: General and Administrative Expenses

	For the year ended December 31		
NIS in thousands	**2020**	**2019**	**2018**
Payroll and associated expenses [2]	**1,109,731**	1,059,275	1,024,900
Depreciation and amortization	**315,873**	318,365	253,197
Office maintenance and telecommunication	**74,430**	82,288	136,647
Marketing and advertising	**41,142**	53,004	23,961
Legal and professional consulting	**39,885**	39,377	37,535
Operating expenses of provident funds in banks	**9,611**	9,509	12,725
Others [3]	**211,990**	226,911	251,471
Total [1]	**1,802,662**	1,788,729	1,740,436
Less:			
Amounts classified under the item for liabilities and payments with respect to insurance contracts	**165,312**	167,914	132,754
Amounts classified under the item for commissions, marketing expenses and other acquisition costs	**703,447**	729,560	697,452
General and administrative expenses	**933,903**	891,255	910,230
1) General and administrative expenses include expenses with respect to automation in the amount of	**463,117**	452,822	422,994

2. For additional details regarding payroll expenses and associated expenses, including share-based payments, see Note 40. 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.

Note 35: Other Expenses

	For the year ended December 31		
NIS in thousands	**2020**	**2019**	**2018**
Amortization of intangible assets (Note 6)	**3,986**	4,036	4,570
Provision for claims	**447**	(515)	4,800
Onerous contract *)	**(83)**	2,038	(154)
Pension and provident clearing fees	**4,700**	3,678	1,365
Others	**12**	392	116
Total other expenses	**9,062**	9,629	10,697

*) Change in the provision with respect to onerous contracts for rent which the Group is obligated to pay.

Note 36: Financing Expenses

NIS in thousands	For the year ended December 31		
	2020	2019	2018
Interest expenses and linkage differentials with respect to deferred liability notes	**123,943**	127,581	131,552
Prepayment penalty 1)	-	65,150	-
Interest expenses to reinsurers	**17,444**	29,532	17,355
Exchange differences, net, with respect to liabilities 2) 3)	**(6,367)**	(6,737)	8,270
Financing expenses with respect to leases 4)	**19,285**	19,774	-
Commissions and other financing costs	**394**	988	754
Total financing expenses	**154,699**	236,288	157,931

1) See Note 25 above.
2) Primarily due to foreign currency differences with respect to the settling of accounts vis-à-vis reinsurers.
3) For details regarding foreign currency differences with respect to financial investments, see Note 29.
4) See Note 27 above.

Note 37: Earnings Per Share

A. Earnings attributable to holders of ordinary shares of the Company (basic and diluted)

	For the year ended December 31		
NIS in thousands	2020	2019	2018
Earnings (loss) attributed to holders of ordinary shares	**438,676**	(130,196)	(140,264)

B. Weighted average of the number of ordinary shares (basic)

	For the year ended December 31		
	2020	2019	2018
	Shares of NIS 1 par value		
Balance as of January 1	**67,644,867**	55,578,867	55,563,497
Impact of shares which were issued during the year	**-**	464,077	-
Impact of warrants exercised into shares	**-**	-	13,808
Weighted average of the number of ordinary shares used to calculate basic earnings (loss) per share	**67,644,867**	56,042,944	55,577,305

C. Weighted average of the number of ordinary shares (diluted) 1)

	For the year ended December 31		
	2020	2019	2018
	Shares of NIS 1 par value		
Weighted average of the number of ordinary shares used to calculate basic earnings per share	**67,644,867**	56,042,944	55,577,305
Impact of share warrants	**-**	-	-
Weighted average of the number of ordinary shares used to calculate diluted earnings (loss) per share	**67,644,867**	56,042,944	55,577,305

1) The average market value of the Company’s stock, for the purpose of calculating the dilution 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 last year, see Note 16.

Note 38: 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)(8)). 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.

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, finance, 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 finance division and the SOX department, 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.

Note 38: 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.)

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 absorption cushions 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(e)7).

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.

<u>Processes and methods for the management and measurement of various risks:</u>

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.

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.

Note 38: 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. Insurance risks

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 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.

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.

In general, Clal Insurance Group uses an automated system to calculate the best estimate of insurance liabilities in life insurance, health insurance and pension, 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 38: 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. Credit risks

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 borrower and sectoral 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 38: 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. Operational risks

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.

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 and finance division 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 writes a second opinion regarding significant transactions and the development of new products in the fields of insurance and investment.

The Company’s Internal Auditor also conducts periodic reviews which are based, inter alia, on risk surveys.

Note 38: Risk Management (Cont.)

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.

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)(3)(c)).

For details regarding legal requirements and capital management policies, see Notes 16(d)-(f).

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, credit margin, the CPI and foreign currency.

1. <u>Investment-linked contracts</u>

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.

Note 38: Risk Management (Cont.)

C. Market risks (Cont.)

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 38(e)). Additionally, with respect to those products, Clal Insurance has indirect exposure to changes in the consumer price index, which 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, 2020, amounts to approximately NIS 46.1 billion (last year - approximately NIS 44.1 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 NIS 64 million.

For details regarding the management fees which were collected during the reporting period, see Notes 20 and 30 above.

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, 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.

Note 38: Risk Management (Cont.)

C. Market risks (Cont.)

As of December 31, 2020

	Interest rate		Investments in equity instruments		Rate of change in the consumer price index		Rate of change in the foreign currency exchange rate	
NIS in thousands	**+1%**	**1%-**	**+10%**	**10%-**	**+1%**	**1%-**	**+10%**	**10%-**
Profit and loss	**760,153**	**(504,321)**	**27,001**	**(26,752)**	**(15,078)**	**10,622**	**(145,040)**	**145,040**
Comprehensive income (equity)	**459,681**	**(118,815)**	**334,935**	**(334,687)**	**(15,078)**	**10,622**	**53,678**	**(53,678)**

As of December 31, 2019

	Interest rate *)		Investments in equity instruments		Rate of change in the consumer price index		Rate of change in the foreign currency exchange rate	
NIS in thousands	**+1%**	**1%-**	**+10%**	**10%-**	**+1%**	**1%-**	**+10%**	**10%-**
Profit and loss	885,798	(713,846)	13,725	(12,499)	(20,595)	19,219	(127,869)	127,869
Comprehensive income (equity)	565,750	(326,570)	258,243	(257,017)	(20,595)	19,219	47,158	(47,158)

*) Restated. For additional details, see Note 3(s)2 above.

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 22 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 728 million (last year - loss of approximately NIS 1,075 million). The impact of a 1% increase on comprehensive income before tax is estimated as income of approximately NIS 1,164 million (last year - income of approximately NIS 1,337 million). For additional details regarding the strengthening of insurance reserves, in light of the low interest rate environment and its impact on the discount rates in life insurance during the reporting year, see section e(e1)(d) 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 3,186 million, with respect to an increase of 10% in foreign currency exchange rates, including income in the amount of approximately 19 million and comprehensive income in the amount of approximately NIS 191 million (2019: approximately NIS 25 million and approximately NIS 157 million, respectively). The primary currency in these instruments is the US Dollar.

Note 38: 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, 2020		
NIS in thousands	Non-investment-linked	Investment-linked	Total
Assets with direct interest rate risk			
Marketable debt assets	**5,823,747**	**24,263,517**	**30,087,264**
Non-marketable debt assets			
HETZ bonds and deposits in treasury	**16,278,710**	**-**	**16,278,710**
Other	**5,813,919**	**6,696,981**	**12,510,900**
Other financial investments	**578,340**	**7,660,924**	**8,239,264**
Cash and cash equivalents	**1,948,922**	**5,273,150**	**7,222,072**
Reinsurance assets	**3,378,337**	**250,992**	**3,629,329**
Total assets with direct interest rate risk	**33,821,975**	**44,145,564**	**77,967,539**
Assets without direct interest rate risk *)	**11,098,375**	**35,418,961**	**46,517,336**
Total assets	**44,920,350**	**79,564,525**	**124,484,875**
Liabilities with direct interest rate risk			
Financial liabilities	**4,228,448**	**295,326**	**4,523,774**
Liabilities with respect to insurance contracts and investment contracts	**31,078,895**	**77,291,364**	**108,370,259**
Others	**1,527,713**	**229,071**	**1,756,784**
Total liabilities with direct interest rate risk *)	**36,835,056**	**77,815,761**	**114,650,817**
Liabilities without direct interest rate risk	**2,379,372**	**1,098,752**	**3,478,124**
Capital	**6,355,934**	**-**	**6,355,934**
Total capital and liabilities	**45,570,362**	**78,914,513**	**124,484,875**
Total assets, less liabilities	**5,705,922**	**650,012**	**6,355,934**
Off-balance sheet risk	**824,393**	**632,402**	**1,456,795**

*) 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, 2020 and 2019, the designated bonds covered approximately 79% and approximately 78%, 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 38: Risk Management (Cont.)

C. Market risks (Cont.)

3. Direct interest rate risk (Cont.)

	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 **)	10,308,145*)	28,706,391	39,014,536
Total assets	44,860,293	72,813,606	117,673,899
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	31,444,910*)	71,833,004	103,277,914
Others	1,331,903	200,141	1,532,044
Total liabilities with direct interest rate risk **)	36,908,414	72,136,227	109,044,641
Liabilities without direct interest rate risk	2,619,784*)	259,099	2,878,883
Capital	5,750,375*)	-	5,750,375
Total capital and liabilities	45,278,573	72,395,326	117,673,899
Total assets, less liabilities	5,332,095	418,280	5,750,375
Off-balance sheet risk	851,798	524,663	1,376,461

*) Retrospective adoption, see Note 3(s)(2).

**) 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 38: Risk Management (Cont.)

C. Market risks (Cont.)

4. Details regarding assets and liabilities, distributed by linkage bases

As of December 31, 2020:

	Israeli currency		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	-	-	-	-	-	-	1,255,264	-	1,255,264
Deferred tax assets	-	-	-	-	-	-	12,236	-	12,236
Deferred acquisition costs	-	-	-	-	-	-	1,989,446	7,198	1,996,644
Property, plant and equipment	-	-	-	-	-	-	208,036	-	208,036
Right-of-use asset	-	-	-	-	-	-	502,043	-	502,043
Investments in investee companies accounted by the equity method	-	-	-	-	-	-	136,104	-	136,104
Investment property for investment-linked contracts 2)	-	-	-	-	-	-	-	3,043,442	3,043,442
Other investment property	-	-	-	-	-	-	1,209,486	-	1,209,486
Reinsurance assets	2,205	3,371,606	2,776	1,462	30	258	-	250,992	3,629,329
Current tax assets	-	9,689	-	-	-	-	-	-	9,689
Other accounts receivable	325,010	51,324	127,594	4,463	-	-	48,654	70,632	627,677
Outstanding premiums	3,122	453,688	73,454	338	-	-	-	120,350	650,952
Financial investments for investment-linked contracts	-	-	-	-	-	-	-	70,798,761	70,798,761
Other financial investments:									
Marketable debt assets	1,040,408	4,647,534	126,644	-	-	9,161	-	-	5,823,747
Non-marketable debt assets	1,328,969	20,490,620	114,550	31,861	126,629	-	-	-	22,092,629
Stocks	-	-	-	-	-	-	1,692,465	-	1,692,465
Other	233,679	31,716	274,656	5,980	10,627	1,898	3,015,743	-	3,574,299
Cash and cash equivalents for investment-linked contracts	-	-	-	-	-	-	-	5,273,150	5,273,150
Other cash and cash equivalents	1,688,462	-	215,544	28,753	15,726	437	-	-	1,948,922
Total assets	4,621,855	29,056,177	935,218	72,857	153,012	11,754	10,069,477	79,564,525	124,484,875

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.

2) See Note 38(g) below.

Note 38: Risk Management (Cont.)

C. Market risks (Cont.)

4. Details of assets and liabilities by linkage bases (Cont.)

As of December 31, 2020 (Cont.):

	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	**-**	**-**	**-**	**-**	**-**	**-**	**6,355,934**	**-**	**6,355,934**
Liabilities									
Liabilities with respect to non-investment-linked insurance contracts and investment contracts	**13,309**	**31,045,182**	**18,269**	**2,135**	**-**	**-**	**-**	**-**	**31,078,895**
Liabilities with respect to investment-linked insurance contracts and investment contracts	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**77,291,364**	**77,291,364**
Deferred tax liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**540,825**	**-**	**540,825**
Liabilities with respect to employee benefits, net	**83,486**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**83,486**
Other accounts payable	**1,677,103**	**747,797**	**157,522**	**2,957**	**-**	**-**	**52,181**	**1,327,823**	**3,965,383**
Lease liability	**-**	**580,567**	**-**	**-**	**-**	**-**	**-**	**-**	**580,567**
Current tax liabilities	**-**	**64,647**	**-**	**-**	**-**	**-**	**-**	**-**	**64,647**
Financial liabilities	**3,292,550**	**884,130**	**1,222**	**26,122**	**-**	**-**	**24,424**	**295,326**	**4,523,774**
Total liabilities	**5,066,448**	**33,322,323**	**177,013**	**31,214**	**-**	**-**	**617,430**	**78,914,513**	**118,128,941**
Total capital and liabilities	**5,066,448**	**33,322,323**	**177,013**	**31,214**	**-**	**-**	**6,973,364**	**78,914,513**	**124,484,875**
Total balance sheet exposure	**(444,593)**	**(4,266,146)**	**758,205**	**41,643**	**153,012**	**11,754**	**3,096,113**	**650,012**	**-**
Exposure to underlying assets via derivatives, in delta terms	**1,239,036**	**1,975,045**	**(3,059,193)**	**(108,550)**	**(224,326)**	**57,224**	**120,764**	**-**	**-**
Total exposure	**794,443**	**(2,291,101)**	**(2,300,988)**	**(66,907)**	**(71,314)**	**68,978**	**3,216,877**	**650,012**	**-**

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 38: Risk Management (Cont.)

C. Market risks (Cont.)

4. Details of assets and liabilities by linkage bases (Cont.)

As of December 31, 2019

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	-	-	-	-	-	-	1,297,627	-	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 2)	-	-	-	-	-	-	-	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	-	129,425*)	-	-	-	-	-	-	129,425
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	-	-	-	-	-	-	-	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	29,896,416	780,270	76,024	143,490	28,581	9,284,360	72,813,606	117,673,899

*) Retrospective adoption. For additional details, see Note 3(s)(2).

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.

2) See Note 38(g) below.

Note 38: Risk Management (Cont.)

C. Market risks (Cont.)

4. Details of assets and liabilities by linkage bases (Cont.)

As of December 31, 2019 (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	-	-	-	-	-	-	5,750,375*)	-	5,750,375
Liabilities									
Liabilities with respect to non-investment-linked insurance contracts and investment contracts	25,100	31,374,642*)	44,708	460	-	-	-	-	31,444,910
Liabilities with respect to investment-linked insurance contracts and investment contracts	-	-	-	-	-	-	-	71,833,004	71,833,004
Deferred tax liabilities	-	-	-	-	-	-	453,729*)	-	453,729
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	33,905,989	153,557	11,377	-	-	499,876	72,395,326	111,923,524
Total capital and liabilities	4,957,399	33,905,989	153,557	11,377	-	-	6,250,251	72,395,326	117,673,899
Total balance sheet exposure	(306,247)	(4,009,573)	626,713	64,647	143,490	28,581	3,034,109	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	(2,488,477)	(1,925,981)	(38,934)	(106,682)	22,618	3,089,384	418,280	-

*) Retrospective adoption. For additional details, see Note 3(s)(2).

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 38: Risk Management (Cont.)

C. Market risks (Cont.)

5. Details regarding exposure to market branches with respect to equity instruments

	As of December 31, 2020					
NIS in thousands	Listed on the Tel Aviv 125 Index	Listed on the Yeter stock index	Non-marketable	International	Total	% of total
Industry	67,777	4,524	46,461	16,526	135,288	8%
Construction, real estate and infrastructure	285,515	44,675	107,884	220,128	658,202	39%
Electricity and water	124,405	10,725	-	59,262	194,392	11%
Trading	55,453	4,409	-	-	59,862	4%
Tourism and hotels	5,859	-	-	-	5,859	0%
Telecommunications and IT services	108,436	-	25,791	55,354	189,581	11%
Banks	147,244	4,979	17,945	-	170,168	10%
Financial services	61,888	14,508	-	8,209	84,605	6%
Technology	-	-	12,434	-	12,434	1%
Other business services	13,790	1,128	67,834	22,732	105,484	6%
Food	4,293	-	-	1,097	5,390	0%
Drugs and medical services	13,680	1,215	3,608	52,630	71,133	4%
Total	888,340	86,163	281,957	435,938	1,692,398	100%

	As of December 31, 2019					
NIS in thousands	Listed on the Tel Aviv 125 Index	Listed on the Yeter stock index	Non-marketable	International	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%

Note 38: 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:

A. 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, 2020 and 2019 amounted to approximately NIS 77.3 billion and approximately NIS 71.8 billion, respectively.
respectively.

B. Approximately 79% 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, 2020 and 2019 amounted to a total of approximately NIS 14.2 billion and approximately NIS 14.1 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, 2020 and 2019 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. These assets totaled approximately NIS 22.3 billion (last year - approximately NIS 23 billion), and constitute approximately 18% (last year - approximately 19%) 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 10.7 billion (last year - approximately NIS 10.2 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.

Note 38: Risk Management (Cont.)

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:

<u>Savings funds</u> - 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.

<u>Paid retirement, paid loss of working capacity, and paid long-term care</u> - Based on an actuarial estimate.

<u>Outstanding claims and risk reserves</u> - 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:

<u>Liabilities in statistical branches which are estimated by an actuary</u> - 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.

<u>Insurance liabilities in non-statistical debt branches and net surplus revenues</u> - are reported in a column without a defined repayment date.

<u>Insurance liabilities in property and others branches, which are not statistical or on whose estimates the actuaries do not sign</u> - 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 the expected redemption rate.

<u>Liabilities in the long term savings segment and health segment</u> *)

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, 2020	**2,369,152**	**6,751,039**	**3,888,704**	**2,508,171**	**2,963,098**	**2,660,495**	**21,140,659**
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

*) Excluding liabilities with respect to investment-linked contracts.

**) The liabilities up to one year include a total of NIS 68,184 thousand (as of December 31, 2019 - approximately NIS 192,585 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.

<u>Liabilities with respect to insurance contracts</u>

NIS in thousands	Up to 3 years	Over 3 years to 5 years	Over 5 years	No defined repayment date	Total
As of December 31, 2020	**3,310,848**	**925,514**	**1,043,330**	**1,106,109**	**6,385,801**
As of December 31, 2019	3,249,491	879,992	904,180	1,025,209	6,058,873

Note 38: Risk Management (Cont.)

D. Liquidity risks

2. Estimated maturity dates of liability amounts (Cont.)

<u>Financial liabilities and liabilities with respect to investment contracts</u>

NIS in thousands	Book value	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, 2020								
Liabilities with respect to investment contracts	**2,374,759**	**141,171**	**485,524**	**461,129**	**339,304**	**945,019**	**2,612**	**2,374,759**
Liabilities with respect to investment-linked investment contracts	**3,940,237**	**-**	**-**	**-**	**-**	**-**	**3,940,237**	**3,940,237**
Deferred liability notes	**4,061,409**	**341,392**	**2,104,817**	**2,308,553**	**-**	**-**	**-**	**4,754,762**
Other accounts payable	**3,913,202**	**3,913,202**	**-**	**-**	**-**	**-**	**-**	**3,913,202**
Lease liabilities	**580,567**	**49,942**	**198,192**	**225,722**	**207,911**	**73,995**	**-**	**755,763**
Total	**14,870,174**	**4,445,707**	**2,788,533**	**2,995,404**	**547,215**	**1,019,014**	**3,942,849**	**15,738,724**
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	591,263	40,324	186,204	231,152	214,625	114,080	-	786,385
Total	13,124,986	3,564,173	2,091,154	4,069,189	560,016	1,030,126	2,830,721	14,145,379

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:

<u>Model risk</u> - The risk that the wrong model will be chosen for pricing and/or for the evaluation of insurance liabilities;

<u>Parameter risk</u> - 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 2.8%, amounts to approximately NIS 9.0 billion gross, and approximately NIS 42 million on self-retention, as of December 31, 2020.

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.

Note 38: Risk Management (Cont.)

E. Insurance risks (Cont.)

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.

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 by the Commissioner 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**").

Note 38: 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 (Cont.)

A. 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.

B. 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 expected pension realization rate according to the retirement age, and the expected preferences of policyholders in choosing annuity tracks upon retirement (see section d(3) below). As a result, and in light of the financial effects of the scope of managed assets, and the changes in the risk-free interest rate curve (see section D below), there was a decrease in the forecast of management fees and/or the financial margin due to investments held against the reserve for the policy, and the premium payments for the policy, and as a result, the K factor was updated as specified in the following table:

As of December 31	2020	2019	2018
For guaranteed-return policies	**0.0%**	0.0%	0.0%
For investment-linked policies	**0.68%**	0.73%	0. 96%

Note 38: 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.)

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.

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 conservative basis as compared with the pricing basis, which is a commonly accepted practice for the pricing of reserves.

Note 38: 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.)

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.

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 (2.65%-3.40%; 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.

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 (3.43% - 3.52%, last year: 3.43% - 3.52%).

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.

Note 38: 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.)

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 in 2019, 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.

3. Annuity realization rates upon retirement and selection of annuity tracks 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 for all 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, in 2019, 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.

Note 38: Risk Management (Cont.)

E. Insurance risks (Cont.)

E1. Insurance risk in life insurance and long-term care insurance contracts (Cont.)

C. Sensitivity tests in life and health insurance

As of December 31, 2020

	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)	**17,863**	**(18,878)**	**(263,298)**	**252,315**	**926,208**	**(1,033,943)**	**(164,712)**	**164,712**

*) For the total supplementary pension reserve, see Note 20(a).

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	831,309	(917,934)	(146,186)	146,186

*) For the total supplementary pension reserve, see Note 20(a).

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:

	For the year ended December 31		
NIS in millions	**2020**	**2019**	**2018**
Life insurance			
Change in the discount interest rate used in the calculation of the liability to supplement the annuity and paid pension reserves	**144**	(26)	85
Change in pension reserves following the decreased forecast of future income due to change in interest rate (K factor)	**(32)*)**	(805)	135
Total financial effects on the liability to supplement the annuity and paid pension reserves	**112**	(831)	220
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)	**(9)**	762	-
Total life insurance	**103**	(422)	220
Frequency and payment period of long-term care claims	-	-	(68)
Liability adequacy test (LAT) in long-term care insurance (see section 4)	**292**	(537)	-
Total long-term care in the health segment	**292**	(537)	(68)
Total income (loss) before tax	**395**	(959)	(152)

*) Including a decrease of the reserve in the amount of approximately NIS 30 million, in light of the change in liquidity estimate according to the evaluation of anticipated future revenue

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), the Company periodically evaluates the liability adequacy test (LAT) in accordance with the LAT circular. The Company has an additional LAT reserve with respect to long-term care liabilities in the health segment only. It is noted that the following updates and clarifications were published regarding the LAT circular during the reporting period:

Note 38: 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.)

1. Grouping together all of the products in the life insurance branch, and grouping together all of the long-term care products (see Note 3(s)) which are in effect beginning from the financial statements as of March 31, 2020.
2. Clarification regarding the allocation of the excess fair value of the assets, which resulted in a decrease in the liability adequacy test (LAT) in long-term care insurance in the amount of approximately NIS 300 million during the reporting period, due to assets which were previously attributed to the life insurance segment, and for which there is an excess of fair value over the book value. For additional details, see also Note 3(s) above. With respect to non-marketable debt assets of the types: non-marketable bonds, loans and deposits in banks, balance of excess fair value in Clal Insurance Company Ltd. in the amount of approximately NIS 830 million. The total excess fair value attributed to long-term care liabilities amounted to approximately NIS 714 million; with respect to life insurance liabilities - NIS 25 million; and with respect to non-life insurance liabilities - approximately NIS 91 million.
3. A part of the illiquidity premium in individual long-term care, compulsory motor and liabilities insurance products, is in effect beginning on June 30, 2020, and its initial adoption was implemented through a prospective change in estimate - the amendment updated the illiquidity premium rate which can be added, both for the purpose of the assumed returns, and for the purpose of the assumed discount rate for individual long-term care insurance, compulsory motor and liabilities insurance policies, outside of the annuity period, to a rate of 80%, instead of the rate of 50%, which applied until now. This update resulted in a decrease in the amount of approximately NIS 132 million, during the reporting period, of the provision with respect to the liability adequacy test (LAT) in long-term care insurance liabilities.

The Company has an additional LAT reserve with respect to long-term care liabilities in the health segment only.

B. Change in the discount interest rate which was used to calculate the liability to supplement the annuity and paid pension reserves

Further to that stated in section D(1) above, the discount rates which are used to calculate the liabilities to supplement the annuity and paid pension reserves 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. See also section 4 below.

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.

Note 38: 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.)

2. Change in provisions pertaining to life insurance plans combined with savings, which include "annuity factors representing a life expectancy guarantee" (Cont.)

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

   Further to that stated in Note 38(e)(e1)(b)2(b) above, the undertakings 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 353 million, of which a total of approximately NIS 43 million was with respect to paid pension liabilities, and a total of approximately NIS 310 million with respect to the liabilities to supplement the annuity reserve (see section B above), with no effect during the reporting period.

3. Change in other assumptions used in the calculation of liabilities to supplement annuity reserves

   Further to that stated in Note 38(e)(e1)(b)(3) and (4) above, regarding the periodic estimation of annuity withdrawal rates upon retirement, and the cancellation rate, during the reporting period the Company updated various assumptions regarding the annuity withdrawal rate upon retirement, and the expected preferences of policyholders when choosing annuity tracks upon retirement, and as a result, the Company increased its estimates regarding these liabilities in the amount of approximately NIS 9 million. In the corresponding period last year, 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 539 million with respect to the liability to supplement the annuity reserve. 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 223 million with respect to the liability to supplement the annuity reserve.

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

   During the reporting period and in the corresponding period last year, 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 b(1)b above regarding discount rates, the updates had an effect on the determination of the discount rate, which reduced by approximately NIS 120 million the liability to supplement annuity and paid pension reserves, and further to that stated in Note 3(d)1(d), regarding taking into account 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, these updates resulted in a reduction, in the amount of approximately NIS 87 million, of the provisions which were required due to the reduced interest rates in long-term care insurance in the corresponding period last year.

Note 38: Risk Management (Cont.)

E2. Insurance risk in non-life insurance contracts

(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”.

Note 38: Risk Management (Cont.)

E. Insurance risks (Cont.)

E2. Insurance risk in non-life insurance contracts (Cont.)

(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.

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.

Note 38: 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

For the purpose of evaluating outstanding claims, use was made of the following actuarial models, in combination with the various assumptions:

A. Chain ladder- 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. Bornhuetter-Ferguson- 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. Average method - 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. Other - 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.

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.

Note 38: 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 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.

Further to the above, in light of the significant decrease and the continuation of the risk-free interest rate and of the market return rate, the Company updated the estimates discount rate in accordance with the best practice (see section e1 below), based on the adjusted risk-free interest rate curve, according to the illiquid nature of the liability, and in consideration of the method for revaluation of assets held against these liabilities (see section e1(d)1(a)2 above). The total impact of the change resulted in an increase of insurance reserves on retention in the amount of approximately NIS 30 million. During the years 2018-2019 there was no change in the discount interest rate, which stood 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 48 million during the reporting year (last year - approximately NIS 109 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 173 million (last year - approximately NIS 182 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.

Note 38: 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.)

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%.

   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.

Note 38: 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

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.

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 Regarding the Pool**"), 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 regarding the ruling was filed in September 2019, and dismissed in November 2020.

Note 38: 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.)

The ruling's impact on the financial results in the corresponding period last year, 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 in the amount of approximately NIS 52 million last year.

in September 2020 the Supreme Court gave a ruling in a case involving the National Insurance Institute, in which the Court determined that in accordance with the Court's ruling regarding the Pool, the National Insurance Institute was required to set the subrogation claim which it filed based on a discount rate of 3% (instead of a discount rate of 2%, which had been demanded by the National Insurance Institute), and that the consent which was given in the ruling regarding the Pool, according to which the discount rate to be collected will be 3%, will also apply to the subrogation claims of the National Insurance Institute towards entities which have caused damage (including insurers). Accordingly, and based on the opinion of its legal advisors, the Company released a provision in the amount of approximately NIS 45 million on retention, with respect to subrogation claims of the National Security Council.

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.

Note 38: Risk Management (Cont.)

F. Credit risks

1. Distribution of debt assets by location

	As of December 31, 2020		
NIS in thousands	Marketable *)	Non-marketable	Total
In Israel	**5,732,661**	**21,941,933**	**27,674,594**
International	**91,086**	**150,696**	**241,782**
Total debt assets	**5,823,747**	**22,092,629**	**27,916,376**

	As of December 31, 2019		
NIS in thousands	Marketable *)	Non-marketable	Total
In Israel	5,760,370	22,325,971	28,086,341
International	175,038	143,887	318,925
Total debt assets	5,935,408	22,469,858	28,405,266

*) 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 38: Risk Management (Cont.)

F. Credit risks (Cont.)

2. Details of assets by rating

A.1. Debt assets

	Local rating *)				
	As of December 31, 2020				
NIS in thousands	AA and higher	A to BBB	Lower than BBB	Unrated	Total
Debt assets in Israel					
Marketable debt assets					
Government bonds	**2,994,886**	**-**	**-**	**-**	**2,994,886**
Corporate bonds	**2,040,848**	**582,530**	**-**	**114,398**	**2,737,775**
Total marketable debt assets in Israel	**5,035,734**	**582,530**	**-**	**114,398**	**5,732,661**
Non-marketable debt assets					
Government bonds	**16,278,710**	**-**	**-**	**-**	**16,278,710**
Corporate bonds	**463,659**	**82,536**	**-**	**18,237**	**564,432**
Deposits in banks and financial institutions	**652,923**	**-**	**-**	**-**	**652,923**
Other debt assets by type of collateral:					
Mortgages	**-**	**-**	**-**	**2,450,239**	**2,450,239**
Loans on policies	**-**	**-**	**-**	**12,145**	**12,145**
Loans secured by real estate	**-**	**229,558**	**-**	**130,935**	**360,493**
Secured by bank guarantee	**139,496**	**-**	**-**	**-**	**139,496**
Loans secured by control shares	**9,517**	**14,171**	**-**	**19,990**	**43,678**
Other collateral	**592,578**	**437,912**	**-**	**399,927**	**1,430,417**
Unsecured	**7,227**	**-**	**-**	**2,173**	**9,400**
Total non-marketable debt assets in Israel	**18,144,110**	**764,177**	**-**	**3,033,646**	**21,941,933**
Total debt assets in Israel	**23,179,844**	**1,346,707**	**-**	**3,148,044**	**27,674,594**
Of which - internally rated debt assets	**-**	**187,880**	**-**	**-**	**187,880**
Of which - debt assets which fulfill the principal and interest test only **)	**23,159,072**	**1,326,648**	**-**	**3,095,262**	**27,580,982**

*) 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 38: 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, 2020				
NIS in thousands	A and higher	BBB	Lower than BBB	Unrated	Total
Foreign debt assets					
Marketable debt assets					
Government bonds	**14,511**	**-**	**-**	**-**	**14,511**
Corporate bonds	**-**	**48,096**	**22,845**	**5,634**	**76,575**
Total marketable debt assets abroad	**14,511**	**48,096**	**22,845**	**5,634**	**91,086**
Non-marketable debt assets					
Loans secured by real estate	**-**	**-**	**-**	**76,508**	**76,508**
Other debt assets	**-**	**-**	**-**	**74,188**	**74,188**
Total non-marketable debt assets abroad	**-**	**-**	**-**	**150,696**	**150,696**
Total foreign debt assets	**14,511**	**48,096**	**22,845**	**156,330**	**241,782**
Of which - debt assets which fulfill the principal and interest test only **)	**14,511**	**48,096**	**22,845**	**156,330**	**241,782**

*) 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+.

**) For details regarding debt assets which fulfill the principal and interest test, see Note 14(g).

Note 38: 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, 2019				
NIS in thousands	AA and 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
Secured by a pledge on vehicles	-	1,915	-	-	1,915
Loans secured by control shares	30,458	30,417	-	27,816	88,691
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 38: Risk Management (Cont.)

F. Credit risks (Cont.)

2. Details of assets by rating (Cont.)

A.1. Debt assets (Cont.)

NIS in thousands	International rating *) As of December 31, 2019 A and 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 marketable debt assets abroad	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 non-marketable debt assets abroad	-	-	-	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+.

**) 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, 2020		Balance as of December 31, 2019	
	Book value	Fair value	Book value	Fair value
Marketable debt assets	**22,845**	**22,845**	29,163	29,163
Non-marketable debt assets	**104,117**	**20,409**	117,896	46,686

Note 38: 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, 2020			
NIS in thousands	AA and higher	A to BBB	Unrated	Total
Other accounts receivable, excluding reinsurer balances	**50,710**	**15,435**	**253,904**	**320,049**
Deferred tax assets	**-**	**-**	**12,236**	**12,236**
Other financial investments	**188,433**	**6,746**	**45,353**	**240,532**
Cash and cash equivalents	**1,806,649**	**34,310**	**-**	**1,840,959**
Total	**2,045,792**	**56,490**	**311,493**	**2,413,776**

	Local rating *)			
	As of December 31, 2019			
NIS in thousands	AA and 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

*) 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, 2020			
NIS in thousands	AA and higher	A to BBB	Unrated	Total
Unused credit lines	**37,906**	**145,192**	**639,343**	**822,441**

	Local rating *)			
	As of December 31, 2019			
NIS in thousands	AA and higher	A to BBB	Unrated	Total
Unused credit lines	5,252	164,998	667,914	838,164

*) 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 38: 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, 2020				
NIS in thousands	A and higher	BBB	Lower than BBB	Unrated	Total
Other accounts receivable, excluding reinsurer balances	**227,198**	**-**	**-**	**-**	**227,198**
Other financial investments	**327,664**	**10,077**	**-**	**67**	**337,808**
Cash and cash equivalents	**107,963**	**-**	**-**	**-**	**107,963**
Total	**662,825**	**10,077**	**-**	**67**	**672,969**

	International rating *)				
	As of December 31, 2019				
NIS in thousands	A and 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

*) 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, 2020				
NIS in thousands	A and higher	BBB	Lower than BBB	Unrated	Total
Unused credit lines	**-**	**-**	**-**	**1,951**	**1,951**

	International rating *)				
	As of December 31, 2019				
NIS in thousands	A and higher	BBB	Lower than BBB	Unrated	Total
Unused credit lines	-	-	-	13,634	13,634

*) 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 38: Risk Management (Cont.)

F. Credit risks (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, 2020		
NIS in thousands	Amount	% of total	Off-balance sheet risk
Market branch			
Industry	**79,896**	**0%**	**-**
Construction and real estate	**2,351,610**	**8%**	**521,716**
Electricity and water	**1,280,986**	**5%**	**54,532**
Trading	**27,375**	**0%**	**-**
Tourist hotels	**25,938**	**0%**	**-**
Telecommunications and IT services	**109,971**	**0%**	**-**
Banks	**1,323,850**	**5%**	**-**
Financial services	**288,212**	**1%**	**140,840**
Other business services	**82,828**	**0%**	**-**
Public services	**458,162**	**2%**	**32,800**
Private individuals	**2,599,443**	**10%**	**74,505**
Government bonds	**19,288,107**	**69%**	**-**
Total	**27,916,376**	**100%**	**824,393**

	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

Note 38: 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 through reinsurance. 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 exposure is managed via ongoing monitoring of the reinsurer's financial stability 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 periodically reports to the boards of directors regarding the exposure relative to the defined limits.

These exposures 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 potential concentrated credit risk with respect to a single reinsurer in case of a catastrophic event.

Note 38: Risk Management (Cont.)

F. Credit risks (Cont.)

8. Reinsurance (Cont.)

B. Information regarding exposure to credit risks of reinsurers (Cont.)

As of December 31, 2020

			Reinsurance assets less reinsurers' share of deferred acquisition costs								Debts in arrears	
NIS in thousands	Total premiums for reinsurers in 2020	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 (9)	Over one year (9)
Rating group												
AA and higher												
Swiss Re	**333,543**	**(44,650)**	**146,155**	**33,117**	**177,520**	**117,626**	**474,418**	**149,534**	**53,703**	**226,531**	**-**	**-**
Scor	**53,632**	**174,181**	**-**	**243,800**	**18,102**	**143,395**	**405,297**	**311,746**	**-**	**267,732**	**104,137**	**22,802**
Others	**510,016**	**(46,232)**	**104,306**	**37,551**	**216,999**	**865,724**	**1,224,580**	**445,565**	**1,349**	**731,434**	**317**	**121**
Total	**897,191**	**83,299**	**250,461**	**314,468**	**412,621**	**1,126,745**	**2,104,295**	**906,845**	**55,052**	**1,225,697**	**104,454**	**22,923**
A	**515,859**	**(9,838)**	**360**	**141,530**	**337,434**	**773,128**	**1,252,452**	**242,914**	**19,682**	**980,018**	**1,205**	**776**
BBB	**98,450**	**8,266**	**-**	**-**	**19,073**	**100,497**	**119,570**	**87,514**	**-**	**40,322**	**-**	**14**
Lower than BBB- or unrated	**10,070**	**(4,872)**	**604**	**-**	**237**	**60,482**	**61,323**	**-**	**-**	**56,451**	**2**	**154**
Total	**1,521,570**	**76,855**	**251,425**	**455,998**	**769,365**	**2,060,852**	**3,537,640**	**1,237,273**	**74,734**	**2,302,488**	**105,661**	**23,867**

Note 38: Risk Management (Cont.)

F. Credit risks (Cont.)

8. Reinsurance (Cont.)

B. Information regarding exposure to credit risks of reinsurers (Cont.)

As of December 31, 2019

			Reinsurance assets less reinsurers' share of deferred acquisition costs								Debts in arrears	
NIS in thousands	**Total premiums for reinsurers in 2019**	**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												
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	51,786	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

1) 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.
2) Following an amortization of the provision for doubtful debts in the amount of approximately NIS 5,797 thousand (last year: NIS 6,231 thousand). The balances do not include balances of insurance companies with respect to co-insurance.
3) 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 6,969 thousand (last year: NIS 7,413 thousand), which constitutes 0.3% (last year: 0.3%) of the overall exposure.
4) 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.
5) The total exposure of reinsurers to an earthquake event with an MPL of 1.5% to 2.8% of the insurance amount, according to the insurance branches and the characteristics of the insured property, is NIS 9,581 million (last year: MPL of 1.5% to 3.15% of the insurance amount, according to the insurance branches and the characteristics of the insured property, in the amount of NIS 10,141 million) of which the reinsurer's most material share in the exposure is 16.9% (last year: 16.4%).
6) There are no additional reinsurers beyond those specified above, the exposure to which exceeds 10% of the total exposure of reinsurers, or where the premiums with respect to them exceeds 10% of the total premiums for reinsurance for 2020.
7) 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 208 thousand (last year: NIS 65 thousand).
8) The data includes balances of companies in Israel which were included in accordance with the rating conversion table as specified in section D above, in the amount of (1,675) (last year: NIS (71)) thousand.
9) For details regarding claims regarding settling of accounts between Clal Insurance and a reinsurer in connection with the reinsurance arrangements with respect to long-term care insurance for health fund members, see Note 41(a)(a4)(2) to the financial statements.

Note 38: Risk Management (Cont.)

G. Information regarding financial investments for investment-linked contracts

1. Details regarding the composition of investments by linkage bases

NIS in thousands	As of December 31, 2020				
	Unlinked	CPI-linked	In foreign currency or linked thereto *)	Non-monetary items and others	Total
Cash and cash equivalents	**4,663,393**	**-**	**609,757**	**-**	**5,273,150**
Marketable assets	**8,294,441**	**13,483,218**	**8,969,838**	**25,951,494**	**56,698,991**
Non-marketable assets	**2,670,295**	**4,154,594**	**947,527**	**6,327,354**	**14,099,770**
Total assets	**15,628,129**	**17,637,812**	**10,527,122**	**32,278,848**	**76,071,911**

NIS in thousands	As of December 31, 2019				
	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

*) The USD is a major foreign currency.

2. Credit risk for assets in Israel

As of December 31, 2020

NIS in thousands	Local rating *)				
	AA and higher	A to BBB	Lower than BBB	Unrated	Total **)
Debt assets in Israel:					
Government bonds	**11,061,749**	**-**	**-**	**-**	**11,061,749**
Other debt assets - marketable	**8,027,845**	**1,678,821**	**77,394**	**238,920**	**10,022,980**
Other debt assets - non-marketable	**2,886,952**	**1,680,238**	**1,484**	**1,700,654**	**6,269,328**
Total debt assets in Israel	**21,976,546**	**3,359,059**	**78,878**	**1,939,574**	**27,354,057**
Of which - internally rated debt assets	**-**	**475,652**	**-**	**-**	**475,652**

As of December 31, 2019

NIS in thousands	Local rating *)				
	AA and 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

*) 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 38: Risk Management (Cont.)

G. Information regarding financial investments for investment-linked contracts (Cont.)

3. Credit risk for foreign assets

As of December 31, 2020

	International rating *)				
NIS in thousands	AA and higher	A to BBB	Lower than BBB	Unrated	Total **)
Total foreign debt assets	**164,937**	**1,688,200**	**1,115,246**	**638,058**	**3,606,441**

As of December 31, 2019

	International rating *)				
NIS in thousands	AA and higher	A to BBB	Lower than BBB	Unrated	Total **)
Total foreign debt assets	156,757	2,220,649	1,127,349	448,605	3,953,360

*) 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 38: Risk Management (Cont.)

H. Geographical risks

As of December 31, 2020

NIS in thousands	Government bonds	Corporate bonds	Stocks	Funds/ ETF's*)	Mutual funds	Investment property	Other investments	Total balance sheet exposure	Derivatives in delta terms	Total
Israel	19,278,946	3,373,446	1,396,647	98,869	-	965,592	8,064,452	33,177,952	16,428	33,194,380
United States	-	3,517	266,955	769,215	274,453	167,550	1,443,173	2,924,863	98,847	3,023,710
Great Britain	-	-	-	-	-	-	1,139,691	1,139,691	-	1,139,691
Germany	-	-	-	-	-	-	91,712	91,712	-	91,712
Switzerland	-	-	-	-	-	-	187,412	187,412	-	187,412
Emerging markets	-	-	-	-	-	-	674,060	674,060	-	674,060
Others	9,161	-	28,863	15,207	5,883	76,344	1,524,841	1,660,299	5,489	1,665,788
Total assets	19,288,107	3,376,963	1,692,465	883,291	280,336	1,209,486	13,125,341	39,855,989	120,764	39,976,753

As of December 31, 2019

NIS in thousands	Government bonds	Corporate bonds	Stocks	Funds/ ETF's*)	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
United States	-	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

*) Including foreign ETF's.

Note 39: Related Parties and Interested Parties

A. Parent company, controlling shareholder and subsidiaries

(1) Further to that stated in Note 1, as of the publication date of the report, the Company is a company without a control core.

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, 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.

Following the Commissioner's letter, beginning on December 9, 2019, IDB Development is no longer considered the Company's controlling shareholder, including for the purpose of controlling shareholder transactions.

Further to the foregoing, on October 19, 2020 the Company received a letter from the Commissioner entitled "update regarding the outline for exercising the means of control of Clal Insurance" (which replaced the Commissioner's letter on the subject dated July 21, 2020), specifying, inter alia, the Commissioner's reference to the arrangements which will apply to exercising the Company's means of control in Clal Insurance, the appointment of directors in the Company and in Clal Insurance, and participation in the general meeting of Clal Insurance (the "**Outline for Exercising the Means of Control**"). On November 30, 2020, a clarification letter was received from the Commissioner, in connection with the outline for exercising the means of control and control permit, as stated above. As of the present date, the Company is holding discussions with the Commissioner in connection with the foregoing letters.

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, for four entities which are interested parties of the Company (Phoenix Group, Harel Group, Alrov Real Estate and Hotels Ltd., and Moshe Arkin) (in other words, shareholders who hold over 5% of the Company's shares).

(2) For details regarding investee companies, see Note 9.

(3) In the ordinary course of business, the Group performed transactions with interested parties of the Company, or entities in which interested parties have a personal interest (hereinafter: "**Interested Party Transactions**"), including transactions with companies in which interested parties have an interest, as well as undertakings to perform transactions under ordinary commercial conditions, as part of the provision of the Group's services to interested parties 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 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 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 39: Related Parties and Interested Parties (Cont.)

B. Benefits to key management personnel (including directors)

The Company's former 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. It is noted that the employment terms of the Chairman of the Board have not yet been determined.

Executives also participate in the plan involving warrants for Company shares which were granted in years preceding the reporting year (see Note 40).

1. Employment benefits for key management personnel (including the Chairman of the Board) include 1):

	For the year ended December 31					
	2020		2019*)		2018	
	No. of people	NIS in thousands	No. of people	NIS in thousands	No. of people	NIS in thousands
Short term employee benefits	**12**	**24,763**	11	17,651	15	20,367
Post-employment benefits	**11**	**903**	11	1,547	15	3,028
Share-based payments 2)	**-**	**-**	1	11	4	(113)
		25,666		19,209		23,282

*) 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[7]:

	For the year ended December 31					
	2020		2019		2018	
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**	**2,752**	5	1,299	6	1,928

1) The compensation provided to directors in the Company, except for the Chairman of the Board, and directors who are among the controlling shareholders, if any, is based on the Company's rating, and is the max compensation for an in accordance with the Companies Regulations expert outside director in accordance with the Companies Regulations (Rules Regarding Compensation and Expenses of Outside 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 former Chairman of the Board, which were paid in their entirety by Clal Insurance, see section 4 below. It is noted that the employment terms of the temporary Chairman of the Board, Ms. Mali Margaliot, and the current Chairman of the Board, Mr. Haim Samet, have not yet been determined, and they are entitled to directors' compensation.

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	2020	2019	2018
With respect to directors and officers liability insurance	**2,432**	989	931

---

[7] The data for 2018 include data with respect to a director whose tenure concluded in December 2018.

Note 39: Related Parties and Interested Parties (Cont.)

B. Benefits to key management personnel (including directors) (Cont.)

4. Former Chairman of the Board

Mr. Danny Naveh (hereinafter: "**Mr. Naveh**") served as the Chairman of the Board of Directors of the Company and of Clal Insurance in a 85% position from June 5, 2013 to August 20, 2020.

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, and on May 26, 2016, the general shareholders' meeting approved the compensation terms of the Chairman of the Board, by special majority, instead of the previous agreement dated July 14, 2013 (hereinafter: the "**New Agreement**"), for the purpose of his continued tenure as the Active Chairman of the Board of the Company and of Clal Insurance, in a 85% position, as specified below.

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.

In accordance with the above, Mr. Naveh's monthly salary as the Chairman of the Board amounted 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 was 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 times the lowest 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[8] (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[9].

In accordance with his employment agreement, Mr. Naveh was 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.

---

[8] 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.

[9] 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 39: Related Parties and Interested Parties (Cont.)

B. Benefits to key management personnel (including directors) (Cont.)

4. Former Chairman of the Board (Cont.)

Standard salary components were 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.

Mr. Naveh was also 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. Mr. Naveh exchanged the vehicle for 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, and during a period of six months after the end of advance notice period.

It is noted that, upon the approval of the new 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: Mr. Naveh was entitled to receive an adjustment holiday period of six (6) months following the end of the advance notice period, during which time Mr. Naveh was 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.

On June 30, 2020, Mr. Naveh requested to immediately terminate the engagement between him and the Company and Clal Insurance, with respect to his tenure as the Chairman of the Board of the aforementioned companies, and accordingly, also to conclude his tenure as a director, and specified the circumstances which led to his request. As stated above, Mr. Naveh's tenure concluded on August 20, 2020.

On the conclusion date of his tenure Mr. Naveh was entitled to payment with respect to conclusion of his tenure, including payment discounting the advance notice period, redemption of his remaining vacation days with respect to his period of tenure in the Company, supplementations of severance pay funds, and a one-time 6-month adjustment payment, in accordance with his employment agreement, which was provided during the years preceding the reporting year.

Note 39: 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[10] (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 2020, amounted to a total of approximately NIS 198 thousand (plus vehicle value), and is expected to amount to approximately NIS 205 thousand beginning from January 2021, 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.

---

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

Note 39: Related Parties and Interested Parties (Cont.)

B. Benefits to key management personnel (including directors) (Cont.)

5. CEO employment agreement (Cont.)

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[11].

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[12].

The CEO also privately acquired, on July 3, 2018 - 3,934 shares of 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.

---

[11] 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. The preconditions for release were met in 2020.

[12] 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 39: 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

   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. The compensation policy determines that the Company will be entitled to purchase officers' liability insurance for the Group's officers, in insurance amounts which will not exceed USD 400 million. On January 3, 2021 the compensation policy was updated, and it was determined that the annual premium cost, and the deductible amount with respect to the policy, will be according to market conditions on the date when the policy was made, and at a cost which is immaterial to the Company. The Company will also be entitled to purchase run off officers' liability insurance 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, 2019 to November 30, 2020, and later from December 1, 2020 to November 30, 2021 (the "**Policies for 2020 and 2021**"), 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 2020 and 2021 is up to USD 150 and 100 million with respect to a single claim or cumulatively, respectively. The total annual premium is within the amount and/or mechanism which was approved in the general meeting, as stated above.

      (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**"[13]) purchased from Clal Insurance, with the support of reinsurers, 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).

---

[13] During the years 2013 to 2019, as a precaution, the Company considered IDB Development Corporation Ltd. as the Company's controlling shareholder. IDB Development was formerly the Company's controlling shareholder.

Note 39: 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.)

A. 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. The following 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 39: 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.)

B. The following is a description of the arrangement which applies to the indemnification of directors and senior officers in the Company: (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.

Accordingly, the Company granted letters of indemnity to directors and corporate officers in the Company, and to other office holders.

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 39: Related Parties and Interested Parties (Cont.)

C. Balances of related parties and interested parties

	As of December 31, 2020		As of December 31, 2019	
	Related party / interested party			
NIS in thousands	Other related parties	Investee Companies	Other related parties	Investee Companies
Financial investments for investment-linked contracts [2]	**796,785**	**12,434**	769,754	19,067
Other financial investments:				
Marketable debt assets	**23,701**	**-**	35,267	-
Non-marketable debt assets	**-**	**59,159**	-	-
Stocks	**28,354**	**-**	58,690	-
Others	**9,324**	**-**	-	3,910
Loans to investee companies accounted by the equity method [1]	**-**	**6,289**	-	5,894
Other accounts receivable	**2,193**	**-**	1,442	-
Outstanding premiums	**1,810**	**-**	13,175	-
Other accounts payable	**203**	**12,564**	341	12,283

1) Included under the item for investments in investee companies.

2) On March 18, 2021, the Company engaged (through subsidiaries) in an agreement with a third party for the sale of their entire holdings in the shares of Alrov, as is. The completion of the sale of the shares is subject to the fulfillment of two suspensory conditions: approval from the buyer's Board of Directors for all of its terms, which was received on March 18, 2021, and approval of the transaction from the general meeting of the buyer's bondholders (Series E). The buyer has the right to waive the fulfillment of the suspensory condition requiring approval from the meeting of bondholders (Series E), and to accelerate the execution of closing the transaction. In case of any non-fulfillment of the suspensory conditions, or closing of the transaction, the buyer's controlling shareholders will take the place of the buyer in the agreement, as if it had been signed by them, and will execute the transaction no later than 40 business days after the signing date of the agreement. The sale amount is approximately NIS 147,000 thousand.

Note 39: 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, 2020		For the year ended December 31, 2019			For the year ended December 31, 2018			
	Related party / interested party								
NIS in thousands	Other related parties	Investee companies	IDB Development and IDB Holding Corporation Ltd.	Other related parties	Investee companies	IDB Development and IDB Holding Corporation Ltd.	Other related parties	Bank Hapoalim group	Investee companies
Gross premiums	**18,401**	**-**	3,986	73,464	-	2,800	55,584	16,346	-
Income (loss) from investments, net, and financing income	**13,672**	**3,030**	-	58,753	(7,320)	-	(38,151)	46,933	8,311
Payments with respect to insurance contracts	**1,615**	**-**	-	14,917	-	1,950	14,938	3,399	-
Insurance fees	**-**	**-**	-	1,132	-	-	1,146	27	-
General and administrative expenses	**1,036**	**-**	-	5,129	-	-	5,060	1,612	-
Financing expenses	**-**	**381**	-	-	477	-	-	2,694	485

Note 40: Share-Based Payment

A. Details regarding plans for the allocation of warrants exercisable into Company shares

1. <u>2013 plan</u>

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[14].

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.

The Company did not allocate any warrants in accordance with the 2013 plan during the reporting year. The remaining warrants which were allocated under the 2013 plan will expire in June 2021. On March 25, 2021, the Company’s Board of Directors resolved to no longer allocate warrants in accordance with the aforementioned plan, and to erase the remaining warrants which are held in the series of warrants from the register of the Company’s securities.

For additional details, see sections B and C below.

---

[14] 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.

Note 40: 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[15] (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[16]. 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.

---

[15] "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.

[16] 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 2020, will be no less than a ratio of 85%, 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 40: 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.

The Company has not allocate any warrants in accordance with the 2015 plan since 2017. On March 25, 2021, the Company's Board of Directors resolved to no longer allocate warrants in accordance with the aforementioned plan, and to erase the remaining warrants which are held in series of warrants from the register of the Company's securities.

For additional details, see sections B and C below.

3. <u>2021 plan</u>

In accordance with the Company's compensation policy, on March 25, 2021 the Company's Board of Directors adopted a capital compensation plan conditional upon performance for 2021 (hereinafter: the "**2021 Plan**"), according to which the Company will be entitled to allocate warrants to employees and corporate officers.

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.

The exercise price will be no less than the average closing price of the Company's stock during the last 30 trading days, and in any case, no less than the closing price of the Company's stock on the last trading day on the stock exchange, as of the date of the Board of Directors' approval. Additionally, beyond what is required under the compensation policy, a progressive premium over the share price will be added to each tranche - the exercise prices will be at a premium of 2.5%, 5% and 7.5% per tranche, except with respect to Class B options, which the Company intends to allocate to certain employees in accordance with the collective agreement, as stated in Note 24, according to the exercise price stated above, and without a premium.

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 2021 plan. The 2021 plan will be approved in a capital taxation track in accordance with section 102 of the Income Tax Ordinance.

The allocation of Class A options will be done in three tranches, distributed over three years, and will be exercisable beginning from the end of one year (where with respect to the first tranche, a minimum two year period of vesting and holding will be required), two years and 3 years after the grant date, and up to two years after the vesting date (and with respect to the first tranche - beginning from the holding date).

The allocation of Class B options will be done in a single tranche, and they will be exercisable beginning after the end of one year (with a minimum of two years of vesting and holding required), and in accordance with the terms of the collective agreement, as specified in Note 24.

Each tranche which has vested will be exercisable up to two years from the vesting date.

Note 40: Share-Based Payment (Cont.)

A. Details regarding plans for the allocation of warrants exercisable into Company shares (Cont.)

3. 2021 plan (Cont.)

The vesting of each tranche of options will be conditional on the offeree being an employee of the group as of December 31 of the year preceding the vesting date, and subject to the fulfillment of all of the following conditions: A. Existence of a minimum solvency ratio (125% in accordance with the provisions of the economic solvency regime, calculated in consideration of the transitional provisions which were defined by the Commissioner), and non-fulfillment of suspending circumstances of any of the liability certificates which have been issued by Clalbit Finance Ltd. (the "**Minimum Conditions**"); B. An absence of comprehensive loss (after tax) for the Company; and C. Compliance with the salary cap in accordance with the Executive Compensation Law. It is hereby clarified that each tranche of options will expire in case of non-fulfillment of the minimum conditions; however, in case of the non-fulfillment of conditions B and/or C, it will be possible to defer the vesting date to the subsequent year, provided that all of the conditions have been met. Up to four (4) years, in total, after the original vesting date. The offeree must not be an employee of the Company on the deferred vesting date, except if the deferral was done due to the non-fulfillment of condition C.

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 2021 plan, that a maximum price was determined, as stated above.

In 2021, the Company's Board of Directors resolved to publish an outline pertaining to the allocation of up to 3,500,000 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. The allocation of the options which will be offered according to the outline is subject to the receipt of all of the permits and authorizations which are required by law for the offering and issuance of securities in accordance with the outline, and for the publication of the outline. The warrants are exercisable into ordinary Company shares, in accordance with the benefit value represented in the warrants, subject to adjustments. The benefit value is based on a valuation of the options on their grant date, which amounts to approximately NIS 15 per option, with the fair value of each tranche being distributed over the vesting period.

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, 2018	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**
Expired during 2020		70.45	(142,019)
Total outstanding warrants as of December 31, 2020	**0.88**	**69.75**	**212,879**
Of which, total outstanding warrants as of December 31, 2020			
2013 plan	0.49	69.71	32,651
2015 plan	0.96	69.76	180,228
Total exercisable warrants:			
At the end of 2018		70.78	513,455
At the end of 2019		69.74	269,566
At the end of 2020		69.25	170,211

*) Weighted average of the remaining contractual duration to expiration.

1) 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, 2020 amounted to NIS 62.05 - 72.42 (2019 - NIS 60.64 - 74.50; 2018 - NIS 59.23 - 77.5).

Note 40: 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, 2020, 2019 and 2018, approximately 0.16%, approximately 0.27%, and approximately 0.67%, 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 in accordance with the lifetime of the warrants (based on an interest rate yield 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:

	2013 plan [1)]	2015 plan [1)]
Number of warrants allocated, less forfeitures, until the balance sheet date	1,928,333	313,333
Weighted average share price (in NIS)	58.91	61.70
Weighted average of the exercise addition on the allocation date (in NIS)	62.38	68.73
Weighted average of expected volatility [2)]	42.61%	34.06%
Average warrant lifetime (in years) [3)]	4.88	5.75
Weighted average of risk free interest rate [4)]	2.47%	1.49%
Maximum price	135-151	139-146
Fair value as of the allocation date of all warrants issued by the Company (NIS in thousands) [5)]	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 2018	-	14	(181)	-	(167)
In 2019	-	-	(8)	-	(8)
In 2020	**-**	**-**	**-**	**-**	**-**

Note 41: Contingent Liabilities and Claims

Presented below are details regarding claims which are not in the ordinary course of business, as follows: material claims[17] whose filing as class actions was approved; Pending motions to approve class action status for material claims; Material and immaterial class actions which concluded during the reporting period, until its signing date, and other material claims against the Group's member companies.

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

A. Class action claims

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

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

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

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

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

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

---

[17] 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(c) of the periodic report for 2020) 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. This classification is correct as of the filing date of the claim. However, in light of the continuation of the legal proceedings, sometimes over a period of several years, and the development thereof, cases are possible where a claim which was not considered material on the date it was filed, may become subsequently material, and in that case, disclosure will be given for such claims at a later date. A claim may also be considered material for the purpose of such disclosure when the Company is unable to estimate the total exposure.

Note 41: Contingent Liabilities and Claims (Cont.)

A. Class action claims (Cont.)

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. In January 2021, the Ministry of Justice published a "request for public comments regarding amendments to the Class Action Law, 2006", in which the public was requested to address the required amendments to the law. Clal Insurance sent its comments through the Israel Insurance Association.

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 41: Contingent Liabilities and Claims (Cont.)

A. Class action claims (Cont.)

A1. Material claims for which class action status was approved

Serial number	Date and instance	Defendants	Main claims and causes of action	Main remedies	Represented class	Status / additional details	Claim amount
1.	3/2010 District - Center	Clal Insurance	The plaintiff contends that Clal Insurance unlawfully and wrongfully took advantage of the Control of Financial Services (Provident Funds) Law, 2008 (“Amendment No. 3”), which determined that funds which are deposited in provident funds beginning from 2008, will be withdrawable as an annuity only, and not as a capital withdrawal (withdrawal in a one-time amount). The plaintiff contends that at the time of conversion of the capital policies which were owned by a policyholder, prior to Amendment No. 3, for non-annuity paying policies, Clal Insurance was required to attach to the policy the annuity factor which was guaranteed to the policyholder under the fixed-payment policy owned by him, while in practice, Clal Insurance chose to attach to the converted capital policy a new annuity factor, in accordance with the life expectancy as of 2009.	To order Clal Insurance to attach to the capital policies of its policyholders the same annuity factor which they had in the fixed-payment policy prior to Amendment No. 3. Alternatively, to order Clal Insurance and the other class members to provide the entire amount of the pension savings funds, retroactively beginning after the date of 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[18] 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. The parties filed pleadings, conducted investigations as part of handling the claim, and filed their closing arguments. In July 2020 the Attorney General’s position was filed with the Court, which supported the position of Clal Insurance, in which it was stated that Clal Insurance had acted in connection with the matters which form the subject of the claim in accordance with the outline which was approved for it by the Capital Market Authority, and that it would not be appropriate to retroactively replace the discretion which was exercised by the Authority on this matter.	The plaintiff estimates the number of the class members as 37,752 members, and accordingly, the monetary compensation to all of the class members is estimated at NIS 107 million, in each year.[19]

---

[18] 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.

[1] 8 The specified amount refers to the estimated claim with respect to one damage year only. It is noted that the claim was filed in March 2010, with respect to a legislative amendment from 2008.

Note 41: Contingent Liabilities and Claims (Cont.)

A. Class action claims (Cont.)

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

Serial number	Date and instance	Defendants	Main claims and causes of action	Main remedies	Represented class	Status / additional details	Claim amount
2.	4/2010 District - Center	Clal Insurance and additional insurance companies	The plaintiffs contend that in case of discontinuation of insurance during a certain month, after the insurance premium with respect to that month was collected by the defendants in advance, the defendants do not reimburse to policyholders the surplus relative share of the insurance premium with respect to that month, or alternatively, reimburse the insurance premium at nominal values only.	The reimbursement of the surplus premium amounts which were unlawfully collected from the class members and/or the reimbursement of unlawful revaluation differences, with the addition of duly calculated linkage differentials, as well as a mandamus order instructing the defendants to change their conduct.	Anyone who is and/or was a policyholder of one or more of the defendants, under any insurance policy, excluding a property insurance policy, or the inheritor of such a policyholder, where the insurance policy was discontinued for any reason, whether due to its cancellation by the policyholder, or due to the occurrence of the insurance event.	In June 2015, the Court issued a decision to dismiss the motion to approve against all of the defendants with respect to the primary claims, including: (A) proportional reimbursement of premiums should be performed in case of the occurrence of the insurance event; (B) proportional reimbursement of premiums should be performed in case of cancellation of the policy, where the wording of the policy does not stipulate section 10 of the Insurance Contract Law, 1981, as phrased, during the period relevant to the claim; (C) the reimbursed premiums should be linked only to a positive index, and not to a negative index; (D) the premiums should be reimbursed with the addition of special interest. Additionally, a dismissal was issued with respect to the motion to approve against Clal Insurance only, regarding a claim of non-payment of relative premiums in insurance policies which include a stipulation of section 10 of the Insurance Contract Law, in which it was determined that the cancellation of the policy will enter into effect immediately, in the absence of an evidential infrastructure (hereinafter: the "**Proportional Reimbursement Claim**"). The motion to approve the claim as a class action was accepted against all of the defendants, with respect to anyone who is or who was the holder of an insurance policy, except for a property insurance policy, who canceled an insurance contract, or whose insurance policy was canceled due to the occurrence of the insurance event, from April 2003 until March 14, 2012, and from whom premiums were collected with respect to the months following the cancellation month, which were reimbursed to him according to their nominal value, without linkage differentials and interest in accordance with the Insurance Contract Law (hereinafter: the "**Nominal Return Claim**"). In September 2016, a settlement arrangement was filed with the District Court (the "Settlement Arrangement"), according to which the defendants undertook to donate to public causes amounts which were overcollected, by virtue of the proportional reimbursement claim, and additional amounts by virtue of the nominal reimbursement claim, according to partial rates which were determined in the settlement agreement, and according to the determination of an examiner who will be appointed by the Court within the framework of the settlement agreement. In February 2017 and March 2017, the positions of the Israel Consumer Council and the Attorney General of Israel, respectively, were received, who did not object to the settlement arrangement in its entirety, but rather proposed amendments to the settlement arrangement, inter alia, with respect to the method used to reimburse funds to the class, and with respect to the types of policies to which the settlement will apply. In June 2017, the Court appointed an examiner for the case to examine the settlement arrangement. The settlement agreement is subject to the approval of the Court, the provision of which is uncertain.	The amount claimed by all of the plaintiffs against all of the defendants in the claim is NIS 225 million, with respect to a period of ten years. The plaintiffs have not specified the amount claimed from Clal Insurance only, if the claim is approved as a class action.

Note 41: 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. In February 2021 a partial ruling was given, in which the Court determined that the class action was accepted, and ordered the defendants to repay to the class members the interest differences, as specified in the ruling (hereinafter: the “**Ruling**”). In accordance with the ruling, it was determined that the “claim delivery date”, beginning from which the period of 30 days begins to be counted, and after which linked interest will be added to the insurance benefits in accordance with the provisions of section 28(a) of the Insurance Contract Law, 1981 (hereinafter: the “**Insurance Contract Law**”), is the date when the insurance company or insurance agent (whichever is earlier) was first contacted, indicating that the policyholder, third party or beneficiary (hereinafter: the “**Entitled Parties**”) were interested in receiving the insurance benefits, with no requirement to attach any document whatsoever. It was further determined that in cases where the insurance benefits were calculated according to their value on a date after the occurrence of the insurance event, interest differences will be added to them from that date only, and in the case of reimbursement of funds which were paid to service providers through deferred payment, interest differences will be calculated beginning from the date of actual payment. Regarding the class members who in the past reached settlement arrangements with the defendants, it was determined that the member of that class will be entitled to the repayment of interest with respect to the period from the date when the claim was filed until the date of completion of the collection of the required documents for the investigation, as stated in the ruling. The Court determined that the definition of the class will include all entitled parties who, during the period, beginning three years before the filing of the claims (which were filed against Clal Insurance in May 2013), and ending on the date when the ruling was given, received from the defendants, not in accordance with a ruling regarding their affairs, insurance benefits which did not include duly calculated interest. It was further determined, for the purpose of implementing the ruling and calculating the amount of compensation to the class members in accordance with the principles specified in the partial ruling, that it is necessary to appoint an expert, and that the compensation to the class action plaintiffs, and their legal fees, will be determined in the final ruling.	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 41: Contingent Liabilities and Claims (Cont.)

A. Class action claims (Cont.)

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

Serial number	Date and instance	Defendants	Main claims and causes of action	Main remedies	Represented class	Status / additional details	Claim amount
4.	1/2008 District - Tel Aviv	Clal Insurance and additional insurance companies	According to the plaintiff, the defendants charge sub-annual installments, a payment which is collected in life insurance policies wherein the insurance tariff is determined as an annual amount, though the payment is executed in several installments (hereinafter: "**Sub-Annual Installments**"), in excess of the permitted amount, with such charges being implemented, allegedly, in a number of ways: collection of sub-annual installments with regard to the "policy factor", collection of Sub-Annual Installments at a rate higher than that permitted according to the Control of Insurance circulars, collection of sub-annual installments with respect to the savings component in life insurance policies, and collection of sub-annual installments with regard to non-life insurance policies.	Repayment of all amounts unlawfully collected by the defendants, and a mandamus order requiring the defendants to change their ways of action with regard to the matters listed in the claim.	Any person who engaged in an insurance contract with any of the defendants, and from whom payment was collected with respect to the sub-annual installments component, in circumstances or in an amount which deviated from what is permitted.	The Commissioner filed his position on the case, in which he accepted the position of the insurance companies. In July 2016, the Court approved the claim as a class action. The Group which was approved includes anyone who engaged with the defendants, or with any one of them, in an insurance contract, and from whom sub-annual installments were collected with respect to the following components: with respect to the savings component in life insurance of the "hybrid" type, which were sold by Clal Insurance in the past, with respect to the "policy factor", which is a fixed monthly amount that is added to the premium, and which is intended to cover expenses, and with respect to health, disability, critical illness, loss of working capacity and long-term care policies (the "Collection Components"). The Court's decision was given despite the position of the Commissioner of Insurance which was submitted at the request of the Court, as stated above. The cause of action for which the claim was approved as a class action is unlawful collection of sub-annual installments with respect to the collection components. The requested remedy is the reimbursement of the amounts which were unlawfully collected during the seven years preceding the filing of the claim and thereafter, i.e., from January 2001, and a mandamus order ordering the defendants to rectify their conduct. In December 2016, the defendants filed with the Supreme Court a motion for leave to appeal against the decision to approve the claim as a class action (the "Motion for Leave to Appeal"), and in May 2018, the Supreme Court accepted Motion for Leave to Appeal, heard it as an appeal, and gave a ruling in which the appeal was accepted, and the claim accordingly dismissed. In June 2018, the plaintiffs filed a motion to hold an additional hearing regarding the ruling, with respect to some of the determinations specified therein. In July 2019, a decision was given to approve holding an additional discussion on this matter, before an extended panel of 7 judges. In February 2020, the position of the Attorney General of Israel was filed with the Supreme Court, within the framework of the additional hearing, in which it was stated that the Attorney General of Israel believes that it would be inappropriate to intervene in the determination which was made in the ruling, based on the adoption of the Capital Market Authority's interpretive position. The additional hearing was held in July 2020, and the Court's decision has not yet been received.	In February 2010, the parties reached a procedural arrangement according to which the following would be erased from the Motion and the claim: the plaintiff's claims stating that Clal Insurance had collected a rate of sub-annual installments higher than that permitted for policies issued before 1992, and the claim that Clal Insurance had collected the maximum rate of sub-annual installments, even when the number of installments was lower than twelve. Accordingly, the amount claimed from Clal Insurance was changed and set at approximately NIS 398.2 million.

Note 41: 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 integrated with savings, the defendants collected 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.	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 held a life insurance policy combined with a savings plan of one of the defendants, and from whom any amount was collected as a policy factor.	In June 2015, a settlement arrangement and a motion to approve it were filed with the Court, in which it was requested to order the defendants to pay a total of NIS 100 million with respect to the past (of which, the share of Clal Insurance is approximately NIS 26.5 million), and to provide a discount of 25% of the actual future collection of the policy factor. In November 2016, the Court decided to dismiss the motion to approve the settlement arrangement, since it believed that the foregoing does not constitute an adequate, reasonable and fair arrangement for the affairs of the class members. Additionally, the Court decided to partially approve the conducting of the claim as a class action, only with respect to life insurance policies combined with savings which were prepared between the years 1982 and 2003 (with respect to Clal Insurance, in policies of the "Adif", "Meitav" and "Profile" types), where the savings which accrued in favor of the policyholders in those policies were affected due to the collection of the policy factor, on the grounds of breach of the insurance policy, due to the collection of the policy factor, in a manner which harmed the savings which accrued in favor of the policyholders, with respect to the period beginning seven years before the filing date of the claim, in April 2011. The claim was not approved with respect to other types of policies (hereinafter, jointly: the "**Decision**"). The claimed remedies, as defined in the Court's decision, include curing the breach by implementing an update to the savings which accrued in favor of the policyholders, in the amount of the additional savings which would have accrued for them had a policy factor not been collected, or compensation of the policyholders in the aforementioned amount, and discontinuation of the collection of the policy factor from that point forward. Additionally, payment of professional fees was ruled for the plaintiff's representative, and for the objectors to the settlement arrangement and their representatives, in immaterial amounts. Insofar as the claim will be approved on the merits, the total potential of the claim, with respect to the savings component in the relevant policies is estimated in the amount of approximately NIS 700 million, for four of the defendants who engaged in the settlement arrangement (including Clal Insurance), with respect to the period from 2004 to 2012 (inclusive), based on an estimate which is based on the assessment of the Court which was given based on the opinion of the examiner who was appointed on its behalf. This amount does not include the period until the date of the decision, and the collection amounts with respect to the policy factor, which were received from 2012 onwards, and are supposed to be received in the future. In May 2017, the defendants filed a motion for leave to appeal the Court's decision, both with respect to the non-approval of the settlement arrangement, and with respect to the partial approval of the claim as a class action. In February 2019, the defendants withdrew the motion for leave to appeal, in accordance with the Supreme Court's suggestion, and therefore, the proceedings are currently in the stage of handling the claim before the District Court. The parties are conducting mediation proceedings between them.	The plaintiffs' claim pertains to the policy factor which was collected from them from 2004. According to various estimates and assumptions which were performed by the plaintiffs with respect to the collection of the policy factor, during the seven years preceding the filing date of the claim, by the defendants, and the relevant annual returns, the amount claimed for the class members, against all of the defendants, was estimated by the plaintiffs, as of the filing date of the claim, as a nominal total of approximately NIS 2,325 million. Out of this amount, a total of approximately NIS 662 million is attributed to Clal Insurance, according to its alleged market share.

Note 41: 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 parties filed their closing arguments as part of conducting the claim.	The total claim amount was estimated by the plaintiff as a total of approximately NIS 26 million. The estimate of damage, as stated in the class action plaintiff's affidavit of evidence in chief, amounted to a cumulative total of approximately NIS 100 million, with respect to a period of 11 years.

Note 41: 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[20]. The parties agreed to enter mediation proceedings. 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.

---

[20] 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 41: 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 41: 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. For details regarding a subsequent claim which was filed against Clal Insurance and against the association in 2020, with respect to the same policy, see Note 41a(a2)(31) below.	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 41: Contingent Liabilities and Claims (Cont.)

A. Class action claims (Cont.)

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

Serial number	Date and instance	Defendants	Main claims and causes of action	Main remedies	Represented class	Status / additional details	Claim amount
10.	9/2015 District - Center	Clal Insurance and three other insurance companies	The plaintiffs contend that the defendants, when giving points for the “continence” action, as part of the evaluation of insurance benefits in long-term care policies, adopted an interpretation according to which, in order to recognize a policyholder’s claim with respect to “incontinence”, the condition must result from a urological or gastroenterological illness or impairment only, instead of giving points also when the policyholder’s medical condition and impaired functioning which have caused his “incontinence”, may be due to an illness, accident or health impairment which are not urological or gastroenterological in nature.	To order the defendants to compensate the class members for all damages which they incurred due to their alleged beaches of the agreement, and to fulfill the agreement from this point forward, or alternatively, to order the provision of any other remedy considered appropriate by the Court, in light of the applicable circumstances.	Any person who held a long-term care insurance policy which was sold by the defendants (or his inheritors, as applicable), and who suffered from a health condition and impaired functioning as a result of an illness or accident or health condition, which caused them to be incontinent and/or to require the permanent use of a stoma or catheter in the bladder, or diapers or absorbent pads of various kinds, and notwithstanding the foregoing, who did not receive from the defendants (as applicable) points with respect to the “continence” component, in a manner which injured his rights.	In April 2020, the Court partially approved the handling of the claim as a class action against Clal Insurance and three additional insurance companies. The approved class includes anyone who was a policyholder in long-term care insurance, and who lost the ability of independent continence (fecal or urinary), due to a combination of reduced continence ability which did not constitute organic loss of control, together with a low functional condition, and who, despite the foregoing, did not receive points from the insurance company for the “continence” activity, as part of the evaluation of their claim for long-term care insurance benefits, in a manner which prejudiced their rights to insurance benefits during the period between September 8, 2012 and the date when the claim was approved as a class action. The plaintiffs’ motion to approve the claim as a class action, also with respect to the class of policyholders who are incontinent due to functional limitations or mobility deficiencies, which led to the event of incontinence, and with respect to the class of policyholders suffering from cognitive deficiencies, who were not recognized as “mentally frail”, was dismissed. The causes of action for which the class action was approved include breach of the long-term care insurance contract resulting in the non-payment of long-term care insurance benefits, or in the underpayment of long-term care insurance benefits, due to non-recognition of policyholders as eligible for points with respect to the action of “incontinence”. The claimed remedy is compensation of the class members who did not receive points with respect to the action of “incontinence”. The proceedings are currently in the claim handling stage. The parties are conducting mediation proceedings between them.	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 41: Contingent Liabilities and Claims (Cont.)

A. Class action claims (Cont.)

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

Serial number	Date and instance	Defendants	Main claims and causes of action	Main remedies	Represented class	Status / additional details	Claim amount
11.	10/2016 District - Center	Clal Insurance	The plaintiff contends that when engaging with a collective policyholder (health fund) in the sale of a collective long-term care insurance policy, Clal Insurance undertook to provide, to the holders of the collective policy who join the individual policy, a 20% discount on the premium, and that it failed to do so (the "Collective Policy").	Repayment of the amounts which were overcollected from the class members.	In accordance with the Court's decision - anyone who purchased, from October 30, 2009 to December 31, 2018, an individual long-term care insurance policy of Clal Insurance, in which the eligibility period was for lifetime compensation, when they held the collective policy, and to whom Clal Insurance did not provide, in the individual policy, a discount of at least 20% on the lowest premium practiced at Clal Insurance on the purchase date for individual policies corresponding to the plan which was chosen by the policyholder, with respect to policyholders of a similar age and with a similar health condition, provided that they do not exceed the tariff which was approved by the regulator.	In January 2021, the Court partially approved the motion. The class action plaintiff's motion to approve the claim as a class action, also with respect to the entire group of policyholders who hold individual long-term care policies in which the eligibility period for compensation is not for the policyholder's entire lifetime, was dismissed. The causes of action for which the claim was approved as a class action include breach of the collective policy's provision, unjust enrichment, and the claimed remedy is repayment of the amounts which were overcollected from the class members. The proceedings are currently in the claim handling stage.	In the claim, the plaintiff estimated the damage claimed for all of the class members in the amount of NIS 52 million, with respect to damage which was allegedly caused before the date when the motion was filed, and NIS 126 million with respect to the damage which is expected to be caused to the class members over the next 10 years.

Note 41: Contingent Liabilities and Claims (Cont.)

A. Class action claims (Cont.)

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

Serial number	Date and instance	Defendants	Main claims and causes of action	Main remedies	Represented class	Status / additional details	Claim amount
1.	7/2014	Clal Pension and Provident Funds Ltd. and against four additional managing companies of pension funds	According to the plaintiffs, two associations which claim that their purpose is to assist the senior population, the defendants increased the management fees which are charged from retirees of the pension funds which are managed by them, during the annuity receipt stage, to the maximum management fees permitted for collection by law (0.5% of the accrued balance), while abusing the fact that the retirees are a "hostage population", although active members pay, on average, significantly lower management fees. It was further claimed that the defendants do not disclose to their members that immediately when they become pensioners, the management fees which they pay to the defendants will be increased to the maximum management fees.	Reimbursement of the excess management fees which were unlawfully collected from the class members, with the addition of interest and linkage; To order the defendants to reduce the management fees which are charged from the pensioners, in a manner whereby the management fees which were collected prior to the commencement of the retirement of each one of them, will not increase; To prohibit the defendants from increasing the management fees for members proximate to their retirement.	Any person who is a member of a new comprehensive pension fund which is managed by one of the defendants, and who is entitled to receive an old age pension and/or who will be entitled to receive an old age pension in the future.	In September 2015, the plaintiffs filed a reply to the defendants' response to the motion to approve (the "Plaintiffs' Reply"), in which, inter alia, a new claim was raised, according to which the defendants did not send to their members advance notice regarding the increased management fees, as required in accordance with the provisions of the law. At the request of the Court, in September 2017, the Commissioner's position was filed, which determined, inter alia, that in accordance with the provisions of the law and the circular dated July 2014, it was possible to collect, during the annuity receipt period, management fees at a rate of less than 0.5%, and that there was no regulatory obligation for the defendants to announce the increase in management fees once the members reached retirement age. The proceedings are currently in the stage involving an evaluation of the motion to approve the claim as a class action.	The plaintiffs estimate that the management fees which were unlawfully collected by the defendants from current pensioners amount to NIS 48 million, that the management fees which will be unlawfully collected in the future from current pensioners amount to NIS 152 million, and that the management fees which will be unlawfully collected in the future by the defendants from future pensioners, with respect to accrual which was performed until now, amount to NIS 2,800 million. The aforementioned amounts are claimed with respect to all of the defendants.

Note 41: Contingent Liabilities and Claims (Cont.)

A. Class action claims (Cont.)

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

Serial number	Date and instance	Defendants	Main claims and causes of action	Main remedies	Represented class	Status / additional details	Claim amount
2.	11/2014 District - Center	Clal Insurance, Tmura Insurance Agency (1987) Ltd. (hereinafter: "**Tmura**"), an additional insurance company and an additional insurance agency.	According to the plaintiffs, the holders of credit cards from Isracard and Israel Credit Cards Ltd. ("CAL"), who called in order to activate the basic policy of the credit cards, which is provided free of charge, they were sold, during the call, a product which is not an extension, addition or increase of the basic policy, but rather an ordinary policy, sold at full price, in a manner whereby that person was insured twice, from the first Shekel, on all matters pertaining to the overlapping coverages in the two policies.	To order the defendants to repay to the class members the excess premiums which were paid by the class members during the seven years which preceded the filing of the claim; To order the defendants to take into account, as part of the sale of the policies, the economic value of the basic policies, and to collect premiums which will take into account that value; To provide full and adequate disclosure to those calling the call center; To allow the holders of Isracard and CAL credit cards to activate the basic policy by means other than the call center; Alternatively, to order any other remedy in favor of the class, including the issuance of instructions regarding supervision, and execution of the ruling.	The holders of Isracard and CAL credit cards who were entitled to receive international travel insurance, at no extra charge, and who purchased, in the last seven years, international travel insurance from the defendants through the call centers operated by the defendants.	In April 2019, the parties filed with the Court a motion to approve a settlement arrangement. In accordance with the settlement arrangement, Clal Insurance will provide to the class members, as defined in the settlement agreement, a database of international travel insurance days free of charge, which may be used in accordance with the provisions of the settlement agreement. In November 2019, the Attorney General of Israel filed an objection to the settlement arrangement which was filed with respect to the additional insurance company, and in December, he announced that the grounds of his objection applied to the settlement arrangement with Clal Insurance as well. In April 2020, the Court gave a decision regarding the motion to approve the settlement agreement, according to which, at this time, in light of the airspace closure affecting a significant number of countries around the world, including Israel, due to the global coronavirus pandemic, it cannot be said that compensation in the form of providing international travel insurance days is the fair way to resolve the dispute, at this stage, from the perspective of the class members, without denying that the arrangement, in itself, is reasonable and fair. The parties were therefore requested to negotiate between them, and to notify the Court of their positions in the future.	The total damage claimed for all of the class members from Clal Insurance amounts, in the plaintiff's estimate, to a total of approximately NIS 70 million.

Note 41: 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.	In June 2016, the motion of the parties to transfer the hearing to a board which is hearing an additional claim by the plaintiff, on the subject of the calculation of the rights in life insurance policies, where the policyholder does not pay the full premiums, as specified in section (a)(a1)(8) above, was approved (the "**Prior Proceedings**"). Due to the fact that a decision in the prior proceedings has implications for the questions which are raised in these proceedings, the Court decided to stay the hearing of these proceedings until the evidence hearing stage in the prior proceedings has concluded.	The total damage claimed for all of the class members, in the plaintiff's estimate, to a total of no less than NIS 25 million.

Note 41: Contingent Liabilities and Claims (Cont.)

A. Class action claims (Cont.)

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

Serial number	Date and instance	Defendants	Main claims and causes of action	Main remedies	Represented class	Status / additional details	Claim amount
4.	9/2015 District - Tel Aviv	Clal Pension and Provident Funds Ltd. and four additional managing companies of pension funds	The plaintiffs, members of pension funds managed by the defendants, contend that the mechanism for the compensation, by commission, of agents and brokers, as a percentage of the management fees which are charged from members, as was practiced by the defendants, constitutes a breach of fiduciary duty towards the members of provident funds managed by the defendants, and results in the defendants' collection of management fees in amounts which are higher than appropriate.	To order the defendants to change the mechanism for compensation of agents, and to repay to the members the management fees which were overcollected from them.	Members of provident funds managed by the defendants, from whom management fees were collected while providing a commission to agents which was derived from the amount of management fees.	The proceedings are currently in the stage 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.
5.	10/2015 District - Center	Clal Insurance	The plaintiff brings claims against the definition of "disability" in accidental disability policies, which allegedly create uncertainty, and against the policy terms, which require the receipt of reasonable proof within one year after the date of the accident. In this regard, it was claimed that despite the fact that the Company received "reasonable proof" regarding the permanent disability of policyholders as a result accidents which occurred since June 2009, it paid to them reduced insurance benefits, or rejected their claims for insurance benefits due to disability. The claim also includes assertions regarding the calculation of disability rates in the payment of insurance benefits in the event that the policyholder has more than one disability, as well as assertions regarding the revaluation of insurance benefits with respect to linkage differentials and interest.	To order Clal Insurance to pay to the class members insurance benefits with respect to permanent disability as a result of an accident, in accordance with the terms of the policy, and to order it to cease its unlawful conduct.	Any person who was insured by Clal Insurance in accidental disability policies, where, despite the fact that Clal Insurance received "reasonable proof" of the permanent disability due to an accident which occurred beginning in June 2009, paid reduced insurance benefits with respect to his disability, or rejected his claim for insurance benefits due to his disability, for the reasons specified in the claim (in whole or in part).	In July 2016, following the announcement of the class action plaintiff, who agreed to the summary dismissal of the claim, and withdrew his claim, the Court summarily dismissed the claim. In September 2016, an appeal was filed with the Supreme Court on behalf of the class action plaintiff against the ruling, in which the claim was summarily dismissed. In November 2017, the Supreme Court revoked the ruling, insofar as it pertains to the summary dismissal of the claim, and ordered the plaintiff to file a clarification notice with the District Court, regarding the question of based on which causes of action the claim is requested to be conducted, and which of the plaintiff's assertions meets the requirement of personal cause of action, and the plaintiff filed the foregoing clarification notice, and in April 2018, the District Court instructed the plaintiff to file an amended motion for approval of the claim as a class action, according to the specific causes of action which it specified. After the dismissal of the aforementioned motion for leave to appeal, which the plaintiff had filed with the Supreme Court, the plaintiff filed with the Court an amended motion to approve, which pertained to the specific causes of action which were determined by the Court, as stated above. The proceedings are currently in the stage involving an evaluation of the motion to approve the claim as a class action.	The petitioner estimates the damage incurred by the class at a total of NIS 90 million.

Note 41: Contingent Liabilities and Claims (Cont.)

A. Class action claims (Cont.)

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

Serial number	Date and instance	Defendants	Main claims and causes of action	Main remedies	Represented class	Status / additional details	Claim amount
6	12/2015 District - Tel Aviv	Clal Insurance and an additional insurance company	The plaintiffs contend that the defendants charged, from holders of life insurance policies which were issued beginning on August 1, 1982, in which the sub-annual installments component was reduced, where the premium is paid in installments during the year (hereinafter: "**Sub-Annual Installments**"), an effective interest rate which is higher than the maximum interest rate which the Insurance Commissioner allowed insurance companies to charge with respect to the sub-annual installments component. According to the plaintiffs, this collection is in breach of the law, policy and common practice in the finance segment, and ignores the monthly premium payment date, and the fact that the annual premiums gradually decrease during the year.	To order the defendants to change the method used to calculate the sub-annual installments component, in a manner whereby it will be calculated in consideration of the actual premium payment dates, and in consideration of the reduction of the annual premiums for each payment. To reimburse to the class members the amounts of the sub-annual installments component which were overcollected from them, beginning on the date when the sub-annual installments component was charged to the policyholders, until a ruling has been given on the claim, or alternatively, in the seven years prior to the plaintiff's claim, until a ruling has been given on the claim. Alternatively, the plaintiff is petitioning for the issuance of a declaratory ruling, according to which the method used by Clal Insurance to calculate the sub-annual installments component is illegal, or for the issuance of another declaratory ruling considered appropriate by the Court, in light of the circumstances.	Holders of life insurance policies which were issued beginning on August 1, 1982, and in which a sub-annual installments component was collected, where the premium is paid in installments throughout the year.	In May 2020, a ruling was given in which the District Court dismissed the motion to approve the claim as a class action. In September 2020, the plaintiffs appealed the ruling.	The total damage claimed for all of the class members, in the plaintiffs' estimate, amounts to a total of no less than NIS 50 million.

Note 41: Contingent Liabilities and Claims (Cont.)

A. Class action claims (Cont.)

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

Serial number	Date and instance	Defendants	Main claims and causes of action	Main remedies	Represented class	Status / additional details	Claim amount
7.	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 41: Contingent Liabilities and Claims (Cont.)

A. Class action claims (Cont.)

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

Serial number	Date and instance	Defendants	Main claims and causes of action	Main remedies	Represented class	Status / additional details	Claim amount
8.	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 8(1) and 8(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 (hereinafter: the “**Motion For Leave To Appeal**”), and in August 2020, the Attorney General submitted his position, in which it was stated that the motion for leave to appeal and the appeal per se should be approved, such that the decision to approve should be canceled, for the reasons specified in the Attorney General’s position (hereinafter: the “**Attorney General’s Position**”. The institutional entities in the Group are not parties to these proceedings. In October 2020, the petitioners in proceedings 8(1) and 8(4) were added to the motion for leave to appeal. In October 2020, the petitioners in proceedings 8(1) and 8(4) were added to the motion for leave to appeal. In February 2020, the Court ordered a stay of the hearing of the motion to approve claim no. 5 against Atudot Pension Fund, until after the Supreme Court has reached a decision regarding the abovereferenced motion for leave to appeal. It was further determined that despite the delay in the proceedings, Atudot will submit its response to the motion to approve, which was submitted in July 2020. In September 2020, the Court gave its decision that the Attorney General’s position will be attached to proceedings 1 and 4, and in October 2020, a decision was given to attach it to the motions to approve regarding claims 2 and 3. The Court also ordered a stay of these motions until the Supreme Court has reached a decision regarding the motion for leave to appeal. In October 2020, the parties in proceedings 2 and 3 requested to postpone the filing of closing arguments until the Supreme Court has reached a decision regarding the motion for leave to appeal.	In claim 1, which refers to the pension funds, the amount of the class action was set as NIS 341 million, with respect to the years 2009-2015, plus the investment management expenses which were collected by the defendant from the 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 41: Contingent Liabilities and Claims (Cont.)

A. Class action claims (Cont.)

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

Serial number	Date and instance	Defendants	Main claims and causes of action	Main remedies	Represented class	Status / additional details	Claim amount
9.	9/2016 District - Tel Aviv	Clal Insurance and three other insurance companies	The plaintiffs contend 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.	In October 2020, a ruling was given in which the District Court dismissed the motion to approve the claim as a class action. In November the plaintiffs filed with the Supreme Court an appeal against the foregoing ruling, and the defendants filed an appeal against the decision not to order the plaintiffs to pay expenses.	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.
10.	4/2017 National Labor Court	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 August 2020, the Regional Labor Court gave a ruling in which it dismissed the motion to approve the claim as a class action. In October 2020, the petitioners in the motion to approve filed an appeal against the foregoing ruling.	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 41: Contingent Liabilities and Claims (Cont.)

A. Class action claims (Cont.)

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

Serial number	Date and instance	Defendants	Main claims and causes of action	Main remedies	Represented class	Status / additional details	Claim amount
11.	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. In March 2021, the parties petitioned the Court to approve a settlement arrangement, in which it was agreed, inter alia, that the defendants would amend the wording of the certificates of settlement which they use, insofar as may be necessary, such that the required date for the payment of insurance benefits will be 30 days after the date of the fulfillment of the conditions for payment, and the defendants will honor the receipt of certificates of settlement in accordance with the mechanism for submitting certificates of settlement which was determined in the settlement agreement. The settlement arrangement's entry into effect is conditional upon the receipt of court approval, the provision of which is uncertain.	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 41: Contingent Liabilities and Claims (Cont.)

A. Class action claims (Cont.)

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

Serial number	Date and instance	Defendants	Main claims and causes of action	Main remedies	Represented class	Status / additional details	Claim amount
12.	12/2017 District - Jerusalem	Clal Insurance, two additional insurance companies, Clalit Health Services and Maccabi Health Services.	The plaintiffs contend that the defendants refuse, allegedly, to cover with long-term care insurance people who are on the autistic spectrum, or set impossible and unreasonable conditions for them, without providing any explanation or justification for their actions.	Issuance of a declarative order stating that the defendants have breached, by their conduct, Part H of the Equal Rights for Persons with Disabilities Law, 1998, the Equal Rights for Persons with Disabilities Regulations (Notice of Insurer Regarding Provision of Different Treatment for a Person or Regarding Refusal to Insure a Person), 2016 (the "**Equality Law**"), and additional legislation; the issuance of a mandamus order requiring the defendants to stop discriminating against the class members, and to establish clear work policies regarding individual and equal treatment, without prejudice, of persons with disabilities; the issuance of a mandamus order requiring the defendants to retroactively insure the class members, who will be found qualified to receive long-term care insurance, following an egalitarian underwriting process, in accordance with the aforementioned policies.	People with disabilities on the autistic spectrum who request to be covered under long-term care insurance at any of the defendants, and who unlawfully received from the defendants different and discriminatory treatment, due to the fact that they are people with disabilities, whereby the decision was not based on reliable and relevant statistical, actuarial and medical data regarding the specific insurance risk, and/or for which no reason was given, as required in accordance with the Equal Rights Law and other provisions of the law, during the seven years preceding the filing of the motion to approve.	In January 2020, the Attorney General of Israel announced that he did not wish to appear in the proceedings, and that this announcement did not change the position which he filed regarding another similar case, in which he expressed the position that the insurance company's reliance on the reinsurers' underwriting policies complies with the provisions of the Equal Rights Law. In March 2020, the motion to summarily dismiss which had been filed by the health funds was dismissed. The parties filed an appeal against the aforementioned decision, inter alia, in connection with the decision regarding the motion to summarily dismiss. The funds' appeal against the dismissal of their petition for summary dismissal was dismissed in November 2020. 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.
13.	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 41: Contingent Liabilities and Claims (Cont.)

A. Class action claims (Cont.)

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

Serial number	Date and instance	Defendants	Main claims and causes of action	Main remedies	Represented class	Status / additional details	Claim amount
14.	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. 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 October 2020, a decision was given which accepted the motion of the Israel Consumer Council to attach its position and to join the proceedings.	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.

Note 41: 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.	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 41: Contingent Liabilities and Claims (Cont.)

A. Class action claims (Cont.)

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

Serial number	Date and instance	Defendants	Main claims and causes of action	Main remedies	Represented class	Status / additional details	Claim amount
16.	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 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 41: Contingent Liabilities and Claims (Cont.)

A. Class action claims (Cont.)

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

Serial number	Date and instance	Defendants	Main claims and causes of action	Main remedies	Represented class	Status / additional details	Claim amount
17.	3/2019 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.	In December 2020, the parties filed with the Court a motion to approve a settlement arrangement. In accordance with the settlement arrangement, certain policyholders who have claims regarding the insurance sale process will contact Clal Insurance, and their sale process will be evaluated, and insofar as any defects are found, in accordance with the criteria specified in the settlement agreement, they will be entitled to compensation according to the rate specified in the settlement agreement. An agreement was also reached regarding the payment of compensation to the plaintiff and to its representative, in immaterial amounts. The agreement is subject to the Court's approval, which is uncertain to be received. 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.
18.	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 41: 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.	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 (hereinafter: the "Alleged Calculation").	To repay to the class members the amounts with respect to the overcharges, 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, which were not calculated according to the alleged calculation.	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

Note 41: Contingent Liabilities and Claims (Cont.)

A. Class action claims (Cont.)

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

Serial number	Date and instance	Defendants	Main claims and causes of action	Main remedies	Represented class	Status / additional details	Claim amount
20.	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.	In October 2020, the parties filed with the Court a settlement arrangement and a motion to approve it (hereinafter: the “**Settlement Arrangement**”), in which the primary request is for Clal Insurance to send to certain class members, as defined in the settlement agreement, a letter informing them of the collection of the addition of “sub-annual installments”, and their option to change the framework for payment of future premiums, to an annual payment framework. It was further agreed, as part of the settlement arrangement, that Clal Insurance will pay to the plaintiffs and their representatives compensation and professional fees. The settlement arrangement’s entry into effect is conditional upon the receipt of court approval, the provision of which is uncertain.	NIS 1.8 billion

Note 41: Contingent Liabilities and Claims (Cont.)

A. Class action claims (Cont.)

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

Serial number	Date and instance	Defendants	Main claims and causes of action	Main remedies	Represented class	Status / additional details	Claim amount
21.	11/2019 Regional Labor Court of Tel Aviv	Clal Insurance	The plaintiff contends that Clal Insurance collected management fees in life insurance policies combined with savings of the "profit sharing" type which were issued before January 12, 2004 (hereinafter: the "**Relevant Policies**"), in rates which deviate from what is permitted, without any legal and/or contractual basis.	A remedy of repaying the amount of management fees which were unlawfully collected from the class members, and a mandamus order instructing Clal Insurance to change its operating method with respect to the collection of management fees in the relevant policies from this point forward.	Anyone who was or is a holder of the relevant policies of Clal Insurance, and from whom Clal Insurance collected, during the 7 years preceding the filing date of the claim, and until the approval date of the claim as a class action, management fees which deviate from what is permitted in accordance with the Control of Financial Services Regulations (Insurance) (Terms of Insurance Contracts), 1981, according to their wording at the time, and/or in accordance with the provisions of the policy.	The proceedings are currently in the stage involving an evaluation of the motion to approve the claim as a class action.	NIS 120 million
22.	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.

Note 41: Contingent Liabilities and Claims (Cont.)

A. Class action claims (Cont.)

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

Serial number	Date and instance	Defendants	Main claims and causes of action	Main remedies	Represented class	Status / additional details	Claim amount
23.	2/2020 District-Center	Clal Insurance and an additional insurance company	The plaintiffs contend 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 which were filed against Clal Insurance were struck out by the Court on procedural grounds in January 2020.	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 41: 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.	3/2020 Regional Labor Court of Tel Aviv	Clal Insurance	According to the plaintiff, Clal Insurance systematically breaches the provisions of the law by unlawfully collecting premiums with respect to “temporary risk” insurance (payment for insurance coverage in situations where the routine deposits to a savings policy which includes insurance components are discontinued), through deductions from the accrued savings amount, in excessive amounts, while reducing the accrued savings amount, without informing the policyholders in advance regarding the preparation of “temporary risk” insurance, or the conditions and tariffs thereof, and while breaching the obligation to send to policyholders pages of updated insurance details, on time, or at all.	(1) Reimbursement of all of the funds which were collected from the accrual and/or by other means, with respect to the entire period after the discontinuation of work (except in cases where the policyholder requested, in writing, to acquire the insurance covers). Alternatively, reimbursement of all of the funds which were collected with respect to the period 3 or 5 months after the conclusion of their employment, in accordance with the relevant legislative arrangement (hereinafter: the “Automatic Temporary Risk Period”), and in cases involving increased premiums, reimbursement of the excess premiums also with respect to the automatic “temporary risk” period; (2) A prohibition against the preparation of “temporary risk” insurance for a period exceeding the automatic temporary risk period, except for policyholders who have requested it in writing; (3) Ordering Clal Insurance to reimburse the excess premiums to policyholders from whom double premiums were collected (with respect to the month when they returned to work); (4) Various provisions regarding future activity (including a prohibition against increasing the price of premiums, giving advance notice regarding the purchasing of temporary risk, and more).	The represented class for the purpose of the non-monetary remedies includes all of the policyholders in provident funds or insurance plans in which funds of employers and/or employees are deposited with respect to loss of working capacity insurance and/or insurance in case of death or any other insurance risk. The represented class for the purpose of the monetary remedies includes: (A) All policyholders from whom amounts were collected, from the accrual amounts or from any other source, with respect to amounts with respect to or insurance in case of death or any other insurance event, and who did not receive notice in advance; (B) Alternatively, policyholders from whom premiums were collected for periods exceeding the automatic temporary risk period, except if agreed in advance; (C) Policyholders from whom premiums were collected in an amount higher than the premiums which were collected from them when they were active policyholders and/or which were collected from them with respect to new insurance policies, which they did not have prior to the conclusion of their employment; (D) Policyholders from whom double premiums were collected.	The proceedings are currently in the stage involving an evaluation of the motion to approve the claim as a class action.	The amount of the class action is estimated, conservatively, according to the plaintiff, at no less than NIS 7 million per year. The plaintiff contends that prescription of any kind whatsoever should not be applied to the claim. Alternatively, the claim for monetary remedies applies beginning from 7 years before the filing of the claim, which was filed in 2020, until the approval of the claim as a class action.

Note 41: Contingent Liabilities and Claims (Cont.)

A. Class action claims (Cont.)

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

Serial number	Date and instance	Defendants	Main claims and causes of action	Main remedies	Represented class	Status / additional details	Claim amount
25.	4/2020 District Court Tel Aviv	Clal Insurance and 11 additional insurance companies	According to the plaintiffs, the respondents should be ordered to compensate the class members, and to reimburse in full the damages they incurred with respect to excess premiums which have been paid and are still being paid with respect to motor insurance, due to the dramatic reduction of their use of vehicles during the period of COVID-19, and the significant reduction of the risk level.	Compensation of the class members, full reimbursement of the damages they incurred, issuance of a mandamus order instructing an adjustment of collection according to the risk which was actually applicable to the respondents during the effective period and/or issuance of a declaratory ruling determining that a significant reduction of the use of the vehicle in circumstances such as the events occurring during the effective period require an adjustment (reduction) of premiums.	Anyone who was a policyholder of one or more of the respondents in compulsory insurance and/or comprehensive insurance and/or third party insurance, during all or part of the period beginning on March 8, 2020 and ending on the date of the full and absolute lifting of the restrictions on movement which were imposed on the residents of Israel due to the coronavirus.	The proceedings are currently in the stage involving an evaluation of the motion to approve the claim as a class action. In February 2021, the Court ordered the unification of the motion to approve this class action, with respect to compulsory motor insurance, with a separate motion to approve a class action, which involves similar causes of action, in which Clal Insurance is not a respondent, or alternatively, to conduct the motion to approve in accordance with one of the motions which were filed. The proceedings are continuing with respect to motor insurance.	The plaintiffs estimate the alleged damage against Clal Insurance, with respect to the period from March 8, 2020 to April 30, 2020, at a total of NIS 103 million, and for all of the respondents together, at a total of approximately NIS 1.2 billion. The petitioners noted that the damage continues accumulating so long as the collection has not been discontinued.

Note 41: 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.	4/2020 District Court Tel Aviv	Clal Insurance and 12 additional insurance companies	According to the plaintiffs, the respondents should be ordered to reimburse to their policyholders some of the premiums which were paid to them with respect to the significant decrease in risk due to the coronavirus (COVID-19) pandemic, in compulsory motor policies, comprehensive or third party motor property policies, and theft of apartment contents policies.	Ordering each of the respondents to reimburse the premiums which were overcollected by them due to the decreased risk associated with the insurance policies which form the subject of the motion to approve and of the class action, and reimbursement of any additional amount which will be collected by them from the filing of the motion to approve until its approval by the Court and/or until the lifting of the restrictions on movement and activity, whichever is earlier, such that the risk level returns to its level prior to the change in circumstances which led to the decreased risk, as stated above.	Anyone who entered into a contract with Clal Insurance for compulsory motor insurance and/or comprehensive motor insurance and/or third party motor insurance and/or apartment contents insurance, and who, as of the effective date for the filing of the motion to approve and of the class action, i.e., as of March 19, 2020, held one or more of the aforementioned insurance policies, and who, in light of the decrease in risk associated with each of the aforementioned policies, did not receive from Clal Insurance actual reimbursement and/or did not receive notice of future reimbursement and/or crediting with respect to premiums which they overpaid, due to the decreased risk, as specified in the motion to approve.	The proceedings are currently in the stage involving an evaluation of the motion to approve the claim as a class action. In February 2021, the Court decided, with respect to Clal Insurance and the other defendants (except for one), to strike out the claim and the associated motion regarding motor insurance, which will be heard within the framework of the motion described in section a(a2)(25) above, and will remain regarding apartment insurance only.	The plaintiffs estimate the alleged damage against Clal Insurance, with respect to a period of one month, beginning on March 19, 2020, at a total of approximately NIS 76 million, and for all of the respondents together, at a total of approximately NIS 886 million.

Note 41: Contingent Liabilities and Claims (Cont.)

A. Class action claims (Cont.)

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

Serial number	Date and instance	Defendants	Main claims and causes of action	Main remedies	Represented class	Status / additional details	Claim amount
27.	4/2020 District Court Haifa	Clal Insurance and 6 additional insurance companies	The plaintiffs contend that the respondents should be ordered to compensate the class members, and to reimburse all of their damages in the form of excess premiums which were paid and are still being paid with respect to comprehensive insurance for businesses (including stores, offices, workshops, plants, shopping malls, hotels, restaurants, cinemas, sports facilities, etc.), due to the dramatic decrease in the activity of those businesses due to the government's decisions to reduce activity in light of the coronavirus (COVID-19) pandemic, and the correspondingly significant decrease in the risk level to which the respondents are exposed.	Compensation of the class members, full reimbursement of the damages they incurred, issuance of a mandamus order instructing an adjustment of collection according to the risk which was actually applicable to the respondents during the effective period and/or issuance of a declaratory ruling stating that the significant decrease in the activity of the businesses, in circumstances such as the events during the effective period, requires an adjustment (reduction) of premiums.	Anyone who was a policyholder of one or more of the respondents, in business insurance which includes employers' liability insurance and/or third party insurance, during the period from March 15, 2020 until the full and absolute lifting of the restrictions which were imposed on the residents of Israel due to the coronavirus pandemic.	The proceedings are currently in the stage involving an evaluation of the motion to approve the claim as a class action.	The plaintiffs estimate the alleged damage against Clal Insurance, with respect to the period from March 15, 2020 to April 30, 2020, at a total of NIS 12.14 million, and for all of the respondents together, at a total of approximately NIS 81.37 billion. The petitioners noted that the damage continues accumulating so long as the collection has not been discontinued.

Note 41: Contingent Liabilities and Claims (Cont.)

A. Class action claims (Cont.)

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

Serial number	Date and instance	Defendants	Main claims and causes of action	Main remedies	Represented class	Status / additional details	Claim amount
28.	4/2020 District Court Center	Clal Insurance and 4 additional insurance companies	The plaintiffs contend that the defendants allegedly provide their customers with alternative windshields, which are not original, and not standard-compliant, in breach of their undertakings towards their customers according to their agreements with them.	Monetary compensation for all clients in whose vehicles an alternative windshield has been installed, which will allow them to replace the windshield that was installed in their vehicle, with an original windshield; Monetary compensation in the amount of NIS 500 for each of these customers, with respect to the hassle involved in making the replacement; Reimbursement, to the entire class of customers who held in the past or currently hold a policy which includes coverage for windshield breakage, the value of the savings which the respondents saved in their engagement with windshield installers, who were allowed to install alternative windshields which were not standard-compliant, and not original.	Any customer of the defendants who held or currently holds a letter or coverage which includes an undertaking by any of them to provide the customer with an alternative standard-compliant windshield, or original windshield, as well as any customer of the defendants who held or currently holds a letter or coverage which includes an undertaking by any of them to provide the customer with an alternative standard-compliant windshield, or original windshield, who received a windshield which was neither standard-compliant nor original.	The proceedings are currently in the stage involving an evaluation of the motion to approve the claim as a class action.	The plaintiffs have not quantified the total damage claimed for all of the class members which they wish to represent; however, they estimate that it significantly exceeds a total of NIS 2.5 million.

Note 41: 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.	7/2020 District Court Center	Clal Insurance and 4 additional insurance companies	The plaintiffs contend that the defendants allegedly do not reduce the insurance premiums for policyholders for whom exclusions have been established due to a pre-existing medical condition, despite the fact that the exclusions allegedly reduce the insurance risk relative to the risk in insurance policies of policyholders for whom similar exclusions have not been established.	Compensation/reimbursement of all of the amounts which were allegedly overcollected from the policyholders who are included in the class, plus duly calculated linkage differentials and interest, as well as a mandamus order instructing the defendants to change their conduct.	Anyone who was insured during the period beginning 7 years prior to the filing date of this claim, and ending on the approval date of the claim as a class action, by one or more of the defendants, in insurance policies of the following types: disability, long-term care, life, loss of working capacity, personal accidents or health (including critical illness, surgeries in Israel or abroad, implants in Israel or abroad, drugs, ambulatory treatments, or any other medical coverage), in which the policy has an exclusion. For this purpose, "**exclusion**" means any stipulation in the policy which determines that an event / injury / illness or any risk which has materialized and/or is related to a pre-existing medical condition of the policyholder on the date the policy was purchased, is not covered under the policy.	The proceedings are currently in the stage involving an evaluation of the motion to approve the claim as a class action.	The plaintiffs estimate the total damage for all of the class members, with respect to all of the defendants, at a total of NIS 1.9 billion, while stating that the share of each of the defendants is in accordance with the market segment of health and life insurance, according to the publications issued by the Commissioner of Capital Markets.

Note 41: Contingent Liabilities and Claims (Cont.)

A. Class action claims (Cont.)

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

Serial number	Date and instance	Defendants	Main claims and causes of action	Main remedies	Represented class	Status / additional details	Claim amount
30.	7/2020 District Court Center	Clal Insurance	the plaintiff contends that Clal Insurance unlawfully applies an exclusion in the policy which determines that, in case the policyholder had a medical defect which was diagnosed and documented during the first 12 months of their life, they will be denied long-term care insurance benefits (hereinafter: the "**Exclusion Clause**"). The plaintiffs contend that Clal Insurance rejects claims for long-term care insurance benefits also in cases where the defect had not been diagnosed or documented, and assert that it was wrong, from the outset, to include the exclusion clause in the policy.	Declaratory relief ordering the calculation of the exclusion clause, or alternatively, declaratory relief determining that Clal Insurance's interpretation of the provisions of the exclusion clause, according to which it is permitted, by virtue of that clause, to exclude from entitlement to an annuity also minors who were not diagnosed, in a documented medical diagnosis, before reaching 12 months of age, is invalid. Additionally, remedy requiring monetary compensation with respect to all monetary and non-monetary damages, plus duly calculated interest and linkage.	All holders of long-term care insurance policies of Clal Insurance who meet the conditions for the receipt of a long-term care insurance annuity, who were rejected based on the exclusion clause due to a birth defect, or birth illness, or illness which was diagnosed in the first year of life; Including: Group A - anyone who underwent an insurance event, and whose claim was rejected based on the grounds that symptoms existed in their first year of life which could have led to a documented diagnosis in their first 12 months of life, and anyone who was entitled to receive the annuity, but in light of the aforementioned policy of Clal Insurance, did not submit a request to receive it; Group B - anyone who underwent an insurance event, and whose claim was rejected based on the existence of a documented diagnosis in their first 12 months of life, and anyone who was entitled to receive the annuity, but in light of the existence of the aforementioned diagnosis, did not submit a request to receive it.	The proceedings are currently in the stage involving an evaluation of the motion to approve the claim as a class action.	The plaintiffs have not specified a total sum of damages for all of the class members, but estimate it at a total exceeding NIS 2.5 million.

Note 41: Contingent Liabilities and Claims (Cont.)

A. Class action claims (Cont.)

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

Serial number	Date and instance	Defendants	Main claims and causes of action	Main remedies	Represented class	Status / additional details	Claim amount
31.	8/2020 District Court Jerusalem	Clal Insurance and the Netiv Pension Fund Retiree Association - Southern and Central Regions (hereinafter: the “**Association**”).	The plaintiffs contend that Clal Insurance unilaterally and immorally canceled the collective life insurance policy which it had sold to the association (hereinafter: the “**Policy**”), without notifying the policyholders of the desire to cancel and/or extend the policy, in breach of its legal obligation.	The remedy requested by the plaintiff is, inter alia, to order Clal Insurance to pay to restore the policy, or alternatively, to pay to the beneficiaries of the class members the entire amount of premiums which were collected from them with respect to the policy over the years when they were insured, plus duly calculated interest and linkage. To order Clal Insurance to pay all of the policyholders compensation with respect to the harm to their consumer autonomy.	Anyone who was insured by Clal Insurance in a policy which was canceled on May 1, 2014.	The proceedings are currently in the stage involving an evaluation of the motion to approve the claim as a class action. It is noted, in connection with the policy, that a previous motion to approve a claim as a class action was filed against Clal Insurance, which was approved (on this matter, see section a(a1)(9) above (hereinafter: the “**Previous Claim**”)). Accordingly, based on the Company’s preliminary assessment, the requested remedies in the claim overlap, to a certain degree, with the remedies which were requested in the previous claim.	The total damage claimed for all of the class members against Clal Insurance amounts, in the plaintiff’s estimate, to a total of approximately NIS 33 million, of which a total of NIS 3 million is with respect to non-monetary damages.

Note 41: Contingent Liabilities and Claims (Cont.)

A. Class action claims (Cont.)

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

Serial number	Date and instance	Defendants	Main claims and causes of action	Main remedies	Represented class	Status / additional details	Claim amount
32.	9/2020 District Court Haifa	Clal Insurance	The plaintiff contends that Clal Insurance does not fulfill its obligations, and repays to its policyholders amounts which are significantly lower than the amounts which it undertook to pay in accordance with the implementation of the "no claim bonus clause" in health policies which were sold by Clal Insurance in the past, which gives the policyholder the right to receive reimbursement of a part of the premiums which they paid, in case there are no claims during a period specified in the policy.	The remedy requested by the plaintiff includes, inter alia, ordering Clal Insurance to compensate each of the class members who are entitled to a no claim bonus for the proportional part of the premiums, plus interest and linkage.	All holders of individual and collective health insurance policies of Clal Insurance, including health insurance and including extended liability insurance and full liability insurance, and including different names of the policies over the years, which included a "no claim bonus" clause, and who did not claim and/or avoided claiming compensation for 3 years, or for any other period according to the policy, and who were entitled to reimbursement of 10% of the premiums which were paid, or a different reimbursement percentage in accordance with the policy terms, and who received a lower amount than the amount which was owed to them in accordance with the policy terms, during the period 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 damage claimed for all of the class members was estimated by the plaintiff in a total amount of NIS 33,575,080, during the seven years preceding the filing of the claim.

Note 41: Contingent Liabilities and Claims (Cont.)

A. Class action claims (Cont.)

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

Serial number	Date and instance	Defendants	Main claims and causes of action	Main remedies	Represented class	Status / additional details	Claim amount
33.	9/2020 District Court Center	Clal Insurance and an additional insurance company	The claim involves an assertion that the defendants acted in breach of the provisions of critical illness policies, and did not act in accordance with the policy terms, which determine that, after the occurrence of the first insurance event, and if the policyholder remains covered by the insurance policy, the insurance amount and the monthly premium will be reduced by 50%.	The remedy requested by the plaintiffs is compensation to the class members for past damages, as well as declaratory relief and a mandamus order instructing the defendants to change their operating methods.	All customers / policyholders of the respondents who held critical illness insurance and/or insurance for critical illness and severe medical cases and/or another similar insurance, defined by another name, who suffered a first insurance event, after which a higher premium was charged from them than had been agreed, in breach of the terms of the insurance policy, during the 7 years preceding the filing date of the motion.	The proceedings are currently in the stage involving an evaluation of the motion to approve the claim as a class action.	The plaintiffs estimate the total damage for all of the class members, with respect to Clal Insurance, at a total of NIS 16,800,000.

Note 41: 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
34.	3/2021 District Court Haifa	Clal Insurance	The subject of the claim is the allegation that Clal Insurance violates the provisions of the law by making misrepresentations and misleading customers when marketing insurance policies which are not "provident funds" (as this term is defined in law), while ascribing a benefit to the product which does not actually exist. According to the petitioner's assertion, as a result, the National Insurance Institute offsets, from the annuities which are paid to policyholders by National Insurance, amounts which are paid from the policy. According to the petitioner, had the policy been defined as a "provident fund", the National Insurance Institute would not have offset these amounts.	The main remedies petitioned for by the plaintiff include: (1) a declarative order stating that Clal Insurance violated the provisions of the law; (2) A mandamus order requiring Clal Insurance to sell and market its products in accordance with the provisions of the law; (3) Repayment of the amounts which were paid for the policy in which the misleading representation was made; (4) Non-monetary damages due to harm to autonomy.	All customers of Clal Insurance who purchased, during the last seven years, the policy address in the claim, and any other policy of Clal Insurance, in which it made a similar misrepresentation and/or who became aware, during the last seven years, of the fraud alleged in 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 damage claimed for all of the class members, in the plaintiff's estimate, amounts to a total of NIS 200 million.

Note 41: 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[21].

Serial number	Date and instance	Defendants	Main claims and causes of action	Main remedies	Represented class	Status / additional details	Claim amount
1	1/2019 District - Jerusalem	Clal Insurance and two additional insurance companies	The plaintiffs contend that the defendants unlawfully hold funds originating from the dispatch of unredeemed checks, and which were sent to policyholders, whose eligibility for insurance benefits or for reimbursement of premiums has been recognized by the defendants.	Payment of the insurance benefits or reimbursement of the premiums, plus linkage and interest from the date when they were recognized by the defendants, through the payment methods which are held by the defendants; Additionally, to order the defendants to perform, in the future, insurance payments using the same payment method as that which is used by the policyholder to pay the premiums; And to order the defendants that if it is not possible to locate the class members, the Guardian General should be contacted and informed of the funds which are held by them.	Anyone who meets one or more of the following conditions: (1) Policyholders of the defendants, whose eligibility for insurance benefits or for the reimbursement of insurance premiums was recognized by the defendants, and to whose registered address checks were sent which had not been redeemed by the policyholders, for any reason whatsoever; (2) Policyholders of the defendants regarding whom, on the date of dispatch of the aforementioned checks, or thereabouts, the defendants had details of their bank account or debit card, through which and/or from which premiums were collected by the defendants, or regarding whom the defendants had the possibility to find such details.	In April 2020, the Court approved the motion to withdraw from the proceedings.	The claim does not include calculation of the aggregate damage incurred by the class members; however, this amount was estimated at exceeding NIS 2.5 million.

---

[21] This section includes a description of claims which concluded during the reporting year, and which were not reported in the financial statements for 2019, and also applies to claims in which a decision was made to strike out the claim, or in which a ruling was given, including a ruling to approve a settlement arrangement. The foregoing does not apply to followup regarding the implementation of the arrangements (including possible changes as part of the implementation of the arrangements and/or procedures involved in evaluating them) which were determined as part of the foregoing decisions, and which could continue over time, and the results of which cannot be fully estimated in advance.

Note 41: 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. (Cont.)

Serial number	Date and instance	Defendants	Main claims and causes of action	Main remedies	Represented class	Status / additional details	Claim amount
2.	11/2019 Regional Labor Court of Tel Aviv	Clal Insurance	The plaintiff contends that Clal Insurance collected management fees from the cumulative savings in life insurance policies combined with savings, without having obtained the policyholders' consent, in breach and violation of the policy terms, and/or without having received approval from the regulator for charging the aforementioned amounts.	Repayment of the management fees which were overcollected from the class members, and a mandamus order instructing Clal Insurance to discontinue the collection of management fees from the cumulative savings in the relevant policies, from this point forward, and to restore the insurance contract's original conditions	Anyone who was or is a holder of the relevant policies of Clal Insurance, and from Clal Insurance collected, during the 7 years preceding the filing date of the claim, management fees in breach of the contractual agreements.	At the request of the petitioners in the claim, as specified in section (a)(a2)(21), and in light of the fact that the amounts which were claimed in this claim overlap, to a certain degree, with the amounts which were claimed in the claim specified in section (a)(a2)(21), in June 2020, the claim was struck out.	Approximately NIS 22 million.

Note 41: 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. (Cont.)

Serial number	Date and instance	Defendants	Main claims and causes of action	Main remedies	Represented class	Status / additional details	Claim amount
3.	4/2008 Regional Labour Court of Jerusalem	Clal Insurance and additional insurance companies	The plaintiff contends that the defendants determined, in the managers' insurance policy, that the annuity factor which will be used for the payment of insurance benefits to female policyholders upon reaching retirement age, will be lower than that used for male policyholders, due to the longer life expectancy of women. However, on the other hand, the defendants collected and continue to collect from female policyholders a risk premium which is identical to male policyholders, in spite of the fact that the mortality rates of women are lower than those of men. According to the plaintiff, in 2001, or proximate thereto, the defendants amended the policies; however, this amendment applied to new policies only.	To order that: A. The discrimination practiced by the defendant is in contravention of the law, and any provision in the policy and/or any action taken by virtue of such discrimination is hereby null and void. B. Allowing the class members to choose between: (1) Comparing the annuity factors for a female policyholder to a male policyholder, and, in case of a one-time payment instead of a pension, increasing it. (2) Reducing, retrospectively and prospectively, the risk premium amounts which were charged, where the amounts which will be reduced will be added to the accrual and savings amounts.	All women who acquired managers insurance policies from the defendant, in which a distinction was made between men and women regarding the pension payment, although a distinction was not made between the genders regarding the risk premium.	In August 2014, the Regional Labor Court of Jerusalem accepted the motion to approve class action status, while determining that the elements required to accept the motion at this preliminary stage of the hearing had been fulfilled. In December 2016, the position of the Attorney General of Israel was submitted (which he also repeated in the Court hearing which was held in April 2017) which, in general, supported the position of the defendants, and determined, inter alia, that a class action is not the most efficient and fair way of resolving the dispute, in light of the circumstances, and that the chances of the process are such that there is no reasonable possibility that the relevant question will be determined in favor of the class, since no unlawful discrimination was involved. In December 2019, the National Labor Court issued a ruling determining that the appeal of Clal Insurance and the additional insurance companies was accepted, and accordingly, the decision to approve was canceled. After the summary dismissal of the petition which the petitioners filed with the Supreme Court, in July 2020 the petitioners filed an additional motion for a hearing before the High Court of Justice, which was dismissed in November 2020.	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 41: 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. (Cont.)

Serial number	Date and instance	Defendants	Main claims and causes of action	Main remedies	Represented class	Status / additional details	Claim amount
4.	5/2018 District - Tel Aviv	Clal Insurance and an additional insurance company	The plaintiffs contend that the defendants overcollect insurance premiums with respect to comprehensive motor insurance, which are calculated according to a value of the vehicle which is greater than the actual value of the vehicle, as weighted by them upon the occurrence of a total loss insurance event, in different situations wherein the value of the vehicle is reduced due to "special variables" or "special components", in a manner whereby the "true value" of the insured vehicle is significantly lower than its value for the purpose of insurance (before weighing the "special variables"), and particularly, when the vehicle was purchased from a rental company or leasing company.	To order the defendants to reimburse the amounts which were unlawfully overcollected from the policyholders, plus duly calculated interest; To declare that the defendants are not entitled to collect premiums based on a vehicle value which does not include the deduction of the "special component" from the vehicle value; To issue an injunction prohibiting the defendants from continuing their aforementioned practice of overcollection, as well as any remedy which the Court considers fair and just in light of the circumstances.	All policyholders who acquired from the defendants, with respect to a vehicle to which special variables apply under the policy, and whose insurance policy states that, in case of an insurance event of the "total loss" type or "constructive total loss" type, a certain rate will be deducted from the vehicle value, without reducing the premiums accordingly, during the seven years preceding the filing date of the claim.	In accordance with an agreed-upon motion which was filed with the Court by the parties, and which the Court approved, the parties agreed to stay the hearing of the motion to approve until the Supreme Court has reached a decision regarding an appeal against a similar motion to approve, which was dismissed. It was further agreed that insofar as the appeal is dismissed or struck out, the petitioners would withdraw the motion to approve. In June 2020, the appeal regarding the similar motion to approve was dismissed. Following the above, in accordance with the agreed-upon motion which was approved, as stated above, the petitioners filed a motion to withdraw the motion to approve, which was approved by the Court.	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 41: 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. (Cont.)

Serial number	Date and instance	Defendants	Main claims and causes of action	Main remedies	Represented class	Status / additional details	Claim amount
5.	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. In October 2020, the Court approved the settlement arrangement.	The plaintiffs did not specify the cumulative damages incurred by all class members. The personal damage of one plaintiff was estimated as a total of NIS 597, with the addition of linkage differentials and interest, and the damages incurred by the second plaintiff were not specified.

Note 41: 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. (Cont.)

Serial number	Date and instance	Defendants	Main claims and causes of action	Main remedies	Represented class	Status / additional details	Claim amount
6.	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.	In October 2020, the parties filed with the court a settlement arrangement and a motion to approve it, which primarily involve an undertaking of Clal Insurance to restore the policy terms to the terms prior to the change, with respect to certain class members which were defined in the settlement agreement. The settlement arrangement includes provisions regarding the method used to perform the foregoing restoration, and an agreement was also reached regarding the payment of compensation and professional fees. In February 2021, the Court approved the settlement arrangement.	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.

Note 41: Contingent Liabilities and Claims (Cont.)

A. Class action claims (Cont.)

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

1. In addition to the material class actions which are described in Note 41(a)(a1), the pending motions for the approval of class action status for material claims, as described in Note 41(a)(a2), and the motions to approve class action status for material claims which were withdrawn during the reporting period, as described in Note 41(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[22], 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 294 million[23].
2. In addition to the aforementioned legal proceedings, from time to time, potential exposures exist which, at this stage, cannot be estimated or quantified, with respect to commercial disputes or alerts regarding the intention to file claims, including class actions and derivative claims on certain matters, or legal proceedings and specific petitions which may in the future develop into claims, including class actions or third party notices against the Group's member companies, and potential exposure also exists, which at this stage cannot be estimated or quantified, to the possibility that additional class actions will be filed against the Group's member companies due to the complexity of the companies' insurance products, along with the complexity of the regulations that apply to and affect 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 and/or the relationship between the Company and third parties, including reinsurers. In this regard it is noted that as of the reporting date, negotiations are being conducted with a reinsurer in connection with the completion of deposits in respect of previous years in the amount of approximately NIS 130 million (this amount does not include the development of claims with respect to the current year in the amount of approximately NIS 45 million). The Company believes, based on the position of its legal counsel, that insofar as the matter reaches litigation, the Company's chances of success in such litigation are higher, and a provision was therefore not recorded in the financial statements. The parties agreed to conduct mediation proceedings.

   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.

---

[22] See note 16 above regarding the significance threshold.

[23] The foregoing number of claims 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 one claim in which the amount which was claimed and included in the calculation was not attributed to the Company only, but to additional companies as well. The aforementioned amount does not include two claims in which the plaintiff did not specify the claim amount, but estimated it at tens of millions of NIS, one claim in which the claim amount was not specified, although the plaintiff noted that it was subject to the subject-matter jurisdiction of the District Court, and one claim in which the plaintiffs did not specify the claim amount, but estimated it as millions of NIS. For additional information regarding all class actions, see Note 41(c) below.

Note 41: Contingent Liabilities and Claims (Cont.)

A. Class action claims (Cont.)

A4. Presented below are additional details regarding exposure to class actions which are immaterial or 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, and supplementary arrangements, include various provisions and restrictions regarding provisions which should or should not be included in insurance plans, and provisions pertaining to a reduction of the exclusions 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, including in connection with reporting to members, and the need to create direct contact with employers and operating entities.

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 41: Contingent Liabilities and Claims (Cont.)

A. Class action claims (Cont.)

A4. Presented below are additional details regarding exposure to class actions which are immaterial or 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”), intensified and increased, in the short term, the aforementioned complexity, and even resulted in delays in the process of funds intake and distribution. The institutional entities are implementing ongoing processes to address the issue in their systems, in a manner which, over time, resulted in improvements to the amount of pension amounts which were received by the Company from employers, and to improve the intake processes for those amounts. Institutional entities in the Group are continuing to perform processes for the implementation and handling of issues which arise as part of the adoption of the circular regarding the payment deposit method, as well as other provisions which are updated from time to time regarding uniform records which are used to transfer information and to perform activities between the institutional entities, license holders, and other consumers of information in the pension savings segment. The Group’s institutional entities are working to reduce the existing gaps, including through improvements to the automation systems and to the work processes. However, it is noted that the entry into effect of the directive regarding the reporting requirement on the level of the policyholder, as part of the employers interface (as opposed to reporting on the level of each pension product), is expected to add operational difficulty to the association of the deposits to the various pension products of policyholders and members.

The Group’s institutional entities also routinely perform a process of data cleansing on the IT systems in the long-term savings segment, which is intended to guarantee that the recording of members’ and policyholders’ rights in the information systems is complete, accessible and retrievable, with reference to the gaps which are found, from time to time, including as regards automating the classification of the saved amounts, in accordance with the layers of regulatory directives which have been given over the years, which are in various stages of handling. The institutional entities in the Group are unable to estimate the scope, cost, and full implications of the aforementioned activities, or the scope of the future gaps in data cleansing, which may result from regulatory changes, due, inter alia, to the complexity of the products, the fact that they are long term products, due to the multiplicity of automation systems in the segment, and their limitations. The Group’s institutional entities update their insurance liabilities from time to time, as required.

Note 41: Contingent Liabilities and Claims (Cont.)

A. Class action claims (Cont.)

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

2. (Cont.)

There is also exposure, which at this stage cannot be estimated or quantified, to changes and to significant regulatory intervention in the various insurance and savings segments, including, inter alia, those which are intended for the direct or indirect reduction of premiums and management fees, the intervention in sale processes, including different use of various regulatory tools, which may affect the process of engagement, the structure of engagement and the reciprocal relationships between institutional entities, agents, employers and customers, in a manner which could affect loads, operating expenses and profitability, on the retention of current products, including with respect to the business model of the branch and the current portfolio of products.

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

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

Additionally, in accordance with the regulatory directives as part of 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 to rectify the defects within a reasonable period of time. This amendment may expand the Group's exposure to the broad implications with respect to such deficiencies.

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 41: Contingent Liabilities and Claims (Cont.)

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

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

1. Clal Insurance engaged, from January 2004 to June 2013, with Hadassah Medical Organization (hereinafter: "**Hadassah**"), in a renewing annual agreement with respect to second layer professional liability insurance, providing insurance coverage for claims in an amount exceeding the self insurance amount, which was given by Hadassah (hereinafter: the "**First Layer**"). The liability limit which was given by Clal Insurance in the second layer was changed over the insurance years, where the insurance liability in the last insurance period, which began in January 2012 and concluded in June 2013, was with respect to a claim whose amount was over approximately NIS 8.8 million, and up to a total of approximately NIS 18 million per event and approximately NIS 36 million for all policyholders with respect to that insurance period (the aforementioned amounts are linked to the consumer price index from January 1, 2012). In February 2014, Hadassah filed with the District Court of Jerusalem a motion to issue a stay of proceedings and for the appointment of a trustee for the purpose of formulating a recovery plan and creditors' settlement in accordance with sections 350b(d)(1) and 350(d) of the Companies Law (hereinafter: the "**Motion**"). As part of the proceedings which were conducted within the framework of the motion, claims were heard alleging that the insurance companies which provided professional liability insurance to Hadassah, including Clal Insurance, should bear the monetary costs which may be imposed in the first layer, beyond the amount of the designated deposit which Hadassah deposited for this purpose, in case Hadassah does not pay the claims itself. Clal Insurance clarified to the trustee that its position is different, and that it is responsible for the second layer only. To the best of the Company's knowledge, on May 22, 2014, the recovery plan was approved by the Court, and the stay of proceedings was lifted.

Note 41: Contingent Liabilities and Claims (Cont.)

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

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

In August 2020, a motion for disclosure and review of documents was filed with the District Court of Tel Aviv-Yafo, pursuant to section 198A of the Companies Law, 1999 (the "**Companies Law**"), against the Company (the "**Motion**"), for the purpose of evaluating the possibility of filing a motion to approve a derivative claim against the Company's directors. In accordance with the Court's decision, the Company is required to respond to the motion.

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

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

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

In September the Company and the petitioner filed a joint notice and motion to approve a procedural arrangement, according to which the Company would submit to the petitioner its position regarding the advance request, and later the petitioner will announce whether they want the motion for discovery proceedings to continue (or any other notice). In November 2020 the Company filed with the Court a notice stating that the Company had received an opinion from an external team of economic and legal experts, after which the Company's Board of Directors resolved to adopt the experts' conclusions, and found that it would be not be appropriate to file a claim against the Company's directors under the causes of action specified in the advance request. In January 2021, the Court gave a decision in which it dismissed the motion, since it had become redundant, and also determined that each party will bear its own expenses.

Note 41: Contingent Liabilities and Claims (Cont.)

C. Summary details regarding exposure to claims

Presented below are details concerning the total amount claimed in class action suits, both material and immaterial, which were approved for filing as class actions, in pending motions to approve claims as class actions, as specified by the plaintiffs in their claims (nominally) within the framework of the statements of claim which were filed against companies in the Group. It is noted that in most of the cases the amount claimed by the plaintiffs is an estimated amount only, and that the exact amount will be decided within the framework of the legal proceedings. It is noted that the above amount does not include claims for which the representative plaintiff has not stated an amount. Furthermore, it is hereby clarified that the claimed amount does not necessarily constitute quantification of the Company's actual exposure amount, which may eventually turn out to be lower or higher[24], and that the claimed amount generally pertains to the period before the filing of the claim, and does not include the subsequent period.

Type of claim	**Number of claims**	**Amount claimed NIS in millions**
A. Claims approved as class actions		
1. Amount pertaining to the Company specified	8	2,266
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[25]	2	-
4. Annual amount specified (and accordingly, the total amount is period-dependent)[26]	1	107
B. Pending motions to approve claims as class actions		
1. Amount pertaining to the Company specified[27]	33	8,106
2. The claim was filed against a number of entities, with no specific amount attributed to the Company[28]	5	5,971
3. Claim amount not specified / possible range specified[29]	14	-
4. Annual amount specified (and accordingly, the total amount is period-dependent)[30]	1	7

In addition to the details provided in sections (a) and (b) above, the Company and/or the consolidated companies are also party to other legal proceedings, which are not in the ordinary course of business, are not class actions / derivative claims, and are not material claims, which were initiated by customers, former customers and various third parties, for a total claimed sum of approximately NIS 31 million (as compared with a total of approximately NIS 61 million as of December 31, 2019). The causes of action claimed against the Company and/or the consolidated companies in these proceedings are multiple and varied.

---

[24] 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)(8).

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

[26] 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.

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

[28] 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.

[29] These motions include one motion for inclusion as a formal defendant, one motion in which the plaintiff did not specify the claim amount, but estimated it as many millions of NIS, another motion which was estimated at hundreds of millions of NIS, three motions which were estimated at tens of millions of NIS, one motion in which the claim amount was not specified, although the plaintiff stated that it is subject to the subject-matter jurisdiction of the District Court, and four motions in which the plaintiffs did not quantify the total damage, but estimated that it exceeds / greatly exceeds a total of NIS 2.5 million.

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

Note 41: Contingent Liabilities and Claims (Cont.)

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

Additionally, and in general, in addition to the overall exposure to which the institutional entities in the Company's group are exposed, with respect to future claims, as specified in section (a)(a4)(2) above, from time to time, including due to complaints by policyholders, audits and requests for information, there is also exposure to alerts concerning the Insurance Commissioner's intention to impose on the above entities financial sanctions and/or directives issued by the Commissioner regarding correction and/or repayment and/or performance of certain actions with respect to a policyholder or a group of policyholders, and/or exposure with respect to industry-wide decisions, through which the Commissioner is also authorized to order the performance of a repayment to customers or other remedies with respect to the deficiencies which are referenced in the alerts or determinations and/or position papers published by supervisory entities, and whose status and degree of impact are uncertain. Additionally, from time to time, the institutional entities are involved in the hearing and/or discussion stages vis-à-vis the Control of Insurance Office concerning notices and/or determinations, and at times, enforcement authorities are implemented against them, including the imposition of financial sanctions.

The institutional entities in the Group are evaluating the need to perform provisions in the financial statements, in connection with the aforementioned proceedings, based on the opinion of their legal counsel and/or are currently evaluating the significance of the aforementioned proceedings, as required and as appropriate.

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

1. In April 2016, an industry-wide determination in principle was published regarding the method for marketing of personal accidents policies (hereinafter: "**Determination**"). The determination referred to the holders of individual personal accident policies for periods exceeding one year, who acquired personal accident insurance from the insurers, after they had a previous health insurance policy at that insurer, beginning in January 2014, and in accordance with the terms which were determined in the determination (hereinafter, respectively: the "**Insurance**" and the "**Policyholders**" or the "**Policyholder**"). According to the determination, the insurance company was required to conduct, an evaluation which will include evaluating the method by which the insurance is marketed, and according to its results, to contact policyholders by telephone, and to receive their express consent for the continuation of their coverage under the aforementioned insurance, and to cancel the insurance coverage and to reimburse the premiums which were paid, with the addition of duly calculated linkage differentials and interest, if the policyholder has not approved (the "**Obligation to Verify Consent**"). Clal Insurance performed the aforementioned evaluation, and submitted its results to the Commissioner, who also requested data. In November 2017, Clal Insurance received a final determination on the matter (hereinafter: the "**Determination**"), according to which Clal Insurance was obligated to verify consent, with respect to some of the policyholders to whom personal accident insurance was sold (even if they did not previously have a health product). According to the determination and the subsequently approved outline, the Company was required to contact policyholders who were added to personal accidents insurance from January 1, 2014 until the end of 2016, through certain marketing centers which were specified therein, and to verify that those policyholders are aware of the existence of the personal accidents insurance. Insofar as a policyholder has announced that he is not aware of the aforementioned insurance, Clal Insurance was required to give him an option to cancel the insurance, and to receive reimbursement for the premiums which he paid, from the date of their addition, plus duly calculated linkage differentials and interest. During the reporting period, the Company completed the implementation of the outline.
2. The Company held discussions with the Commissioner in the past, in connection with the draft determination regarding it, with respect to one-time deposits of policyholders in guaranteed return policies (hereinafter: the "**Policies**"). In accordance with the draft, the Company is obligated to take certain actions with respect to policyholders whose actual rate of deposits, which bore the returns of the portfolio of investment-linked insurance contracts, was equal to or greater than the returns guaranteed in the policies, and certain actions with respect to policyholders whose actual one-time deposit returns were lower than the guaranteed returns. Therefore, at this stage, in light of the fact that the final wording of the draft is not known, if and insofar as it will be received, the Company is unable to assess its implications and the degree of its impact on the Company, if and insofar as it will be published.

Note 41: Contingent Liabilities and Claims (Cont.)

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

3. In accordance with Atudot’s financial statements, an investee held by Clal Insurance (50%), in 2017 an audit of the pension fund was conducted on behalf of the Commissioner, on the subject of members’ rights. On August 7, 2019, Atudot received the draft audit report for the Company’s response. The draft audit report pertains to major issues associated with the pension fund’s activity, including the issue of groups, the fund regulations, management fees and management expenses, data cleansing, actuarial reporting, and withdrawal of monies from the fund. In accordance with Atudot’s reports, Atudot filed its response to the findings of the draft audit report by the specified deadline. Additionally, on August 7, 2019, the Company received a letter from the Commissioner which included, in light of the draft audit report which was sent, an immediate directive regarding a change to the method used to pay members upon the withdrawal of funds. In accordance with the Commissioner’s demand, Atudot responded separately on this matter, though even after Atudot’s response, the Commissioner’s position did not change. Atudot contacted the Commissioner again, and presented to him additional data supporting its position, and is awaiting his response. The Company was informed that as of the approval date of the financial statements, until all of the discussion processes vis-à-vis the Capital Market Authority have been concluded, and until the official report has been received, Atudot is unable to estimate the impact of the draft report.

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

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

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

At this preliminary stage, it is not possible to estimate the chances of the motions to approve class action status for the claims specified in sections (a)(a2)(33) and (a)(a2)(34).

The provision which is included in the financial statements as of December 31, 2020, with respect to all of the legal claims and exposures specified in sections (a), (b), (c) and (d) above, amounted to a total of approximately NIS 187 million (as compared with a total of approximately NIS 146 million as of December 31, 2019).

These amounts include provisions which were made with respect to past liabilities, in accordance with the attorneys’ assessment, and do not include the effect of estimates on the estimated future cash flows which are included, when necessary, in the liability adequacy test.

Note 42: Additional Events During and After the Reporting Period

A. Actuarial estimates

1. The low interest rate environment and its effect on discount rates in the insurance branches.
   During the reporting period, there were financial effects, interest rate changes in accordance with the regulations, and a decrease in the risk-free interest rate curve, and an adjustment of assets to liabilities was made, which affected the estimated rate of return in the portfolio of assets held against insurance liabilities. For additional details, see Note 38(e)(e1)(d)(1) and Notes 38(e)(e2)(4)(a).
2. For details regarding the update to the assumptions used in the calculation of the liabilities to supplement the annuity reserve, see Note 38(e)(e1)(d)(3).
3. Changes in estimates with respect to the calculation of outstanding claims in non-life insurance
   See Note 38(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. Appointment of Chairman of the Board for the Company

Mr. Danny Naveh ceased serving as the Chairman of the Board and as a director in the Company and in Clal Insurance on August 20, 2020.

Beginning on August 21, 2020, Ms. Mali Margaliot served as Acting Chairwoman of the Company's Board of Directors, until the Permanent Chairman of the Board was appointed.

On February 3, 2021, Mr. Haim Samet was appointed as the Company's Permanent Chairman of the Board.

A permanent chairperson has not yet been appointed in Clal Insurance.

C. Acquisition of all shares of Davidoff Pension Arrangements Life Insurance Agency (2006) Ltd. by a subsidiary of the Company, Clal Agencies Ltd.

As part of the realization of the group's business strategy of acquiring operations which are synergistic to the Group's operations, and to strengthen its core segments, on February 18, 2021 Clal Agency Holdings (1998) Ltd., a subsidiary of the Company, which coordinates the holding of insurance agencies in the Group, engaged in an agreement for the acquisition of all (100%) of the shares of Davidoff Pension Arrangement Life Insurance Agency (2006) Ltd. (hereinafter: "Davidoff") from Psagot Investments in Insurance Agencies Ltd. (hereinafter: the "Seller"). Davidoff is a pension arrangement agency which has been engaged in the branch for 15 years, and is specialized in the provision of operating and marketing services for insurance, pension and finance products. Davidoff has agreements with most of the insurance companies and investment houses in Israel, and serves hundreds of employers and thousands of customers.

In consideration of the share purchase, Clal Agencies will pay to the seller, on the transaction closing date, a total of NIS 68.5 million, plus the cash balance and adjustments with respect to Davidoff's working capital on the closing date.

The transaction will be financed out of the Group's independent resources. The closing of the transaction is contingent upon suspensory conditions, including the approval of third parties (including the Competition Authority and the Commissioner of Capital Markets, Insurance and Savings), which are uncertain to be fulfilled.

D. The Company's investments and investment in a Tier 1 capital instrument which was issued to it by Clal Insurance

In July 2020, a decision was reached by the Company's Investment Committee and Board of Directors that a total of approximately NIS 200 million out of the issuance, which amounted to a total of approximately NIS 633 million, will be invested in securities according to a mix which will be determined from time to time by the Company's Investment Committee, whereby at least 75% of the aforementioned total will be invested in debt assets and cash, and up to 25% will be invested in stocks, according to the mix and method which will be determined, from time to time, by the Board of Directors and/or the Investment Committee, as applicable.

In October 2020, the Company invested in an additional Tier 1 capital instrument which was issued to it by Clal Insurance, in the amount of NIS 450 million, at an annual interest rate of 4.53%, linked to the consumer price index. For additional details, see Note 25 below.

Note 42: Additional Events During and After the Reporting Period (Cont.)

E. Change to the Group's organizational structure

In October 2020, the Board of Directors of Clal Insurance Company Ltd., a subsidiary of the Company, resolved to implement a change to the organizational structure of Clal Group. As part of this organizational change, beginning on November 1, 2020, the activity of the resources division was transferred to the management of the service and operations department. The customers and distribution division was split into the business (agents) unit and the customers unit, which is managed by the health division manager, and will coordinate all of the Company's online and digital sales activities, including providing digital tools to the agents channel, strategic collaborations, and direct customers. As a result, the number of management members was reduced from 14 to 12.

F. Michlol

In March 2020, Clal Insurance exercised an option to acquire 20% of Michlol's share capital, and signed an amendment to the credit facility agreement from 2018, in which changes were made to the terms of the credit facility and Sale Law guarantees which Clal Insurance gave to Michlol, and it also received an additional 8% of Michlol's share capital. Upon the receipt of the shares, Clal Insurance sold, at a price which was determined in a valuation, all of its shares in Michlol to Clal Finance Ltd. (hereinafter: "Clal Finance"), a wholly owned subsidiary of the Company, which was previously an inactive company. Michlol also allocated to Clal Finance 7% of Michlol shares, in accordance with Michlol's value according to a valuation which was prepared. Accordingly, as of the reporting date, Clal Finance holds approximately 35% of Michlol's share capital, and Clal Insurance is continuing to provide credit and Sale Law guarantees to Michlol, under the credit facility agreement.

For the purpose of acquiring the shares of Michlol, Clal Finance issued to the Company a capital note in the amount of NIS 35,500 thousand.

The capital note is not linked to the consumer price index, and does not bear interest.

The repayment date of the capital note will be as agreed upon between the parties, but no earlier than after five years.

G. Rating

For details regarding the rating of Clal Insurance Company Ltd., a subsidiary of the Company, and of Clal Credit Insurance Ltd., a subsidiary of Clal Insurance, see Note 25 above.

H. Extension of collective agreement in Clal Insurance Group - For additional details, see Note 24 below.

I. For details regarding the publication of the Solvency II-based solvency ratio for 2019, see Note 16 above.

J. Sectoral taxation agreement for tax years 2017-2019 - See Note 23 above.

K. 2021 options plan - For additional details, see Note 40 above.

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, 2020			
NIS in thousands	Fair value through profit and loss	Available for sale	Loans and receivables	Total
Marketable debt assets (1)	**47,339**	**5,652,340**	**-**	**5,699,679**
Non-marketable debt assets	**2,283**	**-**	**22,090,096**	**22,092,379**
Stocks (2)	**-**	**1,692,398**	**-**	**1,692,398**
Others (3)	**543,433**	**3,015,200**	**-**	**3,558,633**
Total other financial investments	**593,055**	**10,359,938**	**22,090,096**	**33,043,089**

	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

1. Marketable debt assets

	As of December 31			
	2020		2019	
NIS in thousands	**Book value**	**Depreciated cost**	**Book value**	**Depreciated cost**
Government bonds				
Presented at fair value through profit or				
Loss:				
Available for sale	**3,009,397**	**2,814,773**	3,691,097	3,420,760
Total government bonds	**3,009,397**	**2,814,773**	3,691,097	3,420,760
Other debt assets				
Non-convertible				
Presented at fair value through profit and loss:				
Designated upon initial recognition	**21,466**	**20,521**	86,755	82,333
Available for sale	**2,642,943**	**2,543,739**	2,157,556	2,089,681
Total other non-convertible debt assets	**2,664,409**	**2,564,260**	2,244,311	2,172,014
Convertible				
Presented at fair value through profit and loss:				
Designated upon initial recognition	**25,873**	**26,095**	-	-
Total other convertible debt assets	**25,873**	**26,095**	-	-
Total marketable debt assets	**5,699,679**	**5,405,128**	5,935,408	5,592,774
Fixed impairment charged to the income statement (cumulative)	**176**		5,622	

Annex A - Details Regarding Other Financial Investments of Consolidated Insurance Companies Registered in Israel (Cont.)

2. Stocks

	As of December 31			
	2020		2019	
NIS in thousands	Book value	Depreciated cost	Book value	Depreciated cost
Marketable				
Presented at fair value through profit or loss:				
Available for sale	**1,145,858**	**1,047,030**	1,038,662	917,490
Total marketable stocks	**1,145,858**	**1,047,030**	1,038,662	917,490
Non-marketable				
Presented at fair value through profit or loss:				
Available for sale	**546,540**	**553,570**	318,978	348,772
Total non-marketable stocks	**546,540**	**553,570**	318,978	348,772
Total stocks	**1,692,398**	**1,600,600**	1,357,640	1,266,262
Fixed impairments applied to income statement (cumulative)	**208,187**		112,468	

3. Other financial investments

	As of December 31			
	2020		2019	
NIS in thousands	Book value	Depreciated cost	Book value	Depreciated cost
Marketable				
Presented at fair value through profit or loss:				
Designated upon initial recognition	**280,336**	**280,337**	141,052	141,054
Available for sale	**867,987**	**804,584**	578,917	561,670
Derivative instruments	**3,326**	**1,868**	1,821	2,056
Total marketable financial investments	**1,151,649**	**1,086,789**	721,790	704,780
Non-marketable				
Presented at fair value through profit or loss:				
Designated upon initial recognition	**6,163**	**14,511**	5,643	14,583
Available for sale	**2,147,213**	**1,639,487**	1,781,927	1,363,324
Derivative instruments	**253,608**	**3,797**	89,154	2,873
Total non-marketable financial investments	**2,406,984**	**1,657,795**	1,876,724	1,380,780
Total other financial investments	**3,558,633**	**2,744,584**	2,598,514	2,085,560
Fixed impairment charged to the income statement (cumulative)	**95,733**	**-**	46,187	-

Company name	:	Clal Insurance Enterprises Holdings Ltd. (hereinafter: the “**Company**”)
Company number in registrar	:	52-003612-0
Address	:	36 Raul Wallenberg St., Kiryat Atidim, Tower 8, Tel Aviv 6136902
Email address	:	Talc@clal-ins.co.il
Telephone	:	03-6387504
Fax	:	03-7965678
Balance sheet date	:	31.12.2020
Publication date of the report	:	25.03.2021

Table of Contents

1. Details required in connection with a material valuation (Regulation 8B)

None

Somekh Chaikin
KPMG Millennium Tower
17 Ha'Arbaa St., P.O. Box 609
Tel Aviv 6100601
03 6848000

Kost Forer Gabbay and Kasierer
144 Menachem Begin Rd.
Tel Aviv 6492102
Tel: +972 3 623 2525
Fax: +972 3 562 2555
ey.com

Attn.:
Shareholders of Clal Insurance Enterprise Holdings Ltd.

Re: Auditors' Special Report Regarding the Separate Financial Information in Accordance with Regulation 9C In Accordance with the Securities Regulations (Periodic and Immediate Reports), 1970.

We have audited the separate financial information presented in accordance with Regulation 9C of the Securities Regulations (Periodic and Immediate Reports), 1970, of Clal Insurance Enterprises Holdings Ltd. (hereinafter: the "**Company**") as of December 31, 2020 and 2019, and for each of the three years the last of which ended December 31, 2020, and which is included in the Company's periodic report. The Company's Board of Directors and management are responsible for the separate financial information. Our responsibility is to express an opinion regarding the separate financial information, based on our audit.

We have conducted our audit in accordance with generally accepted auditing standards in Israel. In accordance with these standards, we are required to plan and perform the audit 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 details presented in the separate financial information. An audit also includes performing an evaluation of the accounting principles which were applied in the preparation of the separate financial information and of the significant estimates which were made by the Company's Board of Directors and management, as well as an evaluation of the overall adequacy of presentation of the separate financial information in its entirety. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the separate financial information was prepared, in all material respects, in accordance with the provisions of Regulation 9C of the Securities Regulations (Periodic and Immediate Reports), 1970.

Tel Aviv,
March 25, 2021

Somekh Chaikin
Certified Public Accountants

Kost Forer Gabbay and Kasierer
Certified Public Accountants

Joint Auditors

Interim Data Regarding the Financial Position

NIS in thousands	Additional information	As of December 31 2020	2019
Assets			
Investments in investee companies	2.5, 2.6	**5,619,578**	5,025,240*)
Loans and balances of investee companies	2.5	**489,542**	14
Other accounts receivable		**141**	117
Other financial investments:			
Marketable debt assets	2.6	**124,067**	-
Stocks		**66**	117
Others		**15,666**	42
Total other financial investments	2.2 (a)	**139,799**	159
Cash and cash equivalents	2.3	**57,636**	677,535
Total assets		**6,306,696**	5,703,065
Capital			
Share capital	2.6	**155,448**	155,448
Premium on shares	2.6	**1,638,770**	1,636,478
Capital reserves		**969,936**	817,419
Retained earnings		**3,535,095**	3,088,161*)
Total capital		**6,299,249**	5,697,506
Liabilities			
Other accounts payable	2.2 (b)	**7,447**	5,559
Total liabilities		**7,447**	5,559
Total capital and liabilities		**6,306,696**	5,703,065

*) Retrospective adoption, see Note 3(s)(2) to the consolidated financial statements.

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

March 25, 2021				
Approval date of the financial statements	Haim Samet Chairman of the Board	Yoram Naveh Chief Executive Officer	Eran Cherninsky Executive VP Finance Division Manager	Tal Cohen Senior VP Comptrollership Division Manager

Interim Data Regarding Income

NIS in thousands	Additional information	For the year ended December 31 2020	2019	2018
Company's share in the income (loss) of investee companies, net of tax		**440,711**	(126,928)*)	(138,294)*)
Income (loss) from investments, net, and financing income				
From investee companies	2.6	**4,027**	-	-
Others	2.6	**2,837**	75	255
Total income		**447,575**	(126,853)	(138,039)
General and administrative expenses		**8,899**	2,846	2,890
Other expenses		**-**	497	(665)
Total expenses		**8,899**	3,343	2,225
Income (loss) before taxes on income		**438,676**	(130,196)	(140,264)
Taxes on income (tax benefit)		**-**	-	-
Income (loss) for the period		**438,676**	(130,196)	(140,264)

*) Retrospective adoption, see Note 3(s)(2) to the consolidated financial statements.

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

Interim Data Regarding Comprehensive Income

NIS in thousands	For the year ended December 31 2020	2019	2018
Income (loss) for the period	**438,676**	(130,196)*)	(140,264)*)
Other comprehensive income:			
Components of other comprehensive income which, following initial recognition in comprehensive income, have been or will be transferred to the statement of income:			
Change, net, in the fair value of available-for-sale financial assets applied to capital reserves	**6,112**	85	28
Change, net, in the fair value of available-for-sale financial assets transferred to profit and loss	**(668)**	-	(39)
Other comprehensive income (loss) with respect to investee companies	**147,073**	230,216	(62,835)
Other comprehensive income (loss) for the period which has been or will be transferred to the statement of income, before tax	**152,517**	230,301	(62,846)
Taxes (tax benefit) with respect to other components of comprehensive income (loss)	**-**	-	-
Other comprehensive income (loss) for the period which following initial recognition in comprehensive income has been or will be transferred to the statement of income, net of tax	**152,517**	230,301	(62,846)
Components of other comprehensive income which will not be transferred to the statement of income:			
Other comprehensive income with respect to investee companies which will not be transferred to profit and loss, net of tax	**10,550**	(11,309)	5,814
Other comprehensive income for the period which will not be transferred to profit and loss, net of tax	**10,550**	(11,309)	5,814
Other comprehensive income (loss) for the period	**163,067**	218,992	(57,032)
Total comprehensive income for the period	**601,743**	88,796	(197,296)

*) Retrospective adoption, see Note 3(s)(2) to the consolidated financial statements.

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

Interim Data Regarding Cash Flows

		For the year ended December 31		
NIS in thousands	**Additional information**	**2020**	**2019**	**2018**
Cash flows from operating activities				
Income (loss) for the period		**438,676**	(130,196)*)	(140,264)*)
Adjustments:				
Company’s share in the income (loss) of investee companies		**(440,711)**	126,928	138,294
Dividends from investee companies		**3,996**	-	9,038
Accrued interest with respect to bank deposits		**(1,010)**	-	-
Accrued interest with respect to capital note to investee company		**(4,028)**	-	-
Loss (profit) from other financial investments		**(1,331)**	504	588
Taxes on income		**-**	-	-
		(443,084)	127,432	147,920
Changes to other items in the data regarding financial position, net:				
Change in other accounts receivable		**(24)**	(50)	84
Change in other accounts payable		**1,888**	(98)	(1,646)
		1,864	(148)	(1,562)
Cash which were received during the period for:				
Net cash from operating activities with respect to transactions with investee companies		**-**	(189)	(349)
Interest received		**1,010**	-	-
Net cash from operating activities		**(1,534)**	(3,101)	5,745
Cash flows from investing activities				
Investment in capital notes of investee companies	2.6, 2.7	**(485,500)**	-	-
Investment in available for sale financial assets		**(152,163)**	-	(15,054)
Consideration from sale of available for sale financial assets		**19,298**	14,412	26,098
Net cash from (used in) investing activities		**(618,365)**	14,412	11,044
Cash flows from financing activities				
Consideration from issuance of share capital (after deducting issuance costs)		**-**	632,783	-
Net cash used in financing activities		-	632,783	-
Increase (decrease) in cash and cash equivalents		**(619,899)**	644,094	16,789
Cash and cash equivalents at beginning of period		**677,535**	33,441	16,652
Cash and cash equivalents at end of period		**57,636**	677,535	33,441

*) Retrospective adoption, see Note 3(s)(2) to the consolidated financial statements.

2.1 General

Presented below are financial data regarding the Company’s consolidated financial statements as of December 31, 2020 (hereinafter: the “**Consolidated Reports**”) which are published within the framework of the periodic reports (in Chapter C - financial statements), which are attributed to the Company itself (hereinafter: the “**Separate Financial Information**”), and which are presented within the framework of Regulation C9 and the Tenth Addendum to the Securities Regulations (Periodic and Immediate Reports), 2010 (hereinafter: the “**Regulation**” and the “**Tenth Addendum**”, respectively), regarding the corporation’s separate financial data. The separate financial information should be read together with the consolidated reports.

Significant accounting policies applied in the separate financial information:

The accounting policies specified in the consolidated reports were applied consistently in all periods which are presented in the separate financial information by the Company, including the manner in which the financial data were classified in the consolidated reports, with the required adjustments, as specified below:

A. Presentation of financial data

1. Data regarding the financial position

These data include information regarding the amounts of assets and liabilities which are included in the consolidated reports attributed to the Company itself (except with respect to investee companies), including details by types of assets and liabilities. These data also include information regarding the net amount, based on the consolidated reports, attributed to the shareholders of the Company itself, of the total assets less total liabilities with respect to investee companies, including goodwill.

2. Data regarding comprehensive income

These data include information regarding the amounts of assets and liabilities which are included in the consolidated report, segmented between profit and loss and other comprehensive income, as attributed to the Company itself (except with respect to investee companies), including details by types of assets and liabilities. The data also include information regarding the net amount, based on the consolidated reports, attributed to the shareholders of the Company itself, of the total income less total expenses with respect to the results of operations of investee companies, including impairment of goodwill, impairment or cancellation of investment in an associate company, and impairment or cancellation of an investment in a company under joint control accounted by the equity method.

3. Data regarding cash flows

These data include details regarding the cash flow amounts which are included in the consolidated reports attributed to the Company itself (excluding with respect to investee companies), and are taken from the consolidated statement of cash flows, segmented by cash flows from operating activities, investing activities and financing activities, including specification of their components. Cash flows with respect to operating activities, investing activities and financing activities in respect of transactions with investee companies are presented separately, net, under the relevant activity, according to the characteristics of the transaction.

B. Transactions between the Company and investee companies

1. Presentation

The inter-company balances in the Group, and income and expenses due to inter-company transactions, which were canceled within the framework of the preparation of the consolidated reports, were presented separately from the balance with respect to investee companies and income with respect to investee companies, together with similar balances vis-à-vis third parties.

Unrealized profit and loss which are due to transactions between the Company and its investee companies were presented under the balance with respect to investee companies and under income with respect to investee companies.

2. Measurement

Transactions which were performed between the Company and its consolidated companies were measured in accordance with the principles of recognition and measurement, as set forth in International Financial Reporting Standards, which establish the accounting treatment for transactions of this kind which are performed vis-à-vis third parties.

2.2 Financial instruments

A. Financial investments

The composition is as follows:

NIS in thousands	As of December 31 2020	2019
Marketable debt assets		
Government bonds	**124,067**	-
Total marketable debt assets	**124,067**	-
Stocks (1)		
Non-marketable - available for sale	**10**	10
Marketable - available for sale	**56**	107
Total stocks	**66**	117
Other financial investments	**15,666**	42
Total financial investments	**139,799**	159

(1) The forecasted exercise date of the shares has not yet been determined.

B. Other accounts payable

The composition is as follows: *)

NIS in thousands	As of December 31 2020	2019
Expenses payable	**2,606**	517
Institutions	**44**	-
Suppliers	**138**	72
Others **)	**4,659**	4,970
Total	**7,447**	5,559

*) The balances of payables are unlinked.

**) Primarily with respect to the provision for claims. For additional details, see Note 41 to the consolidated reports.

2.3 Cash and cash equivalents

Composition and linkage:

NIS in thousands	Interest as of December 31, 2020	As of December 31	
	%	2020	2019
Unlinked NIS	0.07	**57,189**	677,078
Linked to the EUR	-	**256**	253
Linked to the USD	-	**190**	203
Linked to the GBP	-	**1**	1
Total		**57,636**	677,535

Most of the cash and cash equivalents are checking account balances and daily deposits in banking corporations. The interest rates on checking account balances are based on interest rates with respect to daily deposits.

2.4 Taxes on income

A. For details regarding the tax environment in which the Company operates, including the change to the corporate tax rate, see Note 23(a) to the consolidated reports.

B. For details regarding deferred tax liabilities which were not recognized, and losses and deductions for tax purposes which are transferable to subsequent years, see Note 23(f) to the consolidated reports.

2.5 Investee companies - investments, balances, engagements and material transactions

The composition is as follows:

NIS in thousands	Additional information	As of December 31	
		2020	2019
Investments in investee companies		**5,619,578**	5,025,240
Capital note to Clal Insurance	2.6	**450,450**	-
Capital note to Clal Finance	2.7	**35,500**	-
Current balances		**3,592**	14
Loans and receivables of investee companies		**489,542**	14
Total		**6,109,120**	5,025,254

A. For details regarding the list of main investee companies, see Note 9(b) to the consolidated reports.

B. For details regarding the status of Company’s undertakings regarding the capital supplementation required of its investee companies, and insofar as may be required upon the application of the economic solvency regime, see Note 16(e) to the consolidated reports.

C. The Company’s expenses include participation in the proportional part, in accordance with the Group’s cost allocation mechanism.

2.6 The Company’s investments, and investment in an Tier 1 capital instrument which was issued to it by Clal Insurance

On December 19, 2019, the Company issued 12,066,000 shares with a par value of NIS 1 each, as part of a public offering in accordance with the Company’s shelf offering report dated December 15, 2019, which was published by virtue of the shelf prospectus dated August 29, 2019. The net issuance consideration amounted to a total of approximately NIS 633 million.

In July 2020, a decision was reached by the Company’s Investment Committee and Board of Directors that a total of approximately NIS 200 million out of the issuance, which amounted to a total of approximately NIS 633 million, will be invested in securities according to a mix which will be determined from time to time by the Company's Investment Committee, whereby at least 75% of the aforementioned total will be invested in debt assets and cash, and up to 25% will be invested in stocks, according to the mix and method which will be determined, from time to time, by the Board of Directors and/or the Investment Committee, as applicable.

In October 2020, the Company invested in an additional Tier 1 capital instrument which was issued to it by Clal Insurance, in the amount of NIS 450 million, at an annual interest rate of 4.53%, linked to the consumer price index. For additional details, see Note 25 to the consolidated financial statements.

2.7 Michlol

In March 2020, Clal Insurance exercised an option to acquire 20% of the share capital of Michlol Urban Real Estate Renewal Solutions Ltd. ("**Michlol**"), and signed an amendment to the credit facility agreement from 2018, in which changes were made to the terms of the credit facility and Sale Law guarantees which Clal Insurance gave to Michlol, and it also received an additional 8% of Michlol's share capital. Upon the receipt of the shares, Clal Insurance sold, at a price which was determined in a valuation, all of its shares in Michlol to Clal Finance Ltd. (hereinafter: "Clal Finance"), a wholly owned subsidiary of the Company, which was previously an inactive company. Michlol also allocated to Clal Finance 7% of Michlol shares, in accordance with Michlol's value according to a valuation which was prepared. Accordingly, as of the reporting date, Clal Finance holds approximately 35% of Michlol's share capital, and Clal Insurance is continuing to provide credit and Sale Law guarantees to Michlol, under the credit facility agreement.

For the purpose of acquiring shares of Michlol, Clal Finance issued to the Company a capital note in the amount of NIS 35,500 thousand. The capital note is not linked to the consumer price index, and does not bear interest. The repayment date of the capital note will be as agreed between the parties, but no earlier than five years after the loan provision date.

2.8 Events subsequent to the reporting period

After the end of the reporting period, Clal Agency Holdings Ltd., a wholly owned subsidiary of the Company, engaged in an agreement for the acquisition of all (100%) of the shares of Davidoff Pension Arrangements Life Insurance Agency (2006) Ltd. from Psagot Investments in Insurance Agencies Ltd., which is a pension arrangement agency. In consideration of the acquisition of the shares, Clal Agency Holdings Ltd. will pay, on the transaction closing date, a total of NIS 68.5 million, plus the balance of cash and adjustments with respect to the acquired company's working capital on the closing date. The transaction will be financed out of the Group's independent sources. The closing of the transaction is contingent upon suspensory conditions, including the approval of third parties (including the Competition Authority and the Commissioner of Capital Markets, Insurance and Savings), which are uncertain to be fulfilled.

Additionally, after the end of the reporting period, in March 2021, a dividend distribution from the subsidiaries Clal Finance Business Credit Ltd. and Clal Factoring and Finance Ltd. and to the Company was approved, in the amount of NIS 20 million and approximately NIS 5 million, respectively.

3. Report Regarding the Liabilities of the Reporting Corporation and its Consolidated Companies by Repayment Dates as of December 31, 2020 (Regulation 9D)

As of December 31, 2020, the Company and the consolidated companies have no liabilities in accordance with Regulation 9D.

4. Condensed quarterly statements of comprehensive income (Regulation 10A)

Condensed quarterly statements of comprehensive income for 2020

NIS in thousands	Q1	Q2	Q3	Q4	Total
Gross premiums earned	2,419,485	2,274,290	2,390,912	2,409,613	9,494,300
Premiums earned by reinsurers	347,568	354,695	378,514	385,737	1,466,514
Premiums earned on retention	2,071,917	1,919,595	2,012,398	2,023,876	8,027,786
Income (loss) from investments, net, and financing income	(7,587,806)	3,941,619	2,544,364	6,152,565	5,050,742
Income from management fees and portfolio management	232,275	226,870	238,375	549,161	1,246,681
Income from commissions	77,206	71,041	80,411	82,610	311,268
Other income	125	222	55	243	645
Total income	**(5,206,283)**	**6,159,347**	**4,875,603**	**8,808,455**	**14,637,122**
Payments and changes in liabilities with respect to insurance contracts and investment contracts, gross	(5,518,862)	5,681,754	4,170,567	7,656,390	11,989,849
Share of reinsurers in payments and change in liabilities with respect to insurance contracts	183,817	204,483	260,571	325,430	974,301
Payments and changes in liabilities with respect to insurance contracts and investment contracts on retention	(5,702,679)	5,477,271	3,909,996	7,330,960	11,015,548
Commissions, marketing expenses and other acquisition costs	487,794	440,145	490,813	512,537	1,931,289
General and administrative expenses	221,750	213,982	219,908	278,263	933,903
Impairment of intangible assets	-	-	-	2,492	2,492
Other expenses	2,364	1,535	2,505	2,658	9,062
Financing expenses	20,267	42,648	46,243	45,541	154,699
Total expenses	**(4,970,504)**	**6,175,581**	**4,669,465**	**8,172,451**	**14,046,993**
Share in the results of associate companies accounted by the equity method, net	(2,438)	(4,783)	2,152	877	(4,192)
Income (loss) before taxes on income	(238,217)	(21,017)	208,290	636,881	585,937
Taxes on income (tax benefit)	(79,500)	(13,010)	34,345	201,439	143,274
Income (loss) for the period	**(158,717)**	**(8,007)**	**173,945**	**435,442**	**442,663**
Company shareholders	(157,720)	(9,192)	171,883	433,705	438,676
Minority interests	(997)	1,185	2,062	1,737	3,987
Income (loss) for the period	(158,717)	(8,007)	173,945	435,442	442,663
Earnings per share attributable to Company shareholders					
Basic earnings (loss) per share (in NIS)	(2.33)	(0.14)	2.54	6.41	6.48
Diluted earnings (loss) per share (in NIS)	(2.33)	(0.14)	2.54	6.41	6.48
Number of shares used to calculate earnings per share					
Basic	67,645	67,645	67,645	67,645	67,645
Diluted	67,645	67,645	67,645	67,645	67,645

4. Condensed quarterly statements of comprehensive income (Regulation 10A) (Cont.)

Condensed quarterly statements of comprehensive income for 2020 (Cont.)

NIS in thousands	Q1	Q2	Q3	Q4	Total
Income for the period	(158,717)	(8,007)	173,945	435,442	442,663
Components of other comprehensive income					
Foreign currency translation differences for operations applied to capital reserves	7,465	(8,942)	(1,197)	(18,087)	(20,761)
Foreign currency translation differences applied to the statement of income	(650)	-	4,237	5,981	9,568
Change, net, in the fair value of available for sale financial assets applied to capital reserves	(554,255)	266,751	259,653	502,268	474,417
Change, net, in the fair value of available for sale financial assets transferred to profit and loss	(39,828)	(44,924)	(126,545)	(133,645)	(344,942)
Impairment loss with respect to available for sale financial assets transferred to the statement of income	75,787	21,571	3,744	11,293	112,395
Tax impact	175,474	(81,159)	(47,112)	(125,595)	(78,392)
Total components of net profit which will subsequently be reclassified to profit and loss	(336,007)	153,297	92,780	242,215	152,285
Actuarial income (loss) from defined benefit plan	13,425	(7,066)	-	9,364	15,723
Taxes with respect to other components of comprehensive income	(3,984)	2,044	-	(3,172)	(5,112)
Total components of net income (loss) which will not subsequently be reclassified to profit and loss	9,441	(5,022)	-	6,192	10,611
Other comprehensive income (loss) for the period, before taxes on income	(326,566)	148,275	92,780	248,407	162,896
Other comprehensive income (loss) for the period	(485,283)	140,268	266,725	683,849	605,559
Attributable to:					-
Company shareholders	(483,261)	138,554	264,690	681,760	601,743
Non-controlling interests	(2,022)	1,714	2,035	2,089	3,816
Total comprehensive income (loss) for the period	(485,283)	140,268	266,725	683,849	605,559

5. Use of consideration from securities (Regulation 10C)

On December 19, 2019, the Company issued 12,066,000 shares with a par value of NIS 1 each, as part of a public offering in accordance with the Company’s shelf offering report dated December 15, 2019, which was published by virtue of the shelf prospectus dated August 29, 2019. The net issuance consideration amounted to a total of approximately NIS 633 million (the “**Issuance Consideration**”).

In accordance with the shelf prospectus and the offering report, the consideration will be used to finance the Company’s operating activities, as determined by the Company from time to time, and in accordance with instructions of the Company’s Board of Directors, including for the purpose of strengthening the capital of Clal Insurance under the economic solvency regime with which it is required to comply in accordance with the regulatory directives, and allowing flexibility in the management of its capital structure. It was clarified that the Company may, from time to time, in its exclusive discretion, change the designation of the issuance consideration.

In July 2020, a decision was reached by the Company’s Investment Committee and Board of Directors that a total of approximately NIS 200 million out of the issuance consideration will be invested in securities according to a mix which will be determined from time to time by the Company’s Investment Committee, whereby at least 75% of the aforementioned total will be invested in debt assets and cash, and up to 25% will be invested in stocks, according to the mix and method which will be determined, from time to time, by the Board of Directors and/or the Investment Committee, as applicable. During the reporting period the Company invested a total of approximately NIS 152 million out of the issuance consideration.

In October 2020, the Company invested in an additional Tier 1 capital instrument which was issued to it by Clal Insurance, in the amount of approximately NIS 450 million, at an annual interest rate of 4.53%, linked to the consumer price index. The other terms of the instrument, including the redemption period, are in accordance with the economic solvency regime.

6. Investments in subsidiaries and related companies which are material active companies as of the date of the statement of financial position (Regulation 11)

Company name	Share class and par value	Number of shares	Total value Denominated in NIS	Value in the separate financial report as defined in Regulation 9C NIS in thousands	Holding rates in %			Country of incorporation other than Israel
					In capital	In voting rights	In the right to appoint directors	
Clal Insurance Company Ltd. ("Clal Insurance") [1]	Ordinary shares with a value of NIS 1	119,037,074	119,037,074	5,463,438	99.98	99.98	99.98	
Clal Agency Holdings (1998) Ltd. ("Clal Agencies")	Ordinary shares with a value of NIS 1	99	99	110,009	100.00	100.00	100.00	
Clalbit Systems Ltd. ("Clalbit Systems) [2]	Ordinary shares with a value of NIS 1	1,000	1,000	8,148	100.00	100.00	100.00	
Clal Finance Ltd. [3]	Ordinary shares with a value of NIS 1	170,000,000	17,000,000	2,155	100.00	100.00	100.00	
Clal Factoring Ltd.	Ordinary shares with a value of NIS 1	10,001	10,001	15,908	100.00	100.00	100.00	
Clal Business Credit Ltd.	Ordinary shares with a value of NIS 1	10,000	10,000	22,435	100.00	100.00	100.00	
<u>Subsidiaries and related companies of Clal Insurance</u>								
Clal Credit Insurance Ltd. ("Clal Credit") [4]	Ordinary shares with a value of NIS 1	8,537,280	8,537,280	225,925	80.00	80.00	80.00	
ADC Holdings Ltd. [5]	Ordinary shares with a value of NIS 1	500	500	12,593	33.00	33.00	33.00	
Clal Insurance Company Property Ltd. [6]	Ordinary shares with a value of NIS 0.0001	100	0.1	24,241	100.00	100.00	100.00	
Clal Pension and Provident Funds Ltd. [7] ("Clal Pension and Provident Funds")	Ordinary shares with a value of NIS 1	124,638	124,638	685,510	100.00	100.00	100.00	
Clalbit Finance Ltd.	Ordinary shares with a value of NIS 1	1,000	1,000	-	100.00	100.00	100.00	
Clal Insurance Company Property Ltd. [8]	Ordinary shares with a value of NIS 1	100	100	10,003	100.00	100.00	100.00	

[1] For details regarding the Company's undertaking to supplement the equity of Clal Insurance and the validity thereof, see Note 16(d)(3) to the financial statements.

[2] Includes holding of 1 ordinary share through Betach - Thorne Insurance Agency Ltd.

[3] The Company issued to Clal Finance a capital note in the amount of NIS 35 million.

[4] For details regarding an undertaking of Clal Insurance to supplement the equity of Clal Credit Insurance and the validity thereof, see Note 16(e)(9) to the financial statements.

[5] Formerly Shagrir Towing Services Ltd.

[6] Includes holding of 1 ordinary share through Canaf - Clal Financial Management Ltd.

Company name	Share class and par value	Number of shares	Total value Denominated in NIS	Value in the separate financial report as defined in Regulation 9C NIS in thousands	Holding rates in %			Country of incorporation other than Israel
					In capital	In voting rights	In the right to appoint directors	

In December 2020, a motion was filed to merge the assets of Clal Insurance Company Property Ltd. and Clal Insurance Companies Properties Ltd., private companies owned by the Company, with and into the Company. The process will be implemented effective as of December 31, 2020. As part of the above, merger agreements were signed between Clal Insurance Company Property Ltd. and Clal Insurance Companies Properties Ltd., and the Company, and a decision was reached that, prior to the merger, the following processes would be performed: 1. Transfer of the holdings of Clal Insurance Enterprises Holdings Ltd., the Company's parent company, in one ordinary share with a par value of NIS 1 of Clal Insurance Companies Properties Ltd., to the Company, against the allocation of the Company's shares to Clal Holdings, in accordance with the equity ratios of the Company and of Clal Insurance Companies Properties Ltd. As of December 31, 2020; 2. Transfer of 1% of the shares of Clal Insurance Company Property Ltd. (one share with a value of NIS 0.0001) from Canaf to the Company, by way of a payment in kind dividend. As of the report approval date, all of the required authorizations for the completion of the aforementioned mergers have not yet been received, and there is no certainty they will be received.

[7] For details regarding an undertaking of the Company to supplement the equity of Clal Pension and Provident Funds and the validity thereof, see Note 16(d)(4) to the financial statements.

[8] Includes direct holding of 1 ordinary share through the Company. See remark regarding the merger in footnote [5] above.

6. Investments in subsidiaries and related companies which are material active companies as of the date of the statement of financial position (Regulation 11) (Cont.)

Company name	Stock number on the stock exchange	Share class and par value	Number of shares	Total value Denominated in NIS	Value in the separate financial report as defined in Regulation 9C NIS in thousands	Holding rates in %			Country of incorporation other than Israel
						In capital	In voting rights	In the right to appoint directors	
Atudot Pension Fund for Workers & Independent Workers Ltd.		Ordinary shares with a value of NIS 1	4,000,000	4,000,000	42,876	50.00	50.00	50.00	
Canaf - Clal Financial Management Ltd. ("Canaf")		Ordinary shares with a value of NIS 1	1,000	1,000	6,457	100.00	100.00	100.00	
<u>Subsidiaries and related companies of Clal Finance</u>									
Michlol Urban Real Estate Renewal Solutions Ltd. ("Michlol") [9]		Ordinary shares with a value of NIS 1	58	58	35,694	35.00	35.00	35.00	

[9] For additional details, see section 2.7 above.

6. Investments in subsidiaries and related companies which are active companies as of the date of the statement of financial position (Regulation 11) (Cont.)

Company name	Stock number on the stock exchange	Share class and par value	Number of shares	Total value Denominated in NIS	Value in the separate financial report as defined in Regulation 9C NIS in thousands	Holding rates in %			Country of incorporation other than Israel
						In capital	In voting rights	In the right to appoint directors	
<u>Subsidiaries and related companies of Clal Agencies</u>									
Betach - Thorne Insurance Agency Ltd. (Betach - Thorne) [10]		Ordinary shares with a value of NIS 1	20,339	20,339	46,804	100.00	100.00	100.00	
		Class A management shares with a value of NIS 1	418	418	-	-	-	100.00	
		Class B management shares with a value of NIS 1	418	418	60,803	-	-	100.00	
		Ordinary shares with a value of NIS 1	4,359	4,359	-	100.00	100.00	-	
Tmura Insurance Agency (1987) Ltd. (“Tmura”)		Preferred shares with a value of NIS 1	1,392	1,392	-	100.00	-	-	
<u>Subsidiaries and related companies of Tmura</u>									
Tmura Mele’a Insurance Agency Ltd.		Ordinary shares with a value of NIS 0.001	100,000,000	100,000	(876)	100.00	100.00	100.00	
<u>Subsidiaries and related companies of Batach Thorne</u>									
Batach Thorne International Underwriters Non-Life Insurance Agency (2019) Ltd.		Ordinary shares with a value of NIS 1	1,000	1,000	1	100.00	100.00	100.00	

[10] Formerly Batach Ltd.

7. Loans and capital notes to the Company’s subsidiaries and related companies

Loan provider	Loan recipient	Balance of loans and capital notes (including accrued interest), NIS thousands	Interest rate in %	Linkage type	Repayment years
Loans from the Company					
The Company	Clal Insurance	454,027	4.53%	CPI-linked	2069. An early redemption may be performed beginning on October 31, 2030, with the Commissioner's approval.
The Company	Clal Finance	35,500		Unlinked capital note	As will be determined between the parties, and no earlier than 5 years after the loan provision date
Loans from Clal Insurance					
Clal Insurance	Clal Insurance Company Property Ltd.	10,572	-	Unlinked capital note	Undetermined
Clal Insurance	Companies of Clal Insurance Company Ltd.	65,835	-	Unlinked capital note	Undetermined
Loans to Clal Insurance					
ADC Holdings	Clal Insurance	12,561	3.06%		Loan until 2023
Loans from Clal Agencies					
Clal Agencies	Clal Leaders Insurance Agency Ltd. [11]	15,176	-	Unlinked capital note	Undetermined

[11] Inactive

7.1 Changes in loans to subsidiaries and to related companies during the reporting period (Regulation 12)

None

8. Income and loss of material active subsidiaries and active related companies, and (direct and indirect) income from them, for the year ended December 31, 2020 (Regulation 13)

8.1 The Company and subsidiaries

	Income (loss) for the year		Other comprehensive income (loss) for the year		Total comprehensive income (loss) for the year		Revenue		
	Attributable to company owners	Attributable to non-controlling interests	Attributable to company owners	Attributable to non-controlling interests	Attributable to company owners	Attributable to non-controlling interests	Dividend	Interest	Management fees and directors compensation
					NIS in thousands				
Directly held subsidiaries and related companies of the Company									
Clal Insurance Company Ltd.	422,715	3,987	125,584	(206)	548,299	3,781	-	-	-
Clal Agency Holdings (1998) Ltd.	17,607	-	2,058	-	19,665	-	-	-	-
Clalbit Systems Ltd.	1,987	-	751	-	2,738	-	-	-	-
Michlol Urban Real Estate Renewal Solutions Ltd.	5,104	-	5,104	-	5,104	-	-	-	-

8. Income and loss of material active subsidiaries and active related companies, and (direct and indirect) income from them, for the year ended December 31, 2020 (Cont.) (Regulation 13)

8.1 The Company and subsidiaries (Cont.)

	Income (loss) for the year		Other comprehensive income (loss) for the year		Total comprehensive income (loss) for the year		Revenue		
	Attributable to company owners	Attributable to non-controlling interests	Attributable to company owners	Attributable to non-controlling interests	Attributable to company owners	Attributable to non-controlling interests	Dividend	Interest	Management fees and directors compensation
					NIS in thousands				
Subsidiaries and related companies of Clal Insurance									
Clal Credit Insurance Ltd.	15,950	3,987	(824)	(206)	15,126	3,781	-	-	-
ADC Holdings Ltd.	850	-	-	-	850	-	-	-	-
Clal Pension and Provident Funds Ltd.	(5,599)	-	976	-	(4,623)	-	-	-	-
Atudot Pension Fund for Workers & Independent Workers Ltd.	1,430	-	49	-	1,479	-	-	-	1,530
Canaf - Clal Financial Management Ltd.	736	-	902	-	1,638	-	-	-	-

8. Income and loss of material active subsidiaries and active related companies, and (direct and indirect) income from them, for the year ended December 31, 2020 (Cont.) (Regulation 13)

8.1 Clal Holdings and subsidiaries (Cont.)

	Income (loss) for the year		Other comprehensive income (loss) for the year		Total comprehensive income (loss) for the year		Revenue		
	Attributable to company owners	Attributable to non-controlling interests	Attributable to company owners	Attributable to non-controlling interests	Attributable to company owners	Attributable to non-controlling interests	Dividend	Interest	Management fees and directors compensation
	NIS in thousands								
Subsidiaries and related companies of Clal Agencies									
Betach - Thorne Insurance Agency Ltd.	1,732	-	81	-	1,813	-	-	-	330
Tmura Insurance Agency (1987) Ltd.	15,657	-	1,977	-	17,634	-	-	-	330
Tmura Mele’a Insurance Agency Ltd.	2,520	-	2,520	-	2,520	-	-	-	-
Batach Thorne International Underwriters Non-Life Insurance Agency (2019) Ltd.	-	-	-	-	-	-	-	-	-

9. List of groups of loan balances which were given as of the date of the statement of financial position (Regulation 14)

N/A.

10. Trading on the stock exchange (Regulation 20)

A. Securities listed for trading during the reporting year
During the reporting year, no securities of the Company were listed for trading.

B. Suspension of trading of securities during the reporting year
During the reporting year, the trading of ordinary company shares on the stock exchange was suspended (excluding timed suspensions with respect to the publication of financial statements and/or other material reports).

11. Compensation to interested parties and corporate officers (Regulation 21)

Presented below are details regarding the compensation which was given in 2020 (NIS in thousands), as recognized in the financial statements for 2020:

1. Each of the five highest recipients of compensation among the corporate officers in the Company or in companies under its control, if the compensation was given in connection with their tenure in the Company or in companies under its control, and regardless of whether the compensation was given by the Company or by companies under its control;

2. Each of the three highest recipients of compensation in the Company, to whom the compensation was given in connection with their tenure in the Company itself, and who is not listed in section 1 above;

3. Any interested party in the Company who is not listed in sections 1 and 2 above, except for a subsidiary of the Company, if the compensation was given to them by the Company or by a corporation under its control, in connection with the services which they provided as a senior position holder in the corporation or in a corporation under his control, regardless of whether or not a employer - employee relationship exists, including if the interested party is not a corporate officer.

	Details of compensation recipient							Compensation for services					Other compensation			Total
Name	Gender	Position	Scope of position	Rate of holding in the corporation's capital	Salary [1]	Additional provision	Bonus [2]	Share-based payment	Management fees	Consulting fees	Commission	Other	Interest	Rent	Other	
Yoram Naveh [3]	Male	CEO of the Company and Clal Insurance	100%	0.01	2,922	-	-	-	-	-	-	-	-	-	-	8
Eran Cherninsky [4] [5]	Male	Finance Division Manager	100%	-	1,620	-	929	-	-	-	-	-	-	-	-	8
David Arnon [4] [6]	Male	Manager of the Health Division and Customer Unit in Clal Insurance	100%	-	1,519	-	925	-	-	-	-	-	-	-	-	8
Yossi Dori [4][7]	Male	Investments division manager	100%	-	1,435	-	1,000	-	-	-	-	-	-	-	-	8
Adi Kaplan [4][8]	Male	CEO of Clalbit Systems	100%	-	1,479	-	894	-	-	-	-	-	-	-	-	8
Danny Naveh [9]	Male	Former Chairman of the Board	85%	-	2,191[1]	-	-	-	-	-	-	-	-	-	-	8
Mali Margaliot [10]	Female	Former Acting Chairwoman of the Board	-	-	-	-	-	-	-	-	-	271	-	-	-	8
It is hereby clarified that the details regarding the compensation which was given in 2020, as provided in the table above, are as recognized in the financial statements for 2020, and are not necessarily identical to the calculation which is performed for the purpose of the correspondence between the corporate officers' compensation and the Company's compensation policy, which is attached as an annex to the periodic report for 2020.																

---

[2] It is noted that Mr. Danny Naveh's salary includes severance pay provisions in the amount of approximately NIS 120 thousand. See Note 39(b)(4) to the Company's financial statements.

11. Compensation to interested parties and corporate officers (Regulation 21) (Cont.)

Notes regarding the data in the table:

1. Salary linked to the consumer price index, according to the definition of CPI linkage in the Company's compensation policy (see section 1 of the compensation policy) ("CPI Linkage"), except with respect to the CEO and the former Chairman, whose salaries were restricted during the reporting year, according to the compensation limit set forth in section 2(a) of The Compensation of corporate officers in Financial Corporations Law ("Special Approval and Non-Permission of Expense for Tax Purposes Due to Extraordinary Compensation"), 2016 (in this section: the **Executive Compensation Law**" and the "**Compensation Limit**"), and it is linked to the CPI, in accordance with the mechanism specified therein. The amount specified in the table includes provisions for compensation, including loss of working capacity, and the provision for severance pay as required by law for all components of compensation (which are not included in the calculation of the compensation limit, with reference to the compensation in accordance with section 2(a) of the Executive Compensation Law. Provisions for severance pay, annual holiday and/or redemption of vacation days for those who have concluded their employment, convalescence pay and other benefits, including grossing-up of vehicle and cellphone expenses. According to the mechanism set forth in the Executive Compensation Law, the cost of salary of an employee in a financial corporation which exceeds the compensation limit will not be permitted for deduction for tax purposes by the Company, in accordance with the mechanism set forth in the Executive Compensation Law. It is noted that, in accordance with the compensation policy, the Company may bear an additional expense with respect to excess employment cost, as required, with respect to components which were paid which exceed that cost.

2. In general, the data refer to the entire amount of the variable bonus, paid in cash, to which a corporate officer is entitled with respect to the reporting year, without taking into account the distribution arrangements with respect to the deferred bonus. The amounts of variable compensation, if and insofar as any are paid, which are effectively received, are lower such that, with respect to corporate officers and senior positions holders, 50% of the bonus with respect to a given year is paid in cash, and 50% is deferred to be paid CPI-linked, over 3 years, and its payment is made conditional upon the fulfillment of the targets specified in the relevant compensation policy. There is no certainty that the deferred compensation amount will be paid. It is noted that insofar as the total compensation given to a senior position holder in a certain year does not exceed the payment cap[2], and does not exceed 40% of the fixed component in that year, the distribution mechanism will not apply, as specified in the Company's compensation policy Shortly after the approval of the financial statements, deferred bonuses which were recorded in the 2017 reports, and which have not yet been paid, will be released. For additional details regarding annual bonuses to the Group's officers, see remark 4 below.

3. For details regarding the employment terms of Mr. Yoram Naveh, the Company's CEO, see Note 39(b)(5) to the Company's financial statements.

---

[2] As defined in section 32(17) of the Income Tax Ordinance (New Version).

11. Compensation to interested parties and corporate officers (Regulation 21) (Cont.)

Notes regarding the data in the table: (Cont.)

4. In general, the employment terms of the Company's corporate officers, including those specified in the above table (excluding the CEO and the Chairman, and unless specified otherwise), (hereinafter in this section: the "**corporate officers**"), were specified in a personal employment agreement which defines the base salary and the social and pension conditions, according to the conventional practice for corporate officers in Clal Group, including provisions for pension insurance with respect to the severance, compensation, holiday and convalescence components. In accordance with the terms of the corporate officers' employment agreements, in case of dismissal or resignation, the party terminating the engagement must provide notice to the other party two or fourth months in advance. In general, in case of termination of employment, as stated above, the corporate officers will be entitled, in addition to the severance pay, to a one-time bonus in the amount of 4.5 to 6 monthly salaries (base salary), without social benefits and without a vehicle, provided that the termination of the working relationship was not due to the resignation of the corporate officer during the period of two years following the employment commencement date (except if the resignation took place within 12 months after the date of transfer of the control of the Company), subject to the fulfillment of the terms of the compensation policy, and with reference to the transitional provisions which were determined in the compensation circular, as relevant (the "Severance Package"). The corporate officers are entitled to receive severance pay, whether upon resignation or upon dismissal, except in case which by law do not confer eligibility for severance pay. As part of their employment terms, the corporate officers are entitled to vehicles which the Company provides to them, and regarding which the Company bears the applicable grossing-up of tax. The corporate officers are also entitled to an annual bonus in accordance with the conventional criteria in the Group for managers of their rank, and in accordance with the Company's compensation policy (as published in the Company's periodic report), where the target bonus of the corporate officers during the reporting year was a maximum rate of 0.266% of comprehensive income, and their eligibility for the bonus is in accordance with the Company's fulfillment of the minimum conditions for the receipt of an annual bonus, in accordance with the compensation policy and the corporate officers' fulfillment of the targets (which refer to their personal performance and/or to the performance of the unit for which they are responsible and/or for the Company's performance, where the goals may be quantitative or qualitative, measurable or discretionary). The targets will be determined for the officers on an annual basis, except with respect to the discretionary component, which is not conditional upon the fulfillment of targets, and which will not exceed 3 monthly base salaries, except with respect to special bonuses, as defined in the Company's compensation policy. In any case, the corporate officers will not be entitled to an annual bonus exceeding NIS 1 million. For additional details, see the annex to the periodic report.
   It is noted that the compensation policy will not prejudice any rights which have accrued and/or which will be accrued with respect to previous periods prior to the application dates of the compensation circular and of the Executive Compensation Law, subject to and in accordance with the provisions of the law. The Company acquires corporate officers insurance for the corporate officers in the Group, and letters of exemption and letters of indemnity from the Company were given to each of the Company's corporate officers.

5. Mr. Eran Cherninsky, Executive VP, has served as Financial Division Manager since October 2018. His employment terms were defined in the personal employment agreement which generally corresponds to the employment agreement specified in subsection 4 above. As of the present date, no warrants have been allocated to him. For details regarding an options plan which was approved for managers, see Note 40(a) to the financial statements. For details regarding annual bonuses, see subsection 2 above. The salary includes a provision with respect to the severance package.

6. Mr. David Arnon, Executive VP, has served as Health Division Manager in Clal Insurance since September 2018, and since November 2020, he has also served as the Customer Unit Manager in Clal Insurance. His employment terms were defined in the personal employment agreement which generally corresponds to the employment agreement specified in subsection 4 above. As of the present date, no warrants have been allocated to him. For details regarding an options plan which was approved for managers, see Note 40(a) to the financial statements. For details regarding annual bonuses, see subsection 2 above.

11. Compensation to interested parties and corporate officers (Regulation 21) (Cont.)

Notes regarding the data in the table: (Cont.)

7. Mr. Yossi Dori, Executive VP, has served in the position of Investments Division Manager and CEO of Canaf, since August 2018. His employment terms were defined in the personal employment agreement which generally corresponds to the employment agreement specified in subsection 4 above. Mr. Yossi Dori has warrants which were allocated to him in accordance with the Company's options plan for 2015. For details regarding this plan, see Note 40(a) to the financial statements. For details regarding the options plan which was approved for managers, see Note 40(a) to the financial statements. For details regarding annual bonuses, see subsection 2 above.

8. Mr. served as Executive VP as the Group's CIO, and as CEO of Clalbit Systems, from May 2018 to January 2021. His employment terms were defined in the personal employment agreement which generally corresponds to the employment agreement specified in subsection 4 above. No options were granted to Mr. Kaplan. For details regarding annual bonuses, see subsection 2 above. The salary includes a provision with respect to the severance package.

9. For details regarding the employment terms of Mr. Danny Naveh, the former Chairman of the Board, whose tenure concluded on August 20, 2020, see Note 39(b)(4) to the Company's financial statements.

10. Ms. Mali Margaliot served as Acting Chairwoman from August 21, 2020, the date when Mr. Danny Naveh's tenure concluded, to February 3, 2021, the date when Mr. Haim Samet's tenure as the Chairman of the Board began. During this period, Ms. Margaliot was entitled to directors' compensation as specified in section B below. This amount refers to directors' compensation, as stated above, during her period of tenure as Acting Chairwoman of the Board during the reporting year, which was paid to her in accordance with the compensation which is paid to all of the Company's directors. Ms. Margaliot was entitled to directors' compensation also in the remaining part of the reporting year, when she did not serve as Acting Chairwoman of the Board. The chairmen's salaries will be presented for discussion.

A. Compensation plans

For details regarding the Company's equity compensation plans, see Note 40(a) to the Company's financial statements. For the Company's compensation policy, see the annex "**Compensation Policy**" in Part A of the Periodic Report.

B. Directors' compensation

The Company's payments in each of the years 2019 and 2020 to the Company's directors, with respect to their tenure on the Company's Board of Directors and in the various committees (excluding payments to the Chairman of the Company's Board of Directors), amounted to a total of approximately NIS 1,299 thousand and approximately NIS 2,752 thousand, respectively. The compensation paid to directors in the Company and in Clal Insurance in 2019 was the maximum compensation allowed in accordance with the Company's classification for directors without expertise (the compensation does not include taking into consideration any expertise), in accordance with the Companies Regulations (Rules Regarding Compensation and Expenses of Outside Director), 2000, as approved on June 18, 2008. Beginning in 2020, and in accordance with the Board of Directors' resolution on December 30, 2019, directors, excluding the Chairman of the Board, are paid the maximum amount permitted for an expert outside director, in accordance with the Company's grade, and in accordance with the Company's compensation policy. The Company participates in 20% of the cost of salary of the joint director, who serves both in the Company and in Clal Insurance (not including the salary of the former Chairman of the Board, which was paid separately by Clal Insurance) and Clal Insurance bears 80% of the cost. The aforementioned amounts are after the participation of Clal Insurance in the aforementioned insurance.

For details regarding the salary of the Company's former Chairman of the Board, which is not included in the aforementioned amount, see the table above and Note 39(b)(4) to the Company's financial statements. Ms. Mali Margaliot, who served in the position of Acting Chairwoman from August 21, 2020, the date when Mr. Danny Naveh's tenure concluded, to February 3, 2021, the date when Mr. Haim Samet's tenure as the Chairman of the Board began, was entitled to directors' compensation, as stated above. For details regarding the amounts which were paid to her with respect to that period, see the above table. Mr. Haim Samet, who has served as the Chairman of the Board since February 3, 2021, is also entitled to directors' compensation as specified above. The chairmen's salaries will be presented for discussion.

12. Controlling shareholder of the corporation (Regulation 21A)

As of the publication date of the report, the Company is a company without a control core.

During the years 2013 to 2019, as a precaution, the Company considered IDB Development Corporation Ltd. ("**IDB Development**") as the Company's controlling shareholder, for the purpose of Regulation 21A.

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 Authority's position, are based on the Company's representations, indicated that, as of this 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 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.

Further to the foregoing, on October 19, 2020 the Company and Clal Insurance received a letter from the Commissioner entitled "update regarding the outline for exercising the means of control of Clal Insurance" (which replaced the Commissioner's letter on the subject dated July 21, 2020), specifying, inter alia, the Commissioner's reference to the arrangements which will apply to exercising the Company's means of control in the Company and Clal Insurance, the appointment of directors in Clal Insurance and in the Company, and participation in the Company's general meeting (the "**Outline for Exercising the Means of Control**"). On November 30, 2020, a clarification letter was received from the Commissioner, in connection with the outline for exercising the means of control and control permit, as stated above. Discussions are being held between the Company and the Commissioner regarding the aforementioned letters.

For additional details regarding the control outline, including regarding the appointment of directors in the Company, see Note 1b(3) to the Company's financial statements.

13. Transactions with the controlling shareholder (Regulation 22).

In light of the provisions of section 12 above, the Company has no engagements with controlling shareholders as specified in section 270(4) of the Companies Law, 1999 (hereinafter: the "**Companies Law**"), including engagements which are not listed in section 270(4) of the Companies Law, and which are not insignificant.

Until December 9, 2019, the Company viewed IDB Development and its controlling shareholders as the Company's controlling shareholders, including the trustee for the control shares, and as a precaution only, and accordingly, it also viewed transactions with companies in which the aforementioned entities are interested parties (the "**Entities from the IDB Group**") as transactions in which the Company's controlling shareholder has a personal interest.

For details regarding transactions as specified in section 270(4) of the Companies Law, including engagements which are not listed in section 270(4) of the Companies Law, and which are not insignificant, which were in effect during the reporting year, with parties who were considered, on the date of the engagement, as controlling shareholders, or transactions in parties which were considered, as a precaution, as controlling shareholders, had a personal interest, see the Company's financial statements for 2019.

Presented below are details regarding the policies and criteria which have been adopted by the Company in connection with transactions and engagements with its interested parties, officers and related parties (and controlling shareholders, if any):

A. Policy regarding related parties

It is noted that the Control Law prescribes unique provisions regarding an insurer without a control core, inter alia, in connection with the method of appointment of directors and reports regarding the holding of means of control of an insurer with no controlling shareholder. Due to the Company's holding structure, being a company without a control core, and due to the fact that the provisions of the Control Law with respect to an insurer with no controlling shareholder do not apply to it, due to the different corporate structure of the large insurance companies in Israel, in these circumstances, including, inter alia, due to the fact that institutional entities have different characteristics, which not every public company has, and whose existence justifies different treatment, inter alia, in light of the fact that the institutional entities manage members' funds, on March 12 and 26, 2020, the Company's Audit Committee and Board of Directors approved a policy regarding approval of transactions with parties which are considered interested parties of the Company (who are not controlling shareholders), directors, and other entities, which included the determination of procedures for approving transactions with and investments in related parties, and the establishment of limits on exposure to related parties. This policy was updated by the competent organs in November 2020. For details regarding the policy regarding related parties, see section 11.3.1.2(a) of the report regarding the description of the corporation's business.

B. Policy regarding the evaluation of significance

For details regarding the policy for the evaluation of materiality which the Company adopted, regarding the obligation to submit an immediate report regarding such transactions by virtue of Regulation 36 of the Periodic Report Regulations, and for the purpose of classifying transactions of the kind specified in sections 270(1), (4) and (4a) of the Companies Law, see section 11.3.1.3(a) of the report regarding the description of the corporation's business.

C. Insignificant transactions and policy regarding insignificance

The Company's Audit Committee and Board of Directors adopted guidelines and rules for the classification of a transaction of the Company or its consolidated company with an interested party therein as an insignificant transaction, as determined in Regulation 41(a3)(a)(1) of the Securities Regulations (Annual Financial Statements), 2010 (the "**Financial Statements Regulations**"). These rules and guidelines also serve to evaluate the scope of disclosure in the periodic report and in the prospectus (including in shelf offering reports) regarding a transaction of the Company, a corporation under its control, or its related company, with the controlling shareholder or interested party, or regarding which the controlling shareholder or interested party has a personal interest in its approval, as determined in Regulation 22 of the Securities Regulations (Periodic and Immediate Reports), 1970 (the "**Periodic Reports Regulations**") (hereinafter: "**Interested Party Transactions**"). It is noted that the aforementioned guidelines and rules are also used for transaction classification purposes, in accordance with the provisions of section 117(2a) of the Companies Law.

As stated above, as of the present date, the Company has no controlling shareholder, and accordingly, the criteria will be used by the Company in the future mostly for the for the purpose of classifying transactions with interested parties who which not controlling shareholders, and as specified in the policy regarding related parties, in section 11.3.1.2(a) of the report regarding the description of the corporation's business, and regarding the method for approving transactions with officers or in which officers have a personal interest, in accordance with the policy for the identification and approval of interested party transactions, as specified in section D below.

On March 14 and March 25, 2021, the Company's Audit Committee and Board of Directors, respectively, discussed the aforementioned guidelines and rules, and the criteria which had been determined, and as part of the above, they were presented with the findings of the control unit on the subject (in accordance with the policy as specified below), and resolved to ratify them.

In their ordinary course of business, the Company, its consolidated companies and its related companies perform, or may perform, non-extraordinary insignificant transactions, with interested parties, as stated above, or with companies in which the interested party has a personal interest, and also with entities which have, or may have, undertakings to perform transactions, including transactions of the types and characteristics specified below:

1. <u>Transactions involving the purchase of services and/or products and/or investments:</u>

(**A**) Transactions with banking corporations and financial institutions, including deposits and associated banking services, credit agreements and credit facilities; **(B)** Transactions involving the purchase of products and services (such as telecommunication and telephony products and services; (**C**) Purchasing and/or providing subsidies to purchase voucher cards; (**D**) Transactions involving the purchase of travel and tourism services; (**E**) Event production services; (**F**) Management and other services for income-generating properties; (**G**) Financial investments within the framework of a consortium and/or the acquisition of securities within the framework of public offerings and/or private issuances to institutional entities and/or private transactions; (**H**) Investments in funds and/or acquisition of rights in funds; (**I**) IT and organizational consulting; (**J**) Company rating services or issuances and underwriting for securities distribution, securities agency and brokerage; (**K**) Agency services with respect to insurance, pension and provident funds by insurance agencies; (**L**) Leasing, management and rental of properties; (**M**)

Acquisition and sale of properties together with interested parties; (**N**) Investment/credit management services, including credit rating; (**O**) Acquisition of financial and/or economic services, including economic and business consulting, underwriting services, underwriting and investment banking services; (**P**) IT and software services. Trying to understand whether, according to the specification, there are any other transactions which were not included

2. Transactions involving the sale of services and/or products

(**A**) Sale of insurance policies which were issued by the insurers in Clal Group, in all insurance branches, to the interested parties in the Company and/or to other parties, in cases where the interested parties have a personal interest in the engagement and/or in the employees of the aforementioned entities (including employee trust insurance, real estate, property and liabilities insurance, managers' insurance, professional liability insurance, etc.); **(B)** Provision of insurance activity agency services by insurance agencies; **(C)** Provision of provident fund and/or pension fund management services to corporations and/or their employees; **(D)** Provision of banking, financial and/or economic services, including factoring, financing and mortgages; **(E)** Property rentals.

It is noted that the approval process for related party claims, with respect to the receipt of insurance benefits, although it constitutes the implementation of the policy terms, was approved, for the sake of caution, by the Audit Committee and the Board of Directors, within the framework of a separate policy, in which policies were pre-approved with respect to the approval processes of such claims.

Policy regarding the evaluation of insignificance

Without derogating from the generality of the foregoing, the quantitative and qualitative evaluations will be conducted in the following manner:

1. Quantitative evaluation

A. Insurance transaction

In the absence of special qualitative considerations which arise in light of the entire set of relevant circumstances, a transaction of this kind which is implemented in market conditions, in the ordinary course of business, and which does not have a significant influence on the Company, will be considered an insignificant transaction if its scope is lower than NIS 15 million. For the avoidance of doubt, it is hereby clarified that the scope of the transaction will be evaluated according to the total income from the transaction in a calendar year, and in life insurance and long term saving products transactions, the scope of the transaction will be evaluated according to the total management fees with respect to the transaction in a calendar year.

B. Transactions involving the acquisition of products and/or services

In the absence of special qualitative considerations in light of the entire set of relevant circumstances, a transaction of this kind which is performed in market conditions, in the ordinary course of business, and which does not have a significant influence on the Company, will be considered an insignificant transaction if it is in a scope lower than NIS 10 million, and if it does not involve the receipt of services from the controlling shareholder (management agreement) in accordance with section 270(4) of the Companies Law.

C. Transactions involving investment and/or acquisition or sale of property, plant and equipment (non-current assets) / acceptance of monetary liability

In the absence of special qualitative considerations which arise in light of the entire set of relevant circumstances, a transaction of this kind which is performed in market conditions, in the ordinary course of business, and which does not have a significant influence on the Company, will be considered an insignificant transaction if all of the following criteria amount to a rate of less than one tenth of a percent (0.1%).

It should be noted that the evaluated data will be based on the Company's consolidated financial statements, audited or reviewed (the last statements to be published before the performance of the transaction).

D. Transactions involving investment and/or acquisition or sale of property, plant and equipment (non-current assets)

Two cumulative tests are applied:

- In a transaction involving nostro assets and/or profit sharing policies - the scope of assets which is the subject of the transaction, out of the aforementioned sources, divided by the total assets in the Company's consolidated balance sheet.
- In a transaction involving the assets of provident funds and/or pension funds - the scope of assets involved in the transaction from the aforementioned sources, divided by total members' assets in the provident funds and pension funds which are managed by the Group.
- In a sale transaction from nostro assets - the annual profit/loss attributed to the Company's shareholders, net, after tax, in terms of profit and loss or comprehensive income, actual or forecasted, as attributed to the transaction (whichever is more stringent), divided by the profit or loss attributed to the Company's shareholders, net after tax, in terms of the Company's average profit and loss or annual comprehensive income (in other words, over four quarters) over the last three years, calculated based on the last 12 quarters prior to the performance of the transaction, and for which audited or reviewed financial statements have been published. It is hereby clarified that the profit/loss in each quarter is calculated according to absolute values.

E. Acceptance of monetary financial liability

The scope of the liability which is the subject of the transaction, divided by the total assets in the Company's consolidated balance sheet.

If the transaction involves a subsidiary or associate company of the Company ("**Investee Company**"), an evaluation should be performed regarding the impact of the transaction on the Company's relative share, i.e., relative to the Company's holding rate in the investee company, while applying the insignificance tests specified above.

2. Qualitative test

The evaluation of the qualitative considerations of the interested party transaction may lead to a situation wherein a transaction will be determined as insignificant, even though according to the quantitative evaluation in accordance with section 1 above, it has qualified as an insignificant transaction. Thus, for example, and for the sake of example only, a transaction will generally not be considered insignificant if it is perceived by Company management to be a highly significant event, even if it is insignificant according to the quantitative criteria specified above, such as in cases where the transactions involved highly significant chances, risks or exposures, or if the transaction involves entry into a new and significant operating segment, or departure from a current and significant operating segment. It is hereby clarified, with respect to transactions which involve transferring all or part of a corporation's activity (including by way of transfer of securities), the tests set forth in Regulation 6(b) of the Securities Regulations (Transaction Between a Company and its Controlling Shareholder), 2001, will be taken into account.

Separate transactions which are dependent on one another, in a manner whereby they effectively constitute a part of the same engagement (for example, conducting centralized negotiations with respect to the entire set of transactions), will be evaluated as a single transaction.

A transaction which should be classified as an insignificant transaction by an investee company will be considered as an insignificant transaction also on the level of the holding company. A transaction of an investee company which should be classified as a non-insignificant transaction in an investee company may be classified as an insignificant transaction according to the relevant criteria on the level of the holding company.

3. Non-extraordinary and highly insignificant retail transaction

Pre-approval was given for the performance of "retail" transactions in which the member companies in the Group sell deviation to private entities and small businesses, including non-life, health and life insurance policies, pension funds and provident funds and associated services, which are provided to individuals and to small employers. These transactions are approved insofar as the premium amount or management fees with respect to the transaction, as applicable, according to the Company's price list, do not exceed NIS 50,000 per year, except with respect to deposits to pension products. Insofar as the matter involves a deposit to a pension / savings product, a highly insignificant transaction is a transaction where the management fees collected with respect thereto are in accordance with the Company's price list[3], provided that, in the case of a one-time deposit, it does not exceed NIS 1.5 million per year. The aforementioned approval was given on the condition that the aforementioned transactions are performed in accordance with price lists which include prices (premiums, management fees), discount grades and predetermined underwriting terms, and apply to all of the Company's retail engagements (hereinafter: "**Highly Insignificant Current Transaction**").

The evaluation of the insignificance of a transaction will be performed according to the relevant criteria from among those specified above. The evaluation of the significance of a transaction will be performed according to the criteria set forth in the Company's significance policy, as specified in section 11.3.1.3(a) of the report regarding the description of the corporation's business.

In case of a transaction with an interested party which is a shareholder of the Company, the question of insignificance will be evaluated with respect to the operations and results of Clal Holdings.

In case of a transaction with a corporate officer in which the controlling shareholder has a personal interest, the question of insignificance will be evaluated with respect to the operations and results of the Company which is engaging in the transaction.

Each case will be evaluated on its own merits, and a quantitative and qualitative evaluation will be conducted regarding the relevant event, based on the entire set of information, data, facts and estimates pertaining to the case, in light of the entire set of circumstances which are relevant to the Company.

D. Policy regarding the identification and approval of transactions with interested parties -

The Companies Law determines that certain transactions in which the Company's corporate officers have a personal interest, and transactions of public companies with the controlling shareholder (including those in which the controlling shareholder has a personal interest) (hereinafter, jointly: "**Transactions With Interested Parties**"), require the receipt of special approvals, in accordance with the party to the transaction, the type of the transaction, and the transaction terms. It is emphasized that according to the conventional interpretation of the Companies Law, a transaction of a private company which is under the Company's control, with a controlling shareholder or in which the controlling shareholder has a personal interest, may be considered as a transaction of the Company, as a public company (even if the public company is not party to the transaction), and require the receipt of approvals in the Company.

The Audit Committee adopted a policy regarding the identification and approval of transactions with interested parties, which regulates engagements of the Company with controlling shareholders and officers. Presented below are the main details of the policy which was last ratified by the Audit Committee on March 14, 2021. [4]

Transaction approval processes:

- **Transaction with the controlling shareholder or in which the controlling shareholder has a personal interest:**
    - **Extraordinary transactions** - will be approved in accordance with the provisions of the Companies Law.
    - **Non-extraordinary and non-insignificant transactions** - will be presented for approval to the Audit Committee, for classification of the transaction and approval of the transaction itself.
    - **Non-extraordinary and insignificant transactions** - will be pre-approved, provided that they are implemented in accordance with the provisions of the policy. The evaluation pf the aforementioned transactions will be performed by the corporate officer who is responsible for the relevant segment in the Group (and insofar as he has a personal interest in the performance of the transaction - by his supervisor).
- **Transactions with corporate officers or in which corporate officers have a personal interest** [5]
    - **Extraordinary transactions** - will be presented to the Audit Committee and Board of Directors for approval.

---

[3] It is hereby clarified that, in managers insurance or in a pension fund or provident fund, the Company's price list will be in accordance with the conventional arrangement for Company employees, including with respect to interested parties.

[4] With respect to controlling shareholder transactions, the policy formalizes the method used to perform a competitive process and alternative processes, as well as procedures regarding the process of classifying and approving transactions of this kind, due to the fact that, as of the present date, the Company has no controlling shareholder, and accordingly, these criteria are irrelevant to the Company. These criteria were specified in the Company's periodic report for 2018.

[5] Investment transactions with a related party in the investment segment will also be subject to the current provisions, in accordance with the law, and therefore, transactions involving members' funds or the funds of profit sharing policies will be presented for approval to the relevant Investment Committee, in addition to, or instead of, the approval of the aforementioned organs, and investment transactions involving nostro funds will be presented to the Audit Committee for approval, in addition to, or instead of, the aforementioned organs.

  - **Non-extraordinary and non-insignificant transactions**[6] - Will be presented to the Audit Committee or Board of Directors for approval.
  - **Non-extraordinary and insignificant transactions** - On February 17, 2009, an amendment was implemented to the Company's bylaws, in which it was determined that a transaction with a corporate officer, or a transaction in which a corporate officer has a personal interest, will be approved by another corporate officer, provided that it is not an extraordinary transaction (excluding a transaction which pertains to terms of tenure and employment). The Company's Board of Directors determined, on the same date, that the evaluation regarding whether the transaction is insignificant will be performed by a relevant corporate officer, in accordance with an internal company policy regarding the on the same date and approval of transactions with interested parties, as approved by the Audit Committee and Board of Directors on an annual basis.

- **Non-extraordinary and highly insignificant retail transaction** - Pre-approval (including with respect to outside directors) for the performance of "retail" transactions of the Group's products, in accordance with the price list, as specified in section B above.

Criteria for the classification of transactions

The Companies Law determines that an "extraordinary transaction" is a transaction which fulfills one of the following three criteria:

(A) A transaction which is not in the Company's ordinary course of business; (B) a transaction which is not executed in market conditions; (C) a transaction which may significantly affect the Company's profitability, property or liabilities.

The relevant corporate officer, or the relevant organ, as stated above, will evaluate the transaction in question, and will determine whether the transaction fulfills the three criteria for qualification as an **extraordinary transaction**.

- For the purpose of the evaluation of exceptionality, a transaction will be considered a transaction **in the Company's ordinary course of business** following a factual evaluation, in light of the ordinary economic activity of the Company which is engaging in the transaction, in a manner whereby the type of product or service which are purchased, the liabilities or which are accepted in the Company's ordinary course of business, are within its operating segments, are required for its operations.
- For the purpose of the aforementioned exceptionality, a transaction will be classified as a **material transaction** in accordance with the significance policy which has been adopted by the Company, as specified in section 11.3.1.3(a) of the chapter "description of the corporation's business". A transaction will be classified as an **insignificant transaction** in accordance with the insignificant policy which has been adopted by the Company, as specified in section B above.
- For the purpose of the aforementioned evaluation of exceptionality, the evaluation of **market conditions** will be performed based on an external, objective indication of the market conditions of the transaction, and therefore, market condition identify similar transactions to those conducted with the controlling shareholder or with the corporate officer, which were performed with non-related parties, and to compare those transactions. The comparison will be performed, where possible, against similar transactions in terms of operating segment, type of product or service, and in terms of the financial scope of the engagement, with non-related parties, except in special cases, and for reasons which will be specified. As part of the above, efforts will be made to evaluate also similar transactions which were performed on the market by other companies.

The Company will followup, for the purpose of evaluating the adequacy of actual classification of the transactions by management, in accordance with the criteria which were determined;

  - The relevant control units will periodically follow up on transactions with related parties.
  - The Internal Auditor will conduct an internal audit regarding the compliance with the provisions of the policy once every two years.
  - The Audit Committee will hold a discussion regarding the criteria established in this policy each calendar year, in which it will receive reports regarding the audit report, and any significant control findings, as stated above.

14. Holdings of interested parties and corporate officers (Regulation 24)

14.1 In the corporation

A. **Stocks and other securities which are held by interested parties in the corporation -**

---

[6] For the purpose of this policy, an "**Insignificant Transaction**" will be as defined in the Company's insignificance policy, as specified in section E below.

B. On this matter, see the immediate report dated January 7, 2021 (reference number 2021-01-003306), the immediate report dated February 4, 2021, (reference number 2021-01-014116), the immediate report dated February 4, 2021 (reference number 2021-01-014608), the immediate report dated February 8, 2021 (reference number 2021-01-015859), the immediate report dated February 10, 2021 (reference number 2021-01-016831), the immediate report dated February 10, 2021 (reference number 2021-01-017194), the immediate report dated February 14, 2021 (reference number 2021-01-017884), the immediate report dated February 21, 2021 (reference number 2021-01-021172), the immediate report dated March 21, 2021 (reference number 2021-01-039564), the immediate report dated March 22, 2021 (reference number 2021-01-040896), and the immediate report dated March 25, 2021 (2021-01-044997).

C. **Holding of the Company's warrants by corporate officers** - On this matter, see the immediate report dated January 7, 2021 (reference number 2021-01-003306).

D. **Holding of the Company's liability certificates** - None

14.2 Stocks and other securities which are held by an interested party in the Company whose activity is material to the corporation's activity, as of March 1, 2021

Name of interested party	Company number	Name of security	Number of security on the stock exchange	Amount	% of total Outstanding bonds
Phoenix Holdings Ltd.	520017450				
		Clalbit Finance Ltd. - bonds (Series A)	1097138	11,920.86	0.06%
		Clalbit Finance Ltd. - bonds (Series C)	1120120	760,305	0.99%
		Clalbit Finance Ltd. - bonds (Series F)	1132950	37,009,606	10.14%
		Clalbit Finance Ltd. - bonds (Series H)	1132968	15,950,726	3.39%
		Clalbit Finance Ltd. - bonds (Series I)	1136050	18,304,740	4.32%
		Clalbit Finance Ltd. - bonds (Series J)	1136068	134,167,580	13.98%
		Clalbit Finance Ltd. - bonds (Series K)	1160647	206,597,686	12.63%
Harel Insurance Investments and Financial Services Ltd.	520033986				
		Clalbit Finance Ltd. - bonds (Series A)	1097138	2,060,540.90	11.07%
		Clalbit Finance Ltd. - bonds (Series C)	1120120	1,543,669	2.01%
		Clalbit Finance Ltd. - bonds (Series F)	1132950	22,127,270	6.06%
		Clalbit Finance Ltd. - bonds (Series H)	1132968	30,653,292	6.53%
		Clalbit Finance Ltd. - bonds (Series I)	1136050	61,249,152	14.46%

Name of interested party	Company number	Name of security	Number of security on the stock exchange	Amount	% of total Outstanding bonds
Phoenix Holdings Ltd.	520017450				
		Clalbit Finance Ltd. - bonds (Series A)	1097138	11,920.86	0.06%
		Clalbit Finance Ltd. - bonds (Series C)	1120120	760,305	0.99%
		Clalbit Finance Ltd. - bonds (Series F)	1132950	37,009,606	10.14%
		Clalbit Finance Ltd. - bonds (Series H)	1132968	15,950,726	3.39%
		Clalbit Finance Ltd. - bonds (Series I)	1136050	18,304,740	4.32%
		Clalbit Finance Ltd. - bonds (Series J)	1136068	134,167,580	13.98%
		Clalbit Finance Ltd. - bonds (Series K)	1160647	206,597,686	12.63%
		Clalbit Finance Ltd. - bonds (Series J)	1136068	72,001,959	7.5%
		Clalbit Finance Ltd. - bonds (Series K)	1160647	212,226,490	12.97%

* For details regarding the Company’s holdings in subsidiaries, see Regulation 11 above.

14.3 Dormant shares - The Company has no dormant shares.

15. Registered capital, issued capital and convertible securities (Regulation 24A)

A. **Number of shares included in the corporation’s registered capital** - 100,000,000 ordinary shares with a par value of NIS 1 each

B. **Number of shares included in the corporation’s issued share capital** - 67,644,867 ordinary shares with a par value of NIS 1 each.

C. **Number of shares included in the corporation’s issued capital, less dormant shares** - 67,644,867 ordinary shares with a par value of NIS 1 each.

D. **Number of shares which do not confer voting rights** - None.

E. There are no shares in the corporation’s issued share capital which do not confer any rights whatsoever.

F. Convertible securities of the corporation - See the immediate report dated October 19, 2020 (reference number 2020-01-104482).

16. Register of shareholders (Regulation 24B)

For details, see the immediate report dated October 19, 2020 (reference number 2020-01-104482).

17. Directors of the corporation[7] (Regulation 26)

---

[7] As of the publication date of the report, including directors whose tenure concluded after the reporting year. The membership in the committees is also correct as of the publication date of the report. During the reporting year, the former Chairman of the Board Mr. Danny Naveh, concluded his tenure. For additional details, see Note 1 to the financial statements.

Name: **Haim Samet, Chairman**	ID number 007249675
Year of birth:	1945
Address for service of process:	15 Yitzchak Elhanan St., Tel Aviv, postcode 6525015
Citizenship:	Israeli
Membership in Board of Directors committees:	Class actions committee, investment committee, information technology committee
Outside director:	No
Employee of the corporation, or of a subsidiary, related company, or interested party:	No
Serves as a director since:	2021
Education:	Bachelor’s degree in Law from The Hebrew University of Jerusalem. Holds a law license
Activity in the last five years and corporations in which serves as a director:	Served as a director in Bank Leumi Le-Israel Ltd., senior partner in Shnitzer Gotlieb Samet & Co Law Office, Deputy and Acting Chairman of the Board, and Finance Committee Chairman of Tel Aviv Art Museum Ltd., Board of Trustees Member and Audit Committee Chairman of Tel Aviv University, and Director in Tekoa Mushroom Farm Ltd.
Family member of another interested party in the corporation, to the best of his knowledge, and to the best of the corporation’s knowledge:	No
Defined as a director with accounting and financial expertise or professional qualifications:	Has accounting and financial expertise

17. Directors of the corporation (Cont.)

Name: **Varda Alsheich**	ID number 008059925
Year of birth:	1944
Address for service of process:	19 Yaakov Meridor St., Tel Aviv
Citizenship:	Israeli
Membership in Board of Directors committees:	Audit committee, compensation committee and class actions committee
Outside director:	No
Employee of the corporation, or of a subsidiary, related company, or interested party:	No
Serves as a director since:	2016
Education:	Bachelor’s degree in Law from the Tel Aviv Branch of The Hebrew University of Jerusalem. Director training courses at IDC Herzliya and training courses in reading financial statements.
Activity in the last five years and corporations in which serves as a director:	Until 2013, served as Vice President of the District Court of Tel Aviv-Yafo, and as the Director of the Liquidation, Receivership, Recovery and Bankruptcy Department. Since 2013: served as consultant and advisor in debt settlements and sale processes, and as an arbitrator and mediator at the Institute for Mediation in Tel Aviv. Member of committees which were established by companies on issues including derivative claims, consulting to law firms, and provision of opinions regarding past field of occupation.
Family member of another interested party in the corporation, to the best of his knowledge, and to the best of the corporation’s knowledge:	No
Defined as a director with accounting and financial expertise or professional qualifications:	Has accounting and financial expertise

Name: **Hana Mazal (Mali) Margaliot**	ID number 024138497
Year of birth:	1969
Address for service of process:	36 Tchernichovsky St., Jerusalem
Citizenship:	Israeli
Membership in Board of Directors committees:	Audit committee, balance sheet committee and nostro investment committee of Clal Insurance.
Outside director:	No
Employee of the corporation, or of a subsidiary, related company, or interested party:	No
Serves as a director since:	2016
Education:	Actuary (F.IL.A.A), full member of the Israel Association of Actuaries; M.B.A. with a specialization in Finance and Information Systems from The Hebrew University of Jerusalem; B.A. In Economics and Communication from The Hebrew University; Actuarial certificate studies at Magid Institute. Holds a Financial Risk Management (FRM) certificate issued by GARP. Chartered Enterprise Risk Actuary (CERA) certified by CGR.
Activity in the last five years and corporations in which serves as a director:	The Company’s Acting Chairwoman of the Board from August 2020 to January 2021, CEO and director in Galil Mor Financial Products Ltd., CEO of Mofet Financial Products Ltd. Served as an independent director in Israel Petrochemical Enterprises Ltd. until October 21, 2020. Served as an independent director in Greenergy Renewable Energies Ltd. (formerly Intercolony Investments Ltd.).
Family member of another interested party in the corporation, to the best of his knowledge, and to the best of the corporation’s knowledge:	No
Defined as a director with accounting and financial expertise or professional qualifications:	Has accounting and financial expertise

17. Directors of the corporation (Cont.)

Name: **Avraham Knobel**[8]	ID number 012594156
Year of birth:	1949
Address for service of process:	6 Wallach St., Kiryat Ono.
Citizenship:	Israeli
Membership in Board of Directors committees:	class actions committee and the Company's investment committee.
Outside director:	No
Employee of the corporation, or of a subsidiary, related company, or interested party:	No
Serves as a director since:	2016
Education:	Bachelor's degree in Economics and Sociology from Tel Aviv University, Master's degree in Economics from Tel Aviv University, Doctorate in Economics from Tel Aviv University.
Activity in the last five years and corporations in which serves as a director:	Serves as an economic and financial consultant, served as a director in Idud Ltd. and in Binyanei HaUma Conference Center Ltd. Served as Chairman of the Board and investment committee member of the Managing Company of the Biochemical & Microbiological Association Study Fund Ltd.
Family member of another interested party in the corporation, to the best of his knowledge, and to the best of the corporation's knowledge:	No
Defined as a director with accounting and financial expertise or professional qualifications:	Has accounting and financial expertise

17. Directors of the corporation (Cont.)

Name: **Yosef Yagil**	ID number 042419911
Year of birth:	1947
Address for service of process:	14 Greenberg St., Haifa
Citizenship:	Israeli, Canadian
Membership in Board of Directors committees:	Audit committee, balance sheet committee and compensation committee.
Outside director:	Yes
Employee of the corporation, or of a subsidiary, related company, or interested party:	No
Serves as a director since:	2012
Education:	B.A. In Economics and M.B.A. with a specialization in Finance from The Hebrew University of Jerusalem; Ph.D. In Finance from Toronto University; Professor of Finance at University of Haifa.
Activity in the last five years and corporations in which serves as a director:	Served as Dean of the Faculty of Management, Chair of the Finance Department and Chairman of the English MBA Program at University of Haifa. Served as President of Carmel Academic Center and as Vice President of Western Galilee Academic College.
Family member of another interested party in the corporation, to the best of his knowledge, and to the best of the corporation's knowledge:	No
Defined as a director with accounting and financial expertise or professional qualifications:	Has accounting and financial expertise.

---

[8] Mr. Knobel's tenure as a director in the Company ended on January 3, 2021.

Name: **Sami Moualem**	ID number 047443072
Year of birth:	1947
Address for service of process:	10 Boaz St., Ramat HaSharon.
Citizenship:	Israeli
Membership in Board of Directors committees:	Audit committee, compensation committee, balance sheet committee, the Company's investment committee
Outside director:	Yes
Employee of the corporation, or of a subsidiary, related company, or interested party:	No
Serves as a director since:	2016
Education:	Certified Public Accountant, Member of the Institute of Certified Public Accountants in Israel
Activity in the last five years and corporations in which serves as a director:	Independent economic consultant and director in the following companies: S.M. Maof Consulting and Investments Ltd. and Mofet (M.P.) Ltd.
Family member of another interested party in the corporation, to the best of his knowledge, and to the best of the corporation's knowledge:	No
Defined as a director with accounting and financial expertise or professional qualifications:	Has accounting and financial expertise

Name: **Maya Liquornik**	ID number 054133632
Year of birth:	1956
Address for service of process:	12 Beeri St., Tel Aviv, postcode 6468212
Citizenship:	Israeli
Membership in Board of Directors committees:	Class actions committee, the Company's investment committee, information technology committee
Outside director:	No
Employee of the corporation, or of a subsidiary, related company, or interested party:	No
Serves as a director since:	2021
Education:	LLB - Tel Aviv University, MA in Middle East History
Activity in the last five years and corporations in which serves as a director:	Served as senior and managing partner of Meitar Liquornik Geva Leshem Tal & Co. Law Office. Chairwoman of the Board of Keshet - Donor Advised Fund (Public Benefit Company); Managing board of The Hebrew University; Managing board of the Israel Museum
Family member of another interested party in the corporation, to the best of his knowledge, and to the best of the corporation's knowledge:	No
Defined as a director with accounting and financial expertise or professional qualifications:	Has accounting and financial expertise

17. Directors of the corporation (Cont.)

Name: **Roni Maliniak**	ID number 065013914
Year of birth:	1955
Address for service of process:	12 Harel St., Ramat Gan, postcode 5222384
Citizenship:	Israeli
Membership in Board of Directors committees:	Balance sheet committee, compensation committee, information technology committee
Outside director:	No
Employee of the corporation, or of a subsidiary, related company, or interested party:	No
Serves as a director since:	2021
Education:	Bachelor's degree in Economics and Statistics from Tel Aviv University, MBA from Tel Aviv University
Activity in the last five years and corporations in which serves as a director:	Owner and CEO of Roni Maliniak Management and Investments Ltd. Served as an outside director in Phoenix Holdings Ltd., Phoenix Insurance Company Ltd. (ended in January 2020) and as a member of those companies' nostro investment committees. Outside director in Rami Levy Chain Stores Hashikma Marketing (2006) Ltd., director in HAP Venture Franklin Residences New York and HAP Seven New York Venture, director in Apartment for Rent - The Governmental Company for Housing and Rental Ltd.
Family member of another interested party in the corporation, to the best of his knowledge, and to the best of the corporation's knowledge:	No
Defined as a director with accounting and financial expertise or professional qualifications:	Has accounting and financial expertise and has professional qualifications

Name: **Yair Bar Tov**	ID No. 56739246
Year of birth:	1960
Address for service of process:	29 Sha'arei Nikanor St., Apartment 3, Tel Aviv, postcode 6803290
Citizenship:	Israeli and Australian
Membership in Board of Directors committees:	Audit committee, balance sheet committee, compensation committee, and information technology committee
Outside director:	Yes
Employee of the corporation, or of a subsidiary, related company, or interested party:	No
Serves as a director since:	2021
Education:	Bachelor's degree in Computer Engineering - Ben Gurion University in Beer Sheva, Master's degree in Computer Engineering - Technion
Activity in the last five years and corporations in which serves as a director:	Served as an outside director in Cyren Ltd., as CEO of the cybersecurity company BISEC, and as VP Business Development Asia Pacific of Cyberproof Ltd. (owned by UST-Global)
Family member of another interested party in the corporation, to the best of his knowledge, and to the best of the corporation's knowledge:	No
Defined as a director with accounting and financial expertise or professional qualifications:	Has accounting and financial expertise and has professional qualifications

Corporate officers of the corporation[9] (Regulation 26A)

Name: **Yoram Naveh**	ID number 028865301
Year of birth:	1971
Position in the corporation:	CEO
Position in a subsidiary, related company or interested party of the corporation:	CEO of Clal Insurance, Clal Finance and director in the subsidiaries[10].
Interested party in the corporation:	No
Family member of another corporate officer or of another interested party in the corporation:	No
Education:	Bachelor’s degree in Law and Economics from University of Haifa, Master’s degree in Law and Economics from Erasmus University of Rotterdam
Business experience in the last five years:	Executive VP and Head of Resources Division in Clal Insurance, CEO and director in Clal Finance
First year of tenure:	2014

Name: **Moshe Arnst**	ID number 24416604
Year of birth:	1969
Position in the corporation:	None
Position in a subsidiary, related company or interested party of the corporation:	Executive VP, Long Term Savings Division Manager in Clal Insurance and CEO of Clal Pension and Provident Funds, serves as a director of Atudot.
Interested party in the corporation:	No
Family member of another corporate officer or of another interested party in the corporation:	No
Education:	LL.B. from Bar Ilan University, M.B.A. with a specialization in Finance from Bar Ilan University.
Business experience in the last five years:	Served as Headquarters Division Manager in Clal Insurance. Served as a director in Clal Pension and Provident Funds, and as a director in Atudot and in subsidiaries of Clal Holdings Group.
First year of tenure:	2006

Name: **Eran Shahaf**	ID number 027985894
Year of birth:	1971
Position in the corporation:	Internal auditor
Position in a subsidiary, related company or interested party of the corporation:	Executive VP, Internal Auditor in Clal Insurance and in additional institutional entities of Clal Holdings Group
Interested party in the corporation:	No
Family member of another corporate officer or of another interested party in the corporation:	No
Education:	Attorney, LL.B., B.A. In Logistics and Economics and M.B.A. from Bar Ilan University, LL.M. from Tel Aviv University.
Business experience in the last five years:	Internal auditor of the Company and of member companies in Clal Holdings Group; Board member of the Institute of Internal Auditors in Israel (IIA Israel) and Chairman of the Internal Auditors Committee of the institutional entities in the Institute; Deputy Internal Auditor of the Company and of member companies in Clal Holdings Group;
First year of tenure:	2014

---

[9] As of the publication date of the report, including an officer whose tenure concluded after the reporting year. The officer’s first year of tenure means the year when they began serving as an officer in the Company, and not necessarily in their current position, or in the Company in general. During the reporting year (November 2020), Mr. Yaron Shamay and Mr. Nis Agmon concluded their tenure in the Group. Corporate officers in the Company, and, in accordance with the Company’s decision regarding the classification of the Company’s corporate officers, members of management of Clal Insurance, a subsidiary of the Company.

[10] Began his tenure as CEO on July 1, 2018.

18. Corporate officers of the corporation (Regulation 26A) (Cont.)

ID number 27788421	Name: **Hadar Brin Weiss**
1970	Year of birth:
General Counsel of the Company	Position in the corporation:
Executive VP, General Counsel and Head of the Legal Consulting and Regulation Division in Clal Insurance and in other member companies of Clal Holdings Group.	Position in a subsidiary, related company or interested party of the corporation:
No	Interested party in the corporation:
No	Family member of another corporate officer or of another interested party in the corporation:
LL.B. and LL.M. from Tel Aviv University	Education:
General Counsel and Head of the Legal Consulting and Regulation Division in Clal Group.	Business experience in the last five years:
2013	First year of tenure:

Name: **Avi Ben Nun**	ID number 017879156
Year of birth:	1982
Position in the corporation:	Chief Risk Officer
Position in a subsidiary, related company or interested party of the corporation:	Senior VP, Head of the Risk, Control and Enforcement Division of Clal Insurance and of institutional entities in Clal Holdings Group
Interested party in the corporation:	No
Family member of another corporate officer or of another interested party in the corporation:	No
Education:	BA in Economics and Business Administration and MBA from The Hebrew University of Jerusalem
Business experience in the last five years:	VP, Rating Activity Manager and Financial Institutions Department Manager at Midroog Ltd.
First year of tenure:	2020

Name: **Tal Cohen**	ID number 027427681
Year of birth:	1974
Position in the corporation:	Comptrollership Division Manager
Position in a subsidiary, related company or interested party of the corporation:	Senior VP, Manager of the Comptrollership Division in the Company and Clal Insurance, CFO and director in Clalbit Finance Ltd., and director in member companies of Clal Holdings Group, including Clal Pension and Provident Funds and Clal Credit Insurance.
Interested party in the corporation:	No
Family member of another corporate officer or of another interested party in the corporation:	No
Education:	C.P.A., Bachelor’s degree in Accounting from Tel Aviv University, Bachelor’s degree in Economics and M.B.A from The Hebrew University
Business experience in the last five years:	Comptroller and Manager of the Comptrollership Division in the Company and in Clal Insurance; Comptroller in the Company, in Clal Insurance and in Clalbit Finance. Board member in companies of Clal Holdings Group.
First year of tenure:	2013

18. Corporate officers of the corporation (Regulation 26A) (Cont.)

Name: **Elite Caspi**	ID number 59169730
Year of birth:	1964
Position in the corporation:	None
Position in a subsidiary, related company or interested party of the corporation:	Executive VP, Head of the Non-Life Insurance Division in Clal Insurance; Serves as Chairman of the Board of Betach-Thorne and as a director in Clal Holdings Group and in subsidiaries of Clal Holdings Group.
Interested party in the corporation:	No
Family member of another corporate officer or of another interested party in the corporation:	No
Education:	Bachelor’s degree in Industrial Engineering and Management from Ben Gurion University; M.S.M. In Business Administration from Boston University in England.
Business experience in the last five years:	Head of the Non-Life Insurance Division in Clal Insurance
First year of tenure:	2013

Name: **Galli Schved**	ID number 22387260
Year of birth:	1967
Position in the corporation:	None
Position in a subsidiary, related company or interested party of the corporation:	Executive VP, Head of the Marketing, Strategy and Spokesmanship Division in Clal Insurance
Interested party in the corporation:	No
Family member of another corporate officer or of another interested party in the corporation:	No
Education:	Bachelor’s degree in Food Sciences from The Hebrew University of Jerusalem, M.B.A. from UK Heriot Watt University
Business experience in the last five years:	Head of the Marketing, Strategy and Spokesmanship Division in Clal Insurance, VP Marketing and Strategy in Clal Insurance
First year of tenure:	2013

Name: **Dror Sessler**	ID number 054307145
Year of birth:	1956
Position in the corporation:	None
Position in a subsidiary, related company or interested party of the corporation:	Executive VP, Claims Unit Manager in Clal Insurance, director in Clal Pension and Provident Funds
Interested party in the corporation:	No
Family member of another corporate officer or of another interested party in the corporation:	No
Education:	Bachelor’s degree in Political Science from University of Haifa, Master’s degree in Public Policy from University of Haifa
Business experience in the last five years:	Claims Unit Manager in Clal Insurance, Deputy Claims Unit Manager in Clal Insurance.
First year of tenure:	2015

18. Corporate officers of the corporation (Regulation 26A) (Cont.)

Name: **Shlomi Tamman**	ID number 54141767
Year of birth:	1957
Position in the corporation:	None
Position in a subsidiary, related company or interested party of the corporation:	Executive VP, Agents Unit Manager
Interested party in the corporation:	No
Family member of another corporate officer or of another interested party in the corporation:	No
Education:	Multidisciplinary Bachelor's from University of Haifa, Master's in Law from Bar Ilan University.
Business experience in the last five years:	Central Region Manager and Business Unit Deputy Manager in Clal Insurance in Clal Insurance, Central Region Manager in Clal Insurance and Tel Aviv Region Manager in Clal Insurance.
First year of tenure:	2015

Name: **Eran Cherninsky**	ID number 57693236
Year of birth:	1962
Position in the corporation:	Executive VP, Financial Division Manager
Position in a subsidiary, related company or interested party of the corporation:	Financial Division Manager in Clal Insurance; director in Clalbit Finance and in Clal Pension and Provident Funds, and in other subsidiaries of the Group.
Interested party in the corporation:	No
Family member of another corporate officer or of another interested party in the corporation:	No
Education:	B.A. In Economics and accounting from Tel Aviv University, Certified Public Accountant, Member of the Professional Committee of the Institute of Certified Public Accountants in Israel.
Business experience in the last five years:	CEO and CFO of Migdal Insurance and Financial Holdings Ltd. and of Migdal Insurance Agency Holdings and Management Ltd. Head of the Finance and Actuarial Division of Migdal Insurance Company Ltd.
First year of tenure:	2018

Name: **Liat Strauss**	ID number 035881549
Year of birth:	1978
Position in the corporation:	None
Position in a subsidiary, related company or interested party of the corporation:	Executive VP, Service, Human Resources and Operations Unit Manager, and director in Clalbit Systems Ltd.
Interested party in the corporation:	No
Family member of another corporate officer or of another interested party in the corporation:	No
Education:	Multidisciplinary Bachelor's degree, Tel Aviv University, Bachelor's degree in Humanities, University of Haifa.
Business experience in the last five years:	Senior VP, Service Department Manager in Clal Insurance.
First year of tenure:	2018

18. Corporate officers of the corporation (Regulation 26A) (Cont.)

Name: **Yosef Gil Dori**	ID number 028047959
Year of birth:	1971
Position in the corporation:	Executive VP, Investments Division Manager
Position in a subsidiary, related company or interested party of the corporation:	CEO of Canaf, Investments Division Manager of Clal Insurance, director in subsidiaries of the Group
Interested party in the corporation:	No
Family member of another corporate officer or of another interested party in the corporation:	No
Education:	B.A. In Business Administration and MBA with a specialization in Finance, with honors, from The College of Management Academic Studies.
Business experience in the last five years:	CEO of Canaf, Nostro Division Manager in the Investments Division of Clal Insurance
First year of tenure:	2018

Name: **David Arnon**	ID number 027850791
Year of birth:	1970
Position in the corporation:	None
Position in a subsidiary, related company or interested party of the corporation:	Executive VP, Manager of the Health Division and Customer Unit in Clal Insurance
Interested party in the corporation:	No
Family member of another corporate officer or of another interested party in the corporation:	No
Education:	BA in Business Administration from the University of Maryland. MBA from Cornell University.
Business experience in the last five years:	CEO of Standard Insurance of Harel Group
First year of tenure:	2018

Name: **Adi Kaplan** [11]	ID number 025266727
Year of birth:	1973
Position in the corporation:	None
Position in a subsidiary, related company or interested party of the corporation:	Executive VP of Clal Insurance, CEO of Clalbit Systems Ltd., and Information Systems Supervisor in the institutional entities of Clal Group
Interested party in the corporation:	No
Family member of another corporate officer or of another interested party in the corporation:	No
Education:	MBA from The Open University and BA in Computer Science from The College of Management Academic Studies.
Business experience in the last five years:	Development Division Manager in Bank Hapoalim
First year of tenure:	2018

---

[11] Mr. Kaplan’s tenure in the Company concluded on January 10, 2021.

18. Corporate officers of the corporation (Regulation 26A) (Cont.)

Name: **Miri Gelbert**	ID number 022921217
Year of birth:	1967
Position in the corporation:	None
Position in a subsidiary, related company or interested party of the corporation:	Executive VP of Clal Insurance, CEO of Clalbit Systems Ltd., and Information Systems Supervisor in the institutional entities of Clal Group
Interested party in the corporation:	No
Family member of another corporate officer or of another interested party in the corporation:	No
Education:	MBA from Bar Ilan University and BA (Hons.) in Computer Science, Economics and Psychology from Bar Ilan University.
Business experience in the last five years:	VP in Clal Insurance - Temporary CIO, Manager of the Organizational Information, Processes and Health Systems Department, and Manager of the Life Insurance and Strategic Project Management Department in Clal Group
First year of tenure:	2021

19. Authorized signatories of the corporation (Regulation 26B)

The Company has no independent authorized signatories.

20. Accountants of the Company (Regulation 27)

Kost Forer Gabbay and Kasierer:144 Menachem Begin Rd., Tel Aviv.

Somekh Chaikin:17 Ha’arbaa St., Tel Aviv.

21. Changes to bylaws or articles of association (Regulation 28)

No changes were made during the reporting year to the Company’s bylaws or articles of association.

22. Resolutions and recommendations of the Board of Directors (Regulation 29)

(A) Recommendations of the Board of Directors to the general meeting and resolutions of the Board of Directors which do not require approval from the general meeting regarding:

1. **Dividend payment or performance of a distribution by other means, or distribution of bonus shares:** No dividends were distributed during the reporting year.
2. **Changes to the Company’s registered or issued capital**: None.
3. **Changes to the corporation’s bylaws or articles of association**: None.
4. **Redemption of shares**: None.
5. **Early redemption of bonds**: None.
6. **Transactions in non-market conditions between the corporation and an interested party**: None.

(B) Resolutions of the general meeting which were passed without the recommendations of the managers: None.

(C) Resolutions of special general meetings:

In a special annual general meeting of the Company which was convened on January 3, 2021, it was decided that the total number of directors in the Company will not exceed 8 directors; and a decision was reached to appoint Mr. Yair Bar Tov as an outside director in the Company, for a 3 year term, in accordance with the recommendation of the Company’s Board of Directors, and a decision was made to approve an update to the compensation policy for the Company’s officers, in accordance with section 267 of the Companies Law.

23. Resolutions of the Company (Regulation 29A)

(A) Approval of actions in accordance with section 255 of the Companies Law: None.

(B) Actions in accordance with section 254(a) of the Companies Law, which were not approved: None.

(C) Transactions which require special approvals in accordance with section 270(1) of the Companies Law, provided that they constitute extraordinary transactions: None.

(D) Exemption, insurance or indemnity undertaking towards corporate officers which are in effect as of the reporting date:

1. Presented below is a description of the arrangements which apply with respect to insurance for directors and corporate officers in the Company:

For a description of the arrangement which applies with respect to liability insurance for the Company's directors and corporate officers during the years preceding the reporting year, see Note 40(b)6(a) to the financial statements, and section 13c(1) above. [12]

The Company's compensation policy, which includes a clause regarding exemption, indemnification and insurance for corporate officers (hereinafter: the "**Arrangements**"). The compensation policy determines that the Company will be entitled to purchase officers' liability insurance for the Group's officers, in insurance amounts which will not exceed USD 400 million, the annual premium cost and the deductible amount with respect to the policy will be according to the market conditions on the policy creation date, and at a cost which is immaterial to the Company. The Company will also be entitled to purchase run off officers' liability insurance 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, 2019 to November 30, 2020 (the "**Policy for 2020**"), and later engaged in an insurance policy which was issued by an insurer which is a non-related party, for the period from December 1, 2020 to November 30, 2021 (the "**Policy for 2021**"), 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 the insurance policies for 2020 is up to USD 150 million with respect to a single claim or cumulatively, and for 2021: up to USD 100 million with respect to a single claim or cumulatively.

2. Presented below is a description of the arrangements which apply to the indemnification of directors and senior officers in the Company:

2.1 On October 10, 2002, the general meeting of the Company's shareholders approved an undertaking to indemnify corporate officers in the Company and in additional member companies of the Group, up to a rate of 25% of Clal Holdings' equity on the indemnification date. Accordingly, the Company issues letters of indemnity to officers in the Company and in certain subsidiaries.

2.2 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 Clal Holdings Group, including the Company, which are materially similar to the letters of indemnity which were approved, as stated above.

2.3 On May 3, 2012, the general meeting of the Company's shareholders approved the provision of new and amended letters of indemnity to the corporate officers of the Company and/or of additional member companies in the Group (hereinafter: the "New Letter of Indemnity"), 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 - on this matter, see the immediate report dated March 22, 2012 (reference number 2012-01-077232).

2.4 On July 28, 2013, the general meeting of the Company's shareholders approved the implementation of a correction to omissions in the definitions of "administrative procedure" and "payment to injured party due to breach" in the letters of indemnity, which were approved in the Company's general meeting on May 3, 2012. For additional details, see the immediate report regarding the convention of a general meeting of the Company dated July 22, 2013 (reference number 2013-01-098091).

2.5 The provisions of the new letter of indemnity take precedence over any previous agreement or understanding (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

---

13 For additional details regarding the Company's directors and corporate officers insurance policy, which was in effect until July 31, 2016, see Note 40(b)(6)(a) to the financial statements.

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.

2.6 The Company provides, from time to time, letters of indemnity to directors and/or corporate officers in the Company and/or in subsidiaries, as stated above, in accordance with the aforementioned resolutions.

2.7 In some of the Group’s subsidiaries, letters of indemnity were provided to their corporate officers in a manner whereby the indemnification amount therein does not exceed 25% of the equity of those companies, or NIS 1 million.

2.8 On December 18, 2016, the general meeting of the Company’s shareholders approved the compensation policy, which includes a clause regarding exemption, indemnification and insurance for corporate officers. Within the framework of the 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. Insofar as the Company wishes to make changes to the letters of indemnity, for any reason whatsoever, the Company will present the amended letters of indemnity to the competent organs for approval, in accordance with the provisions of the law. This provision was also included in the Company’s current compensation policy for the years 2020 - 2022, dated October 27, 2019.

3. Presented below is a description of the arrangements which apply with respect to the exemption for directors and senior officers in the Company:

3.1 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 due to a breach of duty of care towards it, 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.

3.2 On December 18, 2016, the general meeting of the Company’s shareholders approved the compensation policy, in which it was determined that the Company will be entitled to grant such an exemption. This provision was also included in the Company’s current compensation policy for the years 2020 - 2022, dated October 27, 2019.

3.3 In accordance with the aforementioned resolutions, the Company grants letters of exemption to directors and corporate officers in the Company.

Clal Insurance Enterprises Holdings Ltd.

______________________	__________________
Haim Samet **Chairman of the** **Board of Directors**	**Yoram Naveh** **Chief Executive** **Officer**

Date: March 25, 2021

Annual report regarding the effectiveness of internal control over financial reporting and disclosure in accordance with Regulation 9b(a)

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

For this purpose, the members of management include:

1. Yoram Naveh, CEO of the Company and of Clal Insurance, and CEO of Clal Finance Ltd.;
2. Eran Cherninsky - Financial Division Manager (Officer in Clal Insurance and in Clal Holdings)
3. Hadar Brin Weiss - Legal Counsel (Officer in Clal Insurance and in Clal Holdings)
4. Eran Shahaf - Internal Auditor (Officer in Clal Insurance and in Clal Holdings)
5. Yossi Dori - Investment Division Manager (Officer in Clal Insurance and in Clal Holdings)
6. Avi Ben Nun - Chief Risk Officer (Officer in Clal Insurance and Clal Holdings)

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

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

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

Management, under the supervision of the Board of Directors, conducted the test and evaluated the internal control over financial reporting and disclosure, and the effectiveness thereof;

The evaluation of the effectiveness of internal control over financial reporting and disclosure which was conducted by management, under the supervision of the Board of Directors, included: entity level controls, controls over the process of preparation and closure of the financial statements, general controls over information systems (ITGC) and controls over processes which are very material to the financial reporting and disclosure (these processes are carried out within the framework of Clal Insurance Company Ltd., a subsidiary of the corporation, which is an institutional entity, and which is subject to the following regarding institutional entities, as well as within the framework of Clalbit Finance Ltd., a subsidiary of the corporation).

Clal Insurance Ltd., a subsidiary of the corporation, is an institutional entity, which is subject to the directives of the Commissioner of the Capital Markets, Insurance and Savings Division in the Ministry of Finance, with respect to the evaluation regarding the effectiveness of internal control over financial reporting.

With respect to the aforementioned subsidiary, management performed, under the supervision of the Board of Directors, an evaluation and assessment of internal control over financial reporting and the effectiveness thereof, based on institutional entities circular 2009-9-10, regarding "responsibility of management for internal control over financial reporting", institutional entities circular 2010-9-6, regarding "responsibility of management for internal control over financial reporting - amendment", and institutional entities circular 2010-9-7, regarding "internal control over financial reporting - certifications, reports and disclosures".

Based on this evaluation, the Company's Board of Directors and management have concluded that the internal control over financial reporting, with respect to the internal control in an institutional entity, as at December 31, 2020, is effective.

Based on the evaluation of effectiveness which was conducted by management, under the supervision of the Board of Directors, as specified above, the Company's Board of Directors and management have concluded that the internal control over financial reporting and disclosure in the corporation, as of December 31, 2020, is effective.

Executive Certification

Certification of the CEO

I, Yoram Naveh, hereby certify the following:

1. I have evaluated the periodic report of Clal Insurance Enterprises Holdings Ltd. (hereinafter: the "**Corporation**") for 2020 (hereinafter: the "**Reports**").
2. To the best of my knowledge, the reports do not include any incorrect representation of any material fact, and do not lack any representation of any material fact which is required in order for the representations which are included therein to not be misleading with respect to the period of the reports.
3. To the best of my knowledge, the financial statements and the other financial information included in the reports adequately reflect, in all material respects, the corporation's financial position, results of operations and cash flows as of the dates and for the periods to which the reports refer.
4. I have disclosed to the corporation's auditor, to the Board of Directors and to the balance sheet committee of the Company's Board of Directors, based on my most current assessment regarding internal control over financial reporting and disclosure:
    A. All material deficiencies and material weaknesses in the establishment or implementation of internal control over financial reporting and disclosure, which may reasonably have an adverse effect on the corporation's ability to collect, process, summarize or report financial information in a manner which could cast doubt on the reliability of the preparation of financial reporting and the preparation of the financial reports in accordance with the provisions of the law; And:

    B. Any fraud, whether material or immaterial, in which the CEO or any of his direct subordinates are involved, or in which are involved employees who have significant positions in the Company's financial reporting control over financial reporting.
5. I, alone or together with others in the corporation:
    A. I have established controls and policies, or have verified the establishment and implementation, under my supervision, of controls and policies which are intended to ensure that material information pertaining to the corporation, including its consolidated companies, as defined in the Securities Regulations (Annual Financial Statements), 2010, is brought to my attention by others in the corporation and in the consolidated companies, particularly during the preparation period of the reports; And:

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

    C. I have evaluated the effectiveness of internal control over financial reporting and of the disclosure, and I have presented in this report the conclusions of the Board of Directors and management regarding the effectiveness of the said internal control, as of the reporting date.

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

March 25, 2021

Yoram Naveh
Chief Executive Officer

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

I, Eran Cherninsky, hereby certify the following:

1. I have evaluated the financial statements and other financial information which is included in the reports of Clal Insurance Enterprises Holdings Ltd. (hereinafter: the “**Corporation**”) for 2020 (hereinafter: the “**Reports**”).
2. To the best of my knowledge, the financial statements and the other financial information which is included in the reports do not include any incorrect representation of any material fact, and do not lack any representation of any material fact which is required in order for the representations which are included therein to not be misleading with respect to the period of the reports.
3. To the best of my knowledge, the financial statements and the other financial information which is included in the reports adequately reflect, in all material respects, the Company’s financial position, results of operations and cash flows as of the dates and for the periods to which the reports refer;
4. I have disclosed to the corporation’s auditor, to the Board of Directors and to the balance sheet committee of the Company’s Board of Directors, based on my most current assessment regarding internal control over financial reporting and disclosure:
   - A. All material deficiencies and material weaknesses in the establishment or implementation of internal control over financial reporting and disclosure insofar as it pertains to the financial statements and to the other financial information which is included in the reports, which may reasonably have an adverse affect on the corporation’s ability to collect, process, summarize or report financial information in a manner which could cast doubt on the reliability of the preparation of the financial reports and the preparation of the financial reports in accordance with the provisions of the law; And:
   - B. Any fraud, whether material or immaterial, in which the CEO or any of his direct subordinates are involved, or in which are involved employees who have significant positions in the Company’s financial reporting control over financial reporting.
5. I, alone or together with others in the corporation:
   - A. I have established controls and policies, or have verified the establishment and implementation, under my supervision, of controls and policies which are intended to ensure that material information pertaining to the corporation, including its consolidated companies, as defined in the Securities Regulations (Annual Financial Statements), 2010, insofar as it is relevant to the financial statements and to the other financial information which is included in the reports, is brought to my attention by others in the corporation and in the consolidated companies, particularly during the preparation period of the reports; And:
   - B. I have established controls and policies, or have verified the establishment and implementation, under our supervision, of controls and policies which are intended to reasonably ensure the reliability of financial reporting and the preparation of the financial statements in accordance with the provisions of the law, including in accordance with generally accepted accounting principles.
   - C. I have evaluated the effectiveness of internal control over financial reporting and disclosure, insofar as it relates to the financial statements and to the other financial information which is included in the reports, as of the reporting date. My conclusions with respect to my aforementioned evaluation have been presented to the Board of Directors and management, and are included in this report.

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

March 25, 2021

Eran Cherninsky Executive VP of Clal
Insurance Financial Division Manager

Executive Certification
Certification of the Comptrollership Division Manager

I, Tal Cohen, hereby certify the following:

1. I have evaluated the financial statements and other financial information which is included in the reports of Clal Insurance Enterprises Holdings Ltd. (hereinafter: the “**Corporation**”) for 2020 (hereinafter: the “**Reports**”).
2. To the best of my knowledge, the financial statements and the other financial information which is included in the reports do not include any incorrect representation of any material fact, and do not lack any representation of any material fact which is required in order for the representations which are included therein to not be misleading with respect to the period of the reports.
3. To the best of my knowledge, the financial statements and the other financial information which is included in the reports adequately reflect, in all material respects, the Company’s financial position, results of operations and cash flows as of the dates and for the periods to which the reports refer;
4. I have disclosed to the corporation’s auditor, to the Board of Directors and to the balance sheet committee of the Company’s Board of Directors, based on my most current assessment regarding internal control over financial reporting and disclosure:
    - A. All material deficiencies and material weaknesses in the establishment or implementation of internal control over financial reporting and disclosure insofar as it pertains to the financial statements and to the other financial information which is included in the reports, which may reasonably have an adverse affect on the corporation’s ability to collect, process, summarize or report financial information in a manner which could cast doubt on the reliability of the preparation of the financial reports and the preparation of the financial reports in accordance with the provisions of the law; And:
    - B. Any fraud, whether material or immaterial, in which the CEO or any of his direct subordinates are involved, or in which are involved employees who have significant positions in the Company’s financial reporting control over financial reporting.
5. I, alone or together with others in the corporation:
    - A. I have established controls and policies, or have verified the establishment and implementation, under my supervision, of controls and policies which are intended to ensure that material information pertaining to the corporation, including its consolidated companies, as defined in the Securities Regulations (Annual Financial Statements), 2010, insofar as it is relevant to the financial statements and to the other financial information which is included in the reports, is brought to my attention by others in the corporation and in the consolidated companies, particularly during the preparation period of the reports; And:
    - B. I have established controls and policies, or have verified the establishment and implementation, under our supervision, of controls and policies which are intended to reasonably ensure the reliability of financial reporting and the preparation of the financial statements in accordance with the provisions of the law, including in accordance with generally accepted accounting principles.
    - C. I have evaluated the effectiveness of internal control over financial reporting and disclosure, insofar as it relates to the financial statements and to the other financial information which is included in the reports, as of the reporting date. My conclusions with respect to my aforementioned evaluation have been presented to the Board of Directors and management, and are included in this report.

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

March 25, 2021

Tal Cohen
Senior VP
Comptrollership Division Manager

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

Clal Insurance Company Ltd.
Certification

I, Yoram Naveh, hereby certify the following:

1. I have reviewed the annual report of Clal Insurance Company Ltd. (hereinafter: the "**Company**") for 2020 (hereinafter: the "**Report**").
2. Based on my knowledge, the report does not include any incorrect representation of any material fact, and does not lack any representation of any material fact which is required in order for the representations which are included therein, in light of the circumstances in which those representations were included, to not be misleading with respect to the period which is covered in the report.
3. Based on my knowledge, the financial statements and the other financial information which is included in the report adequately reflect, in all material respects, the Company's financial position, results of operations, changes in equity and cash flows as of the dates and with respect to the periods covered in the report.
4. I, and others in the Company who are making this certification, are responsible for the establishment and implementation of controls and policies with respect to the disclosure and control over financial reporting in the Company; And:
   A. We have established the aforementioned controls and policies, or have caused the establishment of the aforementioned controls and policies under our supervision, which are intended to ensure that material information pertaining to the Company, including its consolidated companies, is brought to our attention by others in the Company and in those companies, and particularly during the preparation period of the report;

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

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

   D. We have disclosed in the report any change in the Company's internal control over financial reporting which occurred during the fourth quarter, and materially influenced, or which could have been reasonably expected to materially influence, the Company's internal control over financial reporting; And:
5. I, and others in the Company who are making this certification, have disclosed to the auditor, to the Board of Directors and to the balance sheet committee of the Company's Board of Directors, based on our most current assessment regarding internal control over financial reporting:
   A. All material deficiencies and material weaknesses in the determination or implementation of internal control over financial reporting, which can reasonably be expected to harm the Company's ability to record, process, summarize and report financial information; And:

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

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

March 25, 2021

Yoram Naveh
Chief Executive Officer

Clal Insurance Company Ltd.
Certification

I, Eran Cherninsky, hereby certify the following:

1. I have reviewed the annual report of Clal Insurance Company Ltd. (hereinafter: the "**Company**") for 2020 (hereinafter: the "**Report**").
2. Based on my knowledge, the report does not include any incorrect representation of any material fact, and does not lack any representation of any material fact which is required in order for the representations which are included therein, in light of the circumstances in which those representations were included, to not be misleading with respect to the period which is covered in the report.
3. Based on my knowledge, the financial statements and the other financial information which is included in the report adequately reflect, in all material respects, the Company's financial position, results of operations, changes in equity and cash flows as of the dates and with respect to the periods covered in the report.
4. I, and others in the Company who are making this certification, are responsible for the establishment and implementation of controls and policies with respect to the disclosure and control over financial reporting in the Company; And:
    A. We have established the aforementioned controls and policies, or have caused the establishment of the aforementioned controls and policies under our supervision, which are intended to ensure that material information pertaining to the Company, including its consolidated companies, is brought to our attention by others in the Company and in those companies, and particularly during the preparation period of the report;
    B. We have established internal control over financial reporting, or have overseen the establishment of internal control over financial reporting, which is intended to provide a reasonable measure of assurance regarding the reliability of the financial reporting, and that the financial statements have been prepared in accordance with IFRS and the directives of the Commissioner of Capital Markets;
    C. We have evaluated the effectiveness of controls and policies with respect to the Company's disclosure, and we have presented our conclusions regarding the effectiveness of the controls and policies with respect to the disclosure, as of the end of the period covered in the report, based on our evaluation; And:
    D. We have disclosed in the report any change in the Company's internal control over financial reporting which occurred during the fourth quarter, and materially influenced, or which could have been reasonably expected to materially influence, the Company's internal control over financial reporting; And:
5. I, and others in the Company who are making this certification, have disclosed to the auditor, to the Board of Directors and to the balance sheet committee of the Company's Board of Directors, based on our most current assessment regarding internal control over financial reporting:
    A. All material deficiencies and material weaknesses in the determination or implementation of internal control over financial reporting, which can reasonably be expected to harm the Company's ability to record, process, summarize and report financial information; And:
    B. Any fraud, whether material or immaterial, in which management is involved, or in which are involved employees who have significant positions in the Company's financial reporting control over financial reporting.

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

March 25, 2021

Eran Cherninsky

Executive VP of Clal Insurance

Finance Division Manager

Clal Insurance Company Ltd.
Certification

I, Tal Cohen, hereby certify the following:

1. I have reviewed the annual report of Clal Insurance Company Ltd. (hereinafter: the "**Company**") for 2020 (hereinafter: the "**Report**").

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

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

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

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

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

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

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

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

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

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

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

March 25, 2021

Tal Cohen
Senior VP
Comptrollership Division Manager

The Board of Directors' Report regarding the state of the corporation's affairs for the period ended December 31, 2020 (hereinafter: the "**Board of Directors' Report**") reviews the principal changes which occurred in the operations of Clal Insurance Enterprises Holdings Ltd. (hereinafter: the "**Company**") during 2020 (hereinafter: the "**Reporting Period**").

The Board of Directors' Report was prepared in accordance with the Securities Regulations (Periodic and Immediate Reports), 1970; the Board of Directors' Report with respect to Insurance Business Operations was prepared in accordance with the Control of Insurance Business Regulations (Particulars of Report), 1998, and in accordance with circulars issued by the Commissioner of the Capital Markets, Insurance and Savings Authority (hereinafter: the **"Commissioner"**).

Table of Contents

1. Description of the Company’s Controlling Shareholders

In the Commissioner’s letter dated December 8, 2019, it was stated that there is no entity which holds the Company’s means of control, either directly or indirectly.
For additional details regarding the holdings in the Company during the reporting period, see Note 1 to the financial statements.

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

A. Coronavirus pandemic

Following the outbreak of the coronavirus in China, and its subsequent spread to many other countries, economic activity declined beginning in the first quarter of 2020 in many regions around in the world, including in Israel (hereinafter: the “**Crisis**”). These changes have also affected, and continue to affect, the Group’s activity and profitability. The Group is also exposed to capital market declines, to the contraction of economic activity, and to the materialization of insurance risks due to the crisis. For details regarding the sensitivity and the exposure to risk factors, see also Note 38(c)(2).

The crisis is affecting the Group in the following ways:

1. Business continuity

The crisis was defined as an emergency event which led to the announcement of restrictions on movement and employment, and caused, inter alia, the absence of employees from workplaces in general, and in the Group in particular, as well as the furloughing of some employees. Once routine economic activity gradually resumed, the Company returned most of its employees to work at the Company’s offices, and it is continuing to comply with the instructions issued by professional and regulatory entities.

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

2. General and administrative expenses

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

As the crisis continued, the period of continuous leave extended for most of the employees, until the end of May 2020, as well as the instruction to use vacation days. The Company’s Board of Directors also approved a pay cut for managers with personal contracts, beginning in May 2020, such that the Company’s CEO had a pay cut of 10%, members of management had pay cuts of 8%, and other managers with personal contracts had pay cuts of 3%-6%, until the end of 2020. The Company is also working to adjust its workforce according to the decrease in activity. The Company also offered a voluntary retirement program to some of its employees. The Company is also working on reducing additional expenses, such as marketing expenses and general and administrative, and other expenses. (For additional details, see section 2.1.5 below.)

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

A. Coronavirus (Cont.)

3. Capital markets and the Group's assets

During the first quarter of 2020, a significant decline was recorded in capital markets around the world and in Israel, due to the coronavirus outbreak. This trend was reversed during the year, and was even entirely offset, and profit from investment income was created. For details regarding investment income and income from management fees which were collected, see Notes 13, 14, 29 and 30 below.
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.

With respect to the Group's non-marketable assets: Investment property, other non-marketable financial investments, including investment funds - The Company tested for impairment of investments, using information which was received from the fund managers, and in accordance with the opinions which were received from independent external valuers. For details regarding the foregoing effect with respect to investment property, other non-marketable financial investments and investment-linked policies, see Notes 10 and 14.

Impairment test of tangible and intangible assets:

As of December 31, 2020, the Company has performed a valuation of intangible assets, including goodwill. For additional details, see Note 6 below.

4. Results of insurance activity

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

A. Long term savings segment

1. Decrease in the collection of contributions in pension and provident funds
   Following the effects of the coronavirus crisis on economic activity in the market, there was a decrease in the collection of current contributions in pension funds, provident funds and study funds. The decrease in contributions occurred mostly in the second quarter of 2020.
2. Managers insurance in life insurance
   During the reporting period, beginning in the second quarter, a decrease was recorded in the scope of current collection in managers' insurance policies. This decrease was also mostly attributable to the decrease of the employment rate, and the sharp increase in the number of furloughed employees in the economy. This trend began to lessen in July 2020.

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

B. Insurance risks and reinsurance

According to the Company's assessment, and to the best of its knowledge, until the approval date of the financial statements, it had no significant direct insurance exposures due to the crisis in the non-life insurance segment, except for the Company's exposure to credit insurance. Following the crisis, the exposure to credit defaults in the credit insurance activity increased, and the Group updated the insurance reserves in an immaterial sum, including in consideration of the actions taken by the state as part of the assistance plan for the Israeli economy, through credit insurance.

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

A. Coronavirus (Cont.)

4. Results of insurance activity (Cont.)

B. Insurance risks and reinsurance (Cont.)

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

Regarding the reinsurer’s stability risk, which could materialize insofar as the reinsurers suffer significant losses due to the crisis - the Board of Directors of Clal Insurance has established maximum exposure frameworks for the reinsurers with whom Clal Insurance has engaged, based on their international ratings. Clal Insurance mostly engages with reinsurers rated A or higher. Clal Insurance is monitoring the status of the reinsurers to which it is exposed, and as of the approval date of the financial statements, it is not aware of any significant change for the worse in their ability to service their liabilities. For additional details regarding the Company’s exposure to reinsurers, see Note 38(f)(8), and for details regarding the Company’s policy with respect to reinsurance exposure, see Note 38(f)(8) below.

5. Liquidity, financial position and financing sources

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

6. Cybersecurity risks

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

7. Motions to approve class actions

In light of the restriction on activities as part of the efforts to contain the spread of the coronavirus, motions were filed against Clal Insurance and against other insurance companies to approve the claims as class actions, alleging an easing of the risk in the insurance branches which allegedly signify that the policyholders are entitled to a corresponding reimbursement of premiums. 3 motions to approve class actions were filed against Clal Insurance, as stated above, in the motor (property, compulsory), apartment and business insurance segments. For additional details, see Note 41 below.

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

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

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

2.1 Financial information by operating segments (for details regarding operating segments, see Note 5 to the financial statements).

A. The Company's results during the reporting period

Gross premiums earned, contributions and receipts with respect to investment contracts during the reporting period amounted to a total of approximately NIS 19,516 million, as compared with a total of approximately NIS 19,210 million in the corresponding period last year, an increase of approximately 2%. The increase was mostly due to non-life insurance and pension contributions, which was partly offset by the decrease in premiums in life insurance, in managers insurance products.
Assets managed by the Company as of December 31, 2020 amounted to a total of approximately NIS 237 billion, as compared with a total of approximately NIS 220 billion as of December 31, 2019, an increase of approximately 8%.

Comprehensive income after tax attributable to the Company's shareholders in the reporting period amounted to a total of approximately NIS 602 million, as compared with comprehensive income of approximately NIS 89 million in the corresponding period last year.

During the reporting period, the underwriting results improved in the insurance segments, as specified below in sections 2.1.1-2.1.3.

There was also an increase in comprehensive income due to the financial effects on assets and liabilities. During the reporting period, high returns were recorded in capital markets, such that the financial margin in life insurance amounted to a total of approximately NIS 981 million, and investment income unallocated to segments amounted to a total of approximately NIS 429 million, as compared with a total of approximately NIS 1,281 million and a total of approximately NIS 534 million in the corresponding period last year, respectively. It is noted that despite the fact that lesser investment income was recorded during the reporting period relative to last year, as stated above, there was an increase in comprehensive income due to the financial effects on the reserves, including interest rate changes, illiquidity premium updates, and adjustment of assets to liabilities, which reduced the annuity reserves in life insurance during the reporting period in the amount of approximately NIS 112 million, as compared with an increase of the reserves in the amount of approximately NIS 831 million in the corresponding period last year, and a decrease of the reserves in the long-term care branch as part of the liability adequacy test (LAT) in the amount of approximately NIS 292 million, as compared with an increase of the reserves in the amount of approximately NIS 537 million in the corresponding period last year, including as a result of the fact that the Company attributed, during the reporting period, to the long-term care segment, a part of the excess fair value of the assets over their book value, which was previously attributed to life insurance.

An additional improvement in comprehensive income in the reporting period, as compared with the corresponding period last year, was due to the fact that prepayment costs were recorded in the corresponding period last year in the amount of approximately NIS 65 million, due to the exchange of liability certificates for the purpose of extending the average lifetime of its liabilities.

On the other hand, during the reporting period the Company decreased the liabilities with respect to insurance contracts due to the implications of the Winograd and Kaminetz committees, in the amount of approximately NIS 45 million, as compared with a decrease of approximately NIS 122 million last year. Additionally, profit was recorded last year in the amount of approximately NIS 762 million, due to the change in the assumptions regarding retirement age, which was partly offset by its share in the loss in the amount of approximately NIS 353 million last year due to the change in the assumption regarding retirement age, with no effect on the reporting period.

Return on equity in annual terms during the reporting period amounted to 10.6%, as compared with a positive rate of 1.8% in the corresponding period last year.

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

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

2.1 Financial information by operating segments (Cont.)

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

	Year		Q4	
NIS in millions	**2020**	**2019**	**2020**	**2019**
Life insurance -				
Profit (loss) with respect to change in the discount interest rate which was used to calculate the liability to supplement the annuity and paid pension reserves	**144**	(26)	**108**	22
Profit (loss) with respect to change in pension reserves following the decreased forecast of future income (K factor)	**(32)**	(805)	**112**	(110)
Total financial effects on the liability to supplement the annuity and paid pension reserves [1]	**112**	(831)	**220**	(88)
Loss with respect to change in mortality assumptions used to calculate paid pension liabilities and liabilities to supplement annuity reserves [3]	**-**	(353)	**-**	-
Profit with respect to change in other assumptions used in the calculation of liabilities to supplement annuity reserves[3]	**(9)**	762	**(9)**	223
Total special effects - life insurance [1] [2]	**103**	(422)	**211**	135
Impact due to the implications of the Winograd and Kaminetz Committees and in consideration of the ruling which was given for the National Security Council [4]	**45**	122	**-**	-
Effect of the interest rate decrease on reserves in non-life insurance [1]	**(30)**	-	**(30)**	-
Total special effects - non-life insurance	**15**	122	**(30)**	-
Long-term care insurance in the health segment - Liability adequacy test (LAT)	**292**	(537)	**(1)**	(135)

Notes:

1. **Changes in main estimates and assumptions which were used to calculate liabilities due to financial effects**
   For additional details, see Note 38(e)(e1)(d) and Note 38(e)(e2)(4)a to the annual financial statements.
2. **Retrospective adoption of the consolidated circular regarding the measurement of liabilities - liability adequacy test (LAT)**
   The comprehensive income in 2019, in 2018 and in the corresponding three month period last year was restated due to the retrospective adoption of the consolidated circular regarding the measurement of liabilities - liability adequacy test, which stipulates that the liability adequacy test will be calculated by grouping life insurance products into a single insurance portfolio, instead of calculating the liability adequacy test for each life insurance product separately. For additional details, see Note 3(s) to the financial statements.
3. **Change in mortality assumptions and change in other assumptions**
   For details regarding the change in mortality assumptions in the calculation of paid pension liabilities and in the supplementation of the annuity reserve, and changes in other assumptions regarding the calculation of the liability to supplement the annuity reserve, see Note 38(e)e1(d) to the annual financial statements.
4. In September 2020 the Supreme Court gave a ruling in a case involving the National Insurance Institute, in which the Court determined that the National Insurance Institute is required to set the subrogation claim which it filed based on a discount rate of 3% (instead of a discount rate of 2%, which had been demanded by the National Insurance Institute). In accordance with the conclusions of the Kaminetz committee (hereinafter: the “**Implications of the Winograd and Kaminetz Committees**”).

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

B. The Company's results during the quarter

Gross premiums earned, contributions and receipts with respect to investment contracts in the current quarter amounted to a total of approximately NIS 5,064 million, as compared with a total of approximately NIS 5,327 million in the corresponding period last year, a decrease of approximately 5%. The decrease was mostly due to the life insurance segment, from one-time deposits in a lesser amount than last year.

Comprehensive income after tax attributable to company shareholders in the current quarter amounted to a total of approximately NIS 682 million, as compared with comprehensive income of approximately NIS 134 million in the corresponding period last year.

During the reporting period, the underwriting results improved in the insurance segments, as specified below in sections 2.1.1-2.1.3.

Additionally, in the current quarter and in the corresponding quarter last year, high returns were recorded in the capital markets, such that the financial margin in life insurance amounted to a total of approximately NIS 553 million in the current quarter, and approximately NIS 404 million last year. In the current quarter, positive real returns were achieved which entirely covered the debt in management fees with respect to the investment losses which accrued for the policyholders, and also led to the collection of variable management fees in the amount of approximately NIS 305 million, as compared with collection in the amount of approximately NIS 194 million in the corresponding quarter last year.

Investment income not allocated to segments amounted to a total of approximately NIS 395 million during the reporting period, as compared with investment income in the amount of approximately NIS 111 million in the corresponding period last year.

Additionally, due to the financial effects and the adjustment of assets to liabilities, as stated above, in the current quarter the annuity reserves in the life insurance segment decreased in the amount of approximately NIS 220 million, as compared with an increase of the reserves in the amount of approximately NIS 88 million last year, while in the health insurance branch of long-term care, the insurance reserves in the amount of approximately NIS 1 million, as part of the liability adequacy test (LAT), as compared with an increase of the reserves in the amount of approximately NIS 135 million in the corresponding period last year.

On the other hand, income was recorded last year in the amount of approximately NIS 223 million, due to the change in the assumption regarding retirement age, with no effect on the reporting period.

Return on equity in annual terms during the current quarter amounted to a rate of 48.6%, as compared with a rate of 10.9% in the corresponding period last year.

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

2.1 Financial information by operating segments (Cont.)

C. Events after the balance sheet date

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

At this stage, it is not possible to estimate the implications of the increases in the financial markets on the results in the first quarter of 2021, or on the economic solvency ratio, inter alia, with reference to the continued developments in financial markets until the end of the quarter, and the above does not constitute any estimate regarding the Company’s expected financial results in the first quarter of 2021, and in all of 2021.

For details regarding sensitivity tests to market risks, see Note 38(e)(e1)(d) to the financial statements.

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

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

		Year			Q4	
NIS in millions	**Item**	**2020**	**2019**	**2018**	**2020**	**2019**
Life insurance *)	2.1.1.1	**366**	207	69	**600**	380
Pension	2.1.1.4	**6**	1	(16)	**(3)**	2
Provident	2.1.1.3	**(2)**	16	(105)	**(3)**	2
Total long term savings division		**370**	223	(51)	**595**	383
Non-life insurance	2.1.2	**49**	107	47	**49**	(77)
Health insurance	2.1.3	**175**	(452)	(165)	**28**	(91)
Financing expenses	2.1.6	**143**	212	132	**37**	101
Other and items not included in the insurance branches	2.1.4	**381**	488	(34)	**380**	99
Total comprehensive income (loss) before tax		**832**	152	(336)	**1,014**	209
Taxes (tax benefit)		**226**	59	(143)	**330**	75
Total comprehensive income (loss) for the period, net of tax		**606**	93	(193)	**684**	134
Attributable to Company shareholders		**602**	89	(197)	**682**	134
Attributable to non-controlling interests		**4**	4	4	**2**	1
Return on equity in annual terms (in percent) **)		**10.6**	1.8	(3.8)	**48.6**	10.9

*) Retrospective adoption. For additional details, see Note 3(s)(2) to the financial statements.

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

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

2.1 Financial information by operating segments (Cont.)

2.1.1. Long-term savings

2.1.1.1 Life insurance operations

Life insurance	Year		Q4		Note
	2020	2019	2020	2019	
Gross premiums earned	**5,729**	5,986	**1,440**	1,500	The decrease in premiums during the reporting period and during the quarter was due to the decrease in premiums in managers’ insurance products, due to the coronavirus crisis.
Comprehensive income (loss)	**366**	207	**600**	380	Reporting period - During the reporting period, gross real returns were achieved in profit sharing policies at a rate of 6.38%, as compared with a rate of 12.59% last year, such that the financial margin amounted to a total of approximately NIS 981 million, as compared with a total of approximately NIS 1,281 million last year. Out of the aforementioned amount, during the reporting period variable management fees were collected in the amount of approximately NIS 305 million, as compared with a total of approximately NIS 485 million last year. The increase in income during the reporting period, notwithstanding the fact that the investment income was less than last year, was mostly due to the decrease in reserves due to the financial effects and the adjustment of assets to liabilities, after offsetting changes in assumptions regarding the calculation of liabilities to supplement the annuity reserve, in the amount of approximately NIS 103 million, as compared with the increase in reserves in the amount of approximately NIS 422 million in the corresponding period. On the other hand, during the reporting period a decrease in profit from risk was recorded, due to the increase in mortality. **Quarter** - The increase in income in the current quarter was mostly due to the increase in gross real returns were achieved in profit sharing policies at a rate of 8.81%, as compared with a rate of 4.02% last year, such that the financial margin in life insurance amounted to a total of approximately NIS 553 million, as compared with a financial margin of approximately NIS 404 million last year. Out of this amount, during the reporting period variable management fees were collected in the amount of approximately NIS 305 million, as compared with a total of approximately NIS 194 million last year. Additionally, during the reporting period the reserves decreased due to the financial effects and the adjustment of assets to liabilities, after offsetting the change in assumptions in the calculation of the liabilities to supplement the annuity reserve in the amount of approximately NIS 211 million, as compared with a decrease of the reserves in the amount of approximately NIS 135 million in the corresponding period last year.
Redemption rates of life insurance policies from the average reserve, in annual terms	**1.6%**	1.8%	**1.8%**	1.6%	
Investment income (loss) applied to policyholders after management fees	**2,796**	6,115	**4,736**	1,838	

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

2.1 Financial information by operating segments (Cont.)

2.1.1 Long-term savings (Cont.)

2.1.1.1 Life insurance operations (Cont.)

Presented below is a description of the main results in life insurance, by product types, according to the specification provided in Note 20 to the financial statements:

Life insurance	2020	2019	Note
Policies which include a savings component			
Which were sold until December 31, 1990			
Gross premiums earned	**175**	201	The decrease in premiums was primarily due to the development in the portfolio whose business was sold until the end of 1990.
Comprehensive income (loss)	**389**	182	The increase in income during the reporting period relative to the corresponding period last year was due to the decrease in reserves during the reporting period, due to the financial effects and the adjustment of assets to liabilities, and the change in assumptions in the calculation of the liabilities to supplement the annuity reserve, in the amount of approximately NIS 198 million, as compared with an increase of the reserves in the amount of approximately NIS 62 million in the corresponding period last year, due to financial effects and the change in mortality assumptions, after offsetting other assumptions in the calculation of the liabilities to supplement the annuity reserve. The increase in income was also due to the release of liabilities to supplement the annuity reserve and paid pensions, due to the increase in mortality. On the other hand, a decrease was recorded in the financial margin during the reporting period, which amounted to a total of approximately NIS 200 million, as compared with a total of approximately NIS 334 million in the corresponding period last year (see Note 20).
Policies including a savings component which were sold from January 1, 1991 to December 31, 2003			
Gross premiums earned	**1,580**	1,624	The decrease in premiums during the reporting period was due to the decrease in premiums in managers' insurance products, due to the coronavirus crisis.
Comprehensive income (loss)	**193**	73	The increase in income during the reporting period, relative to the corresponding period last year, was mostly due to the increase in reserves during the reporting period, due to the financial effects and the adjustment of assets to liabilities, and the change in assumptions in the calculation of the liabilities to supplement the annuity reserve in the amount of approximately NIS 95 million, as compared with an increase of the liabilities in the amount of approximately NIS 360 million in the corresponding period last year, due to financial effects and the change in mortality assumptions, after offsetting other assumptions in the calculation of the liabilities to supplement the annuity reserve. On the other hand, variable management fees during the quarter amounted to a total of approximately NIS 305 million, as compared with a total of approximately NIS 482 million in the corresponding period last year.
Sold since January 1, 2004			
Gross premiums earned	**3,262**	3,453	The decrease in premiums during the reporting period was due to the decrease in premiums in managers' insurance products, due to the coronavirus crisis.
Comprehensive income (loss)	**(169)**	(108)	The increase in loss was mostly due to the increase in surplus investment income over the income required to cover the increase in insurance liabilities, and the decrease in premiums, as stated above.
Policies with no savings component			
Coverage for risk sold as a single (individual) policy			
Gross premiums earned	**645**	629	
Comprehensive income (loss)	**(44)**	13	The decrease in income and transition to loss during the reporting period, as compared with the corresponding period last year, was primarily due to the decrease in profit from risk, due to the increase in mortality.
Coverage for risk sold as a collective policy			
Gross premiums earned	**66**	80	
Comprehensive income (loss)	**(4)**	46	The decrease in income and transition to loss during the reporting period, as compared with the corresponding period last year, was primarily due to the decrease in profit from risk, due to the increase in mortality.

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

2.1 Financial information by operating segments (Cont.)

2.1.1 Long-term savings (Cont.)

2.1.1.1 Life insurance operations (Cont.)

Data regarding premiums earned, management fees and financial margin in life insurance[1]:

	Year			Q4	
NIS in millions	2020	2019	2018	2020	2019
Variable management fees *)	**305**	485	3	**305**	194
Fixed management fees	**485**	466	433	**127**	125
Total management fees	**790**	952	436	**432**	319
Total financial margin and management fees	**981**	1,281	515	**553**	404
Current premiums	**5,094**	5,283	5,376	**1,265**	1,324
Non-recurring premiums	**634**	703	470	**175**	176
Total gross premiums earned	**5,729**	5,986	5,846	**1,440**	1,500
Current premiums	**44**	80	69	**10**	20
Non-recurring premiums	**1,540**	1,105	368	**450**	604
Total premiums with respect to pure savings	**1,584**	1,185	437	**461**	624

*) In the current quarter, the debt in management fees with respect to investment losses which accrued for policyholders was covered. For additional details, see section 2(a)(3) above.

Details regarding the rates of return in profit-sharing policies

	Policies issued during the years 1992 to 2003 (Fund J)					
	Year			Q4		
	2020	2019	2018	2020	2019	2018
Real return before payment of management fees	**6.38**	12.59	(1.13)	**8.81**	4.02	(4.01)
Real return after payment of management fees	**4.92**	10.44	(1.70)	**7.78**	3.33	(3.80)
Nominal return before payment of management fees	**5.74**	12.93	0.05	**8.81**	3.81	(3.91)
Nominal return after payment of management fees	**4.29**	10.78	(0.52)	**7.78**	3.12	(3.70)

	Policies issued beginning in 2004 (New Fund J)					
	Year			Q4		
	2020	2019	2018	2020	2019	2018
Real return before payment of management fees	**6.37**	12.53	(1.71)	**8.74**	3.88	(4.30)
Real return after payment of management fees	**5.29**	11.36	(2.78)	**8.47**	3.62	(4.57)
Nominal return before payment of management fees	**5.74**	12.87	(0.53)	**8.74**	3.68	(4.21)
Nominal return after payment of management fees	**4.66**	11.70	(1.62)	**8.47**	3.41	(4.47)

---

[1] The financial margin includes profit (loss) from investments charged to other comprehensive income, and does not include the Company's additional income charged as a percentage of the premium, and is calculated before the 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.

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

2.1 Financial information by operating segments (Cont.)

2.1.1. Long-term savings (Cont.)

2.1.1.3 Provident fund operations

	Year		Q4		
	2020	2019	2020	2019	Note
Comprehensive income (loss)	**(2)**	16	**(3)**	2	**Reporting period** - The decrease in income during the reporting period was due to the decrease in investment income in the managing company's nostro portfolio, as compared with the corresponding period last year, and the increase in agent commissions, general and administrative expenses and expenses with respect to compensation for members due to the coronavirus crisis.
Contributions	**2,131**	2,194	**582**	670	

2.1.1.4 Pension operations

	Year		Q4		
	2020	2019	2020	2019	Note
Comprehensive income (loss)	**6**	1	**(3)**	2	**Reporting period** - The increase in income during the reporting period was mostly due to the decrease in expenses relative to last year (for additional details, see section 2(a) above), and the decrease in agent commissions. On the other hand, during the reporting period investment income in the managing company's nostro portfolio decreased relative to last year, and an increase was recorded in expenses with respect to compensation to members due to the coronavirus crisis.
Contributions	**6,308**	6,165	**1,613**	1,610	

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

2.1 Financial information by operating segments (Cont.)

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

Non-life insurance	2020	2019	Q4 2020	Q4 2019	Note
Gross premiums	**2,592**	2,365	**564**	522	**Reporting period and quarter** - The increase in premiums was mostly due to collectives in the compulsory motor branch, and large businesses in the liabilities and property and others branches.
Comprehensive income	**49**	107	**48**	(77)	

Reporting period - During the reporting period, there was underwriting improvement in the motor property, property and others, and compulsory motor branches, and additionally, in the liabilities branches, there was a decrease in the negative development in claims, which was reflected in the actuarial model, as compared with a greater change for the worse in the corresponding period last year.

Despite the underwriting improvement during the reporting period, a decrease in income was recorded during the reporting period, mostly due to the decrease in surplus investment income over the income required to cover the increase in insurance liabilities.

Additionally, a decrease was recorded in the provision with respect to the implications of the Winograd and Kaminetz committees, in the amount of approximately NIS 45 million, as compared with a decrease of the provision in the amount of approximately NIS 122 million in the corresponding period last year. For additional details, see Note 38(e)(e2)(4)(f) to the financial statements. An increased of the reserves was also performed due to the effect of the interest rate environment in the amount of approximately NIS 30 million in the period.

Quarter - The transition to income was mostly due to the underwriting improvement, mostly in the property, motor property and compulsory motor branches, and additionally, in the liabilities branches there was a lesser change for the worse in claims, which was reflected in the actuarial model, as compared with a greater change for the worse in the corresponding quarter last year, and also due to the increase in surplus investment income over the income required to cover the increase in insurance liabilities, against an increase of the reserves due to the effect of the interest rate environment in the amount of approximately NIS 30 million in the quarter.

Motor property	2020	2019	Q4 2020	Q4 2019	Note
Gross premiums	**686**	677	**156**	146	**Reporting period and quarter** - The increase in premiums was due to individual business operations, mostly due to the improvement in renewal rates and new online sales.
Comprehensive income before tax	**55**	36	**12**	(6)	**Reporting period** - The improvement in income was mostly due to the improvement in underwriting profit, mostly due to the prevalence of claims, against a decrease in investment income. **Quarter** - The transition from loss to income was mostly due to the improvement in underwriting profit, primarily due to the decrease in the prevalence of claims, and the increase in investment income.
Gross LR	**63%**	69%	**67%**	72%	
LR on retention	**54%**	67%	**57%**	69%	
Gross CR	**90%**	98%	**97%**	105%	
CR on retention	**90%**	97%	**97%**	106%	

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

2.1 Financial information by operating segments (Cont.)

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

(Cont.)

	2020	2019	Q4 2020	Q4 2019	Note
Compulsory motor					
Gross premiums	**532**	460	**108**	101	**Reporting period and quarter** - The increase in premiums was mostly due to transactions involving collectives with special reinsurance arrangements.
Comprehensive income (loss)	**34**	90	**30**	(8)	

Reporting period - During the reporting period there was an improvement in underwriting profit relative to last year.
Despite the underwriting improvement, the decrease in income was mostly due to the decrease in surplus investment income over the income required to cover the increase in insurance liabilities. A decrease was also recorded in the provision with respect to the implications of the Winograd committee, in the amount of approximately NIS 33 million, as compared with a decrease of the provision in the amount of approximately NIS 60 million in the corresponding period last year. It was also due to the decrease in surplus investment income over the income required to cover the increase in insurance liabilities, and the increase of reserves due to the impact of the interest rate environment in the amount of approximately NIS 17 million during the reporting period, with no effect on the corresponding period last year.
Quarter - The increase in income was due to the increase in surplus investment income over the income required to cover the increase in insurance liabilities, and underwriting improvement. On the other hand, reserves were increased due to the impact of the interest rate environment in the amount of approximately NIS 17 million, with no effect on the corresponding quarter last year.

	2020	2019	Q4 2020	Q4 2019	Note
Property and others branches					
Gross premiums	**836**	787	**178**	179	**Reporting period** - The increase in premiums was mostly due to the growth of large businesses.
Comprehensive income (loss)	**45**	(19)	**7**	(25)	**Reporting period and quarter** - The transition from loss to income was mostly due to the underwriting improvement in the property branches. Additionally, reserves in students personal accident insurance were increased last year.
Gross LR	**32%**	57%	**55%**	77%	
LR on retention	**34%**	57%	**48%**	97%	
Gross CR	**59%**	86%	**85%**	108%	
CR on retention	**79%**	117%	**95%**	154%	
Credit insurance					
Gross premiums	**115**	107	**30**	26	
Comprehensive income	**29**	31	**15**	6	**Reporting period** - The increase in income relative to last year was mostly due to the underwriting improvement during the reporting period relative to last year, which was offset by the decrease in investment income during the reporting period, relative to last year. **Quarter** - The increase in income was mostly due to the growth in investment income and the decrease in the provision for claims in the current quarter relative to last year.
LR on retention	**21%**	30%	**(13)%**	27%	
CR on retention	**45%**	60%	**0%**	60%	
Liability branches					
Gross premiums	**423**	334	**92**	71	**Reporting period and quarter** - The increase in premiums was mostly due to the growth of large businesses.
Comprehensive income (loss)	**(114)**	(30)	**(15)**	(44)	

Reporting period - Both in the reporting period and in the corresponding period last year, there was a negative development in claims in this branch. The increase in loss during the reporting period was mostly due to the decrease of the provision with respect to the implications of the Winograd and Kaminetz committees in the amount of approximately NIS 12 million, as compared with a decrease of the provision in the amount of approximately NIS 62 million in the corresponding period last year, and a decrease in investment income relative to the corresponding period last year, and the increase of reserves due to the impact of the interest rate environment in the amount of approximately NIS 13 million during the reporting period. On the other hand, during the reporting period there was lesser negative development in employers’ and third party liability insurance, relative to the corresponding period last year.
Quarter - The decrease in loss was mostly due to the lesser negative development in employers and third party liability insurance relative to the corresponding quarter last year last year. On the other hand, an increase of the reserves was performed due to the impact of the interest rate environment in the amount of approximately NIS 13 million in the quarter.

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

2.1 Financial information by operating segments (Cont.)

2.1.3. Health insurance

	Year		Q4		
	2020	2019	2020	2019	Note
Gross premiums earned	**1,296**	1,329	**326**	333	**Reporting period** - The decrease in premiums was mostly due to the significant decline in international travel during the reporting period due to the coronavirus crisis, and the termination of the engagement with Leumit Health Fund in collective long-term care insurance last year. This effect was partly offset due to the increase in individual branches. **Current quarter** - The decrease in premiums was mostly due to the significant decline in international travel due to the coronavirus crisis. This effect was partly offset due to the increase in individual branches.
Comprehensive income (loss)	**175**	(452)	**28**	(91)	**Reporting period** - The transition to income during the reporting period was mostly due to the decrease of the provision with respect to the liability adequacy test (LAT), which affected comprehensive income in the reporting period in the amount of approximately NIS 292 million, as compared with an increase of the provision in the amount of approximately NIS 537 million in the corresponding period last year last year. The decrease was mostly due to the attribution a part of the excess fair value of the assets over their book value, with respect to the calculation of LAT, which were previously attributed to life insurance. Additionally, in the corresponding period last year a negative development was recorded in collective Maccabi and Leumit claims, which was reflected in the actuarial model, as compared with the lesser negative development in the current period. Additionally, during the reporting period there was underwriting improvement in the individual branches, relative to the corresponding period last year. This effect was partly offset by the decrease in surplus investment income over the income required to cover the increase in insurance liabilities in the current period. **Current quarter** - The transition to income in the quarter, relative to the corresponding quarter last year, was due to the recording of a provision with respect to the liability adequacy test (LAT), which affected comprehensive income in the amount of approximately NIS 1 million, as compared with a total of approximately NIS 135 million the corresponding quarter last year. Additionally, in the current quarter there was underwriting improvement in the individual branches. On the other hand, in the current period a decrease was recorded in surplus investment income over the income required to cover the increase in insurance liabilities, relative to the corresponding quarter last year.

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

2.1 Financial information by operating segments (Cont.)

	Year		Q4		Note
	2020	2019	2020	2019	
Long-term care branch - comprehensive income					
Individual	**187**	(406)	**(17)**	(53)	**Reporting period and quarter** - The transition to income during the reporting period and the decrease in loss during the quarter, as compared with the corresponding period and quarter last year, were mostly due to the decrease of the provision for the liability adequacy test (LAT) in the amount of approximately NIS 284 million during the reporting period, and the increase of the provision in the amount of approximately NIS 4 million in the quarter, as compared with the increase of the provision in the amount of approximately NIS 515 million and NIS 113 million in the corresponding period and quarter last year, respectively. This effect was partly offset by the deficit in surplus investment income over the income required to cover the increase in insurance liabilities in the current period, as compared with the increase in income over the income required to cover the increase in insurance liabilities last year.
Collectives, including health funds	**(89)**	(96)	**7**	(24)	**Reporting period** - The decrease in loss during the reporting period, as compared with the corresponding period last year, was mostly due to the decrease of the provision with respect to the liability adequacy test (LAT) in the amount of approximately NIS 7 million, as compared with the increase of the provision in the amount of approximately NIS 22 million in the corresponding period last year. Additionally, in the corresponding period last year negative development was recorded in collective Maccabi and Leumit claims, which was reflected in the actuarial model, as compared with the lesser negative development in the current period. On the other hand, during the reporting period there was a deficit in surplus investment income over the income required to cover the increase in insurance liabilities, as compared with the increase in surplus income over the income required to cover the increase in insurance liabilities last year. **Current quarter** - The transition to income in the current quarter, relative to the corresponding period last year, was mostly due to the decrease of the provision with respect to the liability adequacy test (LAT) in the amount of approximately NIS 3 million, as compared with an increase of the provision in the amount of approximately NIS 22 million the corresponding quarter last year. Additionally, in the corresponding quarter last year negative development was recorded in collective Maccabi and Leumit claims, which was reflected in the actuarial model, as compared with the lesser negative development in the current quarter. On the other hand, in the current quarter a lesser increase was recorded in surplus investment income over the income required to cover the increase in insurance liabilities, relative to the corresponding quarter last year.
Illness and hospitalization branch - comprehensive income					
Long term	**78**	35	**39**	(18)	**Reporting period** - The increase in income during the reporting period, as compared with the corresponding period last year, was primarily due to the underwriting improvement in individual branches. On the other hand, in the current period a decrease was recorded in surplus investment income over the income required to cover the increase in insurance liabilities, relative to the corresponding period last year. **Current quarter** - The transition to income in the current quarter as compared with the corresponding quarter last year was mostly due to the underwriting improvement in the individual branches in this quarter as compared with the corresponding quarter last year, and the increase in surplus investment income over the income required to cover the increase in insurance liabilities in the current quarter, as compared with the increase in income in the corresponding quarter last year.
Short term	**(1)**	13	-	5	**Reporting period and quarter** - The decrease in income was mostly due to the significant decline in international travel due to the coronavirus pandemic.

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

	Profit sharing long-term care policies of the individual and collective types			
	Year		Q4	
NIS in millions	2020	2019	2020	2019
Investment income credited to policyholders	**63**	**147**	**94**	**58**

2.1.4. Other and items not included in the insurance branches

	Year		Q4		
NIS in millions	2020	2019	2020	2019	Note
Total comprehensive income before tax	**342**	488	**341**	99	**Reporting period** - The decrease in income during the reporting period was mostly due to investment income in the amount of approximately NIS 429 million during the reporting period, as compared with investment income in the amount of approximately NIS 534 million in the corresponding period last year. **Quarter -** The increase in income during the quarter was mostly due to investment income in the amount of approximately NIS 395 million during the reporting period, as compared with investment income in the amount of approximately NIS 111 million in the corresponding period last year.

2.1.5 General and administrative expenses

General and administrative expenses during the reporting period amounted to a total of approximately NIS 934 million, as compared with a total of approximately NIS 891 million last year; while in the quarter, these expenses amounted to a total of NIS 278 million, as compared with a total of approximately NIS 227 million last year. The increase in payroll expenses during the reporting period and during the quarter was mostly due to variable payroll costs, in light of the financial results in the current year. These expenses were partly offset, inter alia, by the restraint in general and administrative expenses, as part of the implementation of the strategic plan, and additional actions which the Company performed due to the coronavirus crisis.

The Company estimates that the streamlining measures it is implementing, including the decrease in the workforce, and additional streamlining activities, will result in streamlining estimated at approximately NIS 100 million, on average, per year, in the coming years, beyond the targets of the strategic plan which was approved at the end of 2019. However, the actual results of the aforementioned processes may differ from the estimated savings, in light of the dependence on several variables, whose materialization is outside of the control of the Group's member companies.

For additional details regarding the reduction of general and administrative expenses due to the coronavirus crisis and the aforementioned strategic plan, see section 2(a)(2) above.

2.1.6 Financing expenses in operations which are not allocated to segments

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

Financing expenses in the reporting period amounted to a total of approximately NIS 143 million, as compared with approximately NIS 212 million in the corresponding period last year. The decrease in financing expenses during the reporting period was mostly due to the cost of an exchange of deferred liability notes in the amount of approximately NIS 65 million last year, with no effect during the reporting period (for additional details, see Note 25 to the financial statements). Additionally, during the reporting period a 0.6% decrease was recorded in the consumer price index, as compared with the increase of 0.3% in the corresponding period last year. During the quarter, financing expenses amounted to a total of approximately NIS 37 million, as compared with a total of approximately NIS 101 million in the corresponding period last year. The increase in financing expenses was mostly due to the cost of exchanging liability certificates, as stated above.

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

2.2 Principal data from the consolidated statements of financial position

2.2.1. Assets

NIS in millions	As of March 21, 2021	As of December 31 2020	2019	Rate of change in 2020 %
Other financial investments	**33,497**	**33,183**	32,362	2
Assets managed for others (non-nostro) in the Group (NIS in millions):				
For investment-linked insurance contracts and investment contracts	**81,227**	**79,565**	72,814	9
For provident fund members [1]	**38,314**	**37,348**	37,044	1
For pension fund members *)	**90,550**	**86,859**	78,120	11
Total assets managed for others	**210,091**	**203,772**	187,978	8
Total managed assets	**243,588**	**236,955**	220,340	8
*) Out of this amount, total assets managed by Atudot Havatika	**12,079**	**12,014**	11,550	4

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

2.2.2. Financial liabilities

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

2.2.3. Capital and capital requirements

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

The insurance companies in the Group are subject to the provisions of the Solvency II-based economic solvency regime. In accordance with the Commissioner's directives, the insurance companies in the Group calculated the economic solvency ratio as of December 31, 2019 and December 31, 2018. On October 14, 2020, insurance circular 2020-1-15 was published, entitled "amendment to the consolidated circular regarding provisions for the implementation of a Solvency II-based economic solvency regime for insurance companies", as well as additional directives of the Commissioner regarding the implementation of the economic solvency regime. In accordance with a letter which was published by the Commissioner in March 2020, it was determined that insurance companies will be exempt from the requirement to calculate and report the economic solvency ratio as of June 30, 2020. In accordance with the Commissioner's letter to the managers of insurance companies from October 2020, regarding the "reporting and publication of the solvency ratio as of December 31, 2019", it was determined that the economic solvency ratio report as of December 31, 2019 will be published on October 29, 2020. Additionally, in accordance with the Commissioner's letter to the managers of insurance companies from March 2021, it was determined that the economic solvency ratio report as of December 31, 2020 will be published on June 30, 2021. The letter also permits not publishing a economic solvency ratio report as of June 30, 2021.

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

2.2.3. Capital and capital requirements (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. In particular, and as specified in the economic solvency regime circular, the calculation of the economic solvency ratio is significantly based on the embedded value calculation model. In June 2019, Clal Insurance received the Commissioner's approval for the performance of an initial audit by an auditor[2] with respect to the data as of December 31, 2018, and accordingly, beginning with the financial statements as of June 30, 2019, Clal Insurance is required to comply with the provisions of the Solvency II-based economic solvency regime only, and it is not subject to the previous capital regime. For additional details regarding the capital requirements which apply to the Group's member companies, see Note 16(e) to the financial statements.

On October 29, 2020, Clal Insurance approved and published the economic solvency ratio report as of December 31, 2019, which is published on the Group's website at https://www.clalbit.co.il/aboutclalinsurance/financialstatementsandpressrelease.

For additional information, including a general description of the economic solvency regime, the general underlying principles of the regime, the methodology for calculation of the economic balance sheet and of the solvency capital requirement, provisions with respect to the distribution period, a general overview of directives issued by the Commissioner of Capital Markets in connection with the economic solvency ratio report, definitions of key concepts, remarks and clarifications, see also sections 1, 3.2, 4.1 and 5.1 of Clal Insurance's economic solvency ratio report as of December 31, 2019.

The calculation which Clal Insurance conducted as of December 31, 2019 was audited[2] by the auditors.

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

1. Economic solvency ratio

As of December 31	2019	2018
NIS in millions	Audited	
Equity for the purpose of the solvency capital requirement	**12,082**	9,119
Solvency capital requirement	**7,673**	5,999
Surplus	**4,409**	3,120
Economic solvency ratio (in percent)	**157%**	152%
Impact of significant equity transactions which took place during the period between the calculation date and the publication date of the Company's economic solvency ratio report		
Raising of equity instruments (see section C below)	**450**	-
Equity for the purpose of the solvency capital requirement	**12,532**	9,119
Surplus	**4,859**	3,120
Economic solvency ratio (in percent)	**163%**	152%

For details regarding the solvency ratio without implementation of the transitional provisions in the distribution period, and without adjustment of the stock scenario, and regarding the target solvency ratio and restrictions which apply to the Company regarding dividend distributions, see section 3 below.

For events during the reporting period and after the reporting date, and for their potential effects on the solvency ratio, see section 2.1(a)-(c) and section 2(a) above.

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

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

2.2.3. Capital and capital requirements (Cont.)

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

2. Minimum capital requirement (MCR)

As of December 31	2019	2018
NIS in millions	Audited	
MCR	**1,918**	1,620
Equity for the purpose of MCR	**8,629**	6,444

3. Solvency ratio without implementation of the transitional provisions in the distribution period, and without adjustment of the stock scenario

In accordance with the letter which was published by the Authority in October 2017 (hereinafter: the "**Letter**"), an insurance company will be entitled to distribute dividends only if, after the performance of the distribution, the company has a minimum solvency ratio of 100% according to the solvency circular, calculated without the transitional provisions, and subject to the solvency ratio target which was determined by the company's Board of Directors. This ratio will be calculated without the expedient which was given with respect to the original difference attributed to the acquisition of the activities of provident funds and managing companies. The letter also included provisions regarding reporting to the Commissioner.

Presented below are data regarding the Company's economic solvency ratio, calculated without the transitional provisions, and subject to the solvency ratio target which was determined by the company's Board of Directors. This ratio is lower than the solvency ratio which is required according to the letter.

Solvency ratio without implementation of the transitional provisions in the distribution period, and without adjustment of the stock scenario

As of December 31	2019	2018
NIS in millions	Audited [2]	
Equity for the purpose of the solvency capital requirement	**9,267**	9,413
Solvency capital requirement	**9,588**	9,327
Surplus (deficit)	**(321)**	86
Economic solvency ratio in percent	**97%**	101%
Impact of significant equity transactions which took place during the period between the calculation date and the publication date of the Company's economic solvency ratio report		
Raising of equity instruments (see section C below)	**450**	-
Equity for the purpose of the solvency capital requirement	**9,717**	9,413
Surplus (deficit)	**129**	87
Economic solvency ratio in percent	**101%**	101%
The capital surplus with respect to equity transactions which were executed during the period between the calculation date and the publication date of the economic solvency ratio report, relative to the Board of Directors' target:		
Target economic solvency ratio of the Board of Directors (in percent)	**108%**	-
Capital deficit relative to target	**(638)**	-

1. The capital requirement applies to Clal Insurance, including the consolidation of Clal Credit Insurance.
2. The audit of the solvency ratio calculations was conducted in accordance with International Standard for Assurance Engagements (ISAE) 3400, The Examination of Prospective Financial Information.

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

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

2.2.3. Capital and capital requirements (Cont.)

B. The Company's capital target

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 Board of Directors of Clal Insurance also determined that the capital target will be evaluated from time to time, inter alia, in accordance with business and regulatory developments. It is hereby clarified that the determination of the aforementioned target does not guarantee that Clal Insurance will fulfill it at all times, and does not constitute an undertaking of Clal Insurance to distribute dividends.

It is further noted that in light of the entry into effect of the amendment referenced in Note 16(e)(3) to the financial statements, this is expected to result in a re-evaluation of the capital target.

C. The Company's investment in a Tier 1 capital instrument which was issued to it by Clal Insurance

Further to the Company's immediate reports dated October 22, 2020 and October 29, 2020 (reference number 2020-01-108649), and further to that stated in section 11.4 of the shelf offering report which was published by the Company on December 15, 2019, by virtue of the Company's shelf prospectus dated August 29 2019, and to that stated in section 5 of the chapter "additional details regarding the corporation" in the Company's periodic report as of December 31, 2019, regarding the use of the issuance consideration, on October 22, 2020, further to the Company's notice to Clal Insurance, the Board of Directors of Clal Insurance passed a resolution to accept the offer of the Company's Board of Directors, regarding the investment of a total of NIS 450 million, for a period of up to 49 years, CPI-linked and bearing annual interest at a rate of 4.53% (see the immediate report dated October 22, 2020, reference number 2020-01-106483), against the issuance of a Tier 1 capital instrument ("**Tier 1 Capital Instrument**"). On October 29, 2020, Clal Insurance Company Ltd. (a subsidiary of the Company ("Clal Insurance")) received approval from the Commissioner of Capital Markets, Insurance and Savings ("the "**Commissioner**"), stating that Clal Insurance is entitled to include the Tier 1 capital instrument in its equity calculations. Following this approval, a capital injection of the Company into Clal Insurance was completed, and the Commissioner's approval was received for the request of Clal Insurance to perform a prepayment (of itself and of Clalbit Finance). The aforementioned capital injection of the Company was performed with the aim of improving the subsidiary's solvency ratio and improving the solvency ratio and financial stability of Clal Insurance, including support for the rating of Clal Insurance. It is noted that a decision was reached, as stated above, for a total of approximately NIS 150 million of the aforementioned amount to be injected for the execution of the aforementioned prepayment. The capital injection was unanimously approved by Clal Insurance's Board of Directors, after the issue was also discussed by its Audit Committee, and following an evaluation of market conditions. The foregoing resolution was passed by the Company's Board of Directors, with the consent of all participating directors, save for one director, who objected to the capital injection at the present time, and stated his reasons to the Company, that the Company does not have revenue from a transaction with a wholly owned subsidiary, and the expense in the subsidiary is offset by the revenue of the parent company, in light of the insurance company's profitability, since the matter involves a perpetual capital note with a low credit priority, and is subordinated to other liabilities, and the repayment thereof can also be deferred, including in perpetuity. The issuance of the capital note does not benefit the subsidiary, since it bears interest at a rate of 4.53%, while on the other hand, the Company may have better investment alternatives.

For additional details regarding a loan which was repaid after the balance sheet date, see Note 25(b)(2) to the financial statements.

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

2.3. Financing sources

The Company considers it highly important to maintain and hold sufficient cash balances, in a manner that will allow it to repay its current liabilities, guarantees and letters of indemnity which it provided for the liabilities of wholly owned investee companies (see Note 38(d)(1) to the annual financial statements), and also to support, insofar as required, the capital needs of Clal Insurance and the liquidity needs with respect to the operations of other investee companies in the Group. Additional financing sources include, inter alia, dividend distributions from investee companies and the option to dispose investments in investee companies, debt raisings from the banking system and/or from the public, and capital raisings.

2.3.1. Liquid resources and credit facilities *)

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

NIS in millions	Balance as of December 2020	Proximate to the publication date of the report
Liquid resources of the Company (solo)	182	182

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

2.3.2. Financing characteristics

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

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

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

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

3. Material Developments and Changes in the Macroeconomic Environment During the Reporting Year

During the reporting period and mostly during the three month period ended on the reporting date, investment income was recorded due to increases in financial markets which occurred due to the recovery from the coronavirus crisis. For additional details regarding the Group's response to the coronavirus crisis, including an analysis of the effects the coronavirus pandemic on the Group, see section 2 above.

Parameter	Data for the period
Developments in the Israeli economy and employment rate	In 2020, due to the coronavirus pandemic, GDP decreased at a rate of approximately 2.5% only, following an increase at a rate of approximately 3.5% in 2019. In the fourth quarter of 2020, GDP increased by approximately 6.4% (in annual terms) according to the estimate which was published by the Central Bureau of Statistics. According to a forecast of the Bank of Israel's research division from January 2021, GDP is expected to grow in 2021, at a rate of 6.3% according to the rapid vaccination scenario (rapid vaccination of the population by May 2021), and by 3.5% only according to the slow vaccination scenario (slower vaccination process until June 2022). According to the workforce survey of the Central Bureau of Statistics as of December 2020: • The unemployment rate in the workforce among persons aged 15 or over was 4.8% (as compared with 3.1% at the end of 2019). • The extended unemployment rate (in light of the coronavirus crisis) amounts to 12.9%. It is noted that as of January 2021, and in light of the commencement of the third full lockdown, that rate increased to approximately 18.4%. According to the forecasts of the Bank of Israel from January 2021, the extended unemployment rate will be approximately 9.6% at the end of 2021 according to the rapid vaccination scenario, and approximately 12.5% according to the slow vaccination scenario.
Inflation data	In 2020, the known consumer price index decreased at a rate of approximately 0.6%, as compared with an increase at a rate of approximately 0.3% in 2019. The rise of the NIS, as well as the significant decrease in oil prices, were the main factors which led to the decrease in the CPI this year. After the reporting period, the Central Bureau of Statistics published the consumer price index for January, which decreased by approximately 0.1%, and the index for February, which increased by approximately 0.3%. The inflation forecast of the Bank of Israel (from January 2021) for 2021 amounts to a rate of 0.6% according to the rapid vaccination scenario, and 0.1% according to the slow vaccination scenario.
Exchange rates	In 2020 the NIS gained relative to most currencies, rising by approximately 7% vs. the USD, and weakening vs. the EUR by approximately 1.7%. In the fourth quarter of 2020, the NIS rose vs. the USD and the EUR at a rate of approximately 6.6% and 2%, respectively. Foreign currency balances of the Bank of Israel amounted to approximately USD 179.5 billion as of the end of 2020. The Bank of Israel continued intervening in the foreign currency market throughout the year and making purchases with the aim of slowing the NIS rate of increase, and also announced a future intervention plan in 2021, in the amount of approximately USD 30 billion, for the same purpose. This year, the Bank of Israel began implementing these and other plans in order to assist and support the economy and the market, including plans to buy government bonds in the amount of approximately NIS 85 billion, a plan to buy corporate bonds in the amount of approximately NIS 15 billion, as well as various plans for the provision of credit to encourage businesses in the economy, through the banks, some of which provide credit to the banks at an interest rate of 0.1%.
Development of the interest rate and yields	For details the impact of the low interest rate environment, see Note 42(a) to the financial statements. The Bank of Israel interest rate is currently 0.1% as of the end of 2020. The Bank of Israel is not expected to change the interest rate in light of the low inflation rate, and in its forecasts, it presents a forecast range of 0%-0.1% for the interest rate at the end of 2021.

3. Material Developments and Changes in the Macroeconomic Environment During the Reporting Year (Cont.)

Parameter	Data for the period				
	In percent	1-12		Q4	
	Stock indices in Israel	2020	2019	2020	2019
Developments in the capital market in Israel and around the world (in terms of local currency)	Tel Aviv 35	**(10.9)**	15.0	**14.6**	4.2
	Tel Aviv 90	**18.1**	40.3	**24.1**	8.9
	Tel Aviv 125	**(3.0)**	21.3	**16.5**	5.5
	Tel Aviv Growth	**29.4**	26.1	**19.3**	5.7
	Bond indices				
	Non-life	**0.8**	8.7	**1.3**	0.9
	Telbond CPI-linked	**(0.6)**	7.3	**3.3**	0.0
	Telbond NIS-linked	**(0.1)**	8.6	**2.1**	1.3
	Government CPI-linked	**1.2**	10.3	**1.7**	0.9
	Government NIS-linked	**1.3**	8.3	**(0.2)**	0.9
	Global stock indices				
	Dow Jones	**7.0**	22.5	**8.9**	5.7
	NASDAQ	**43.5**	35.6	**14.2**	11.6
	Nikkei Tokyo	**16.0**	18.2	**18.4**	7.3
	CAC - Paris	**(7.1)**	26.4	**14.9**	6.2
	FTSE - London	**(14.3)**	12.1	**9.7**	2.3
	DAX - Frankfurt	**3.5**	25.5	**7.0**	7.7
	MSCI WORLD	**14.1**	25.8	**13.8**	7.7

For additional details regarding financial investments in the Company, see Note 14 to the financial statements.

For details regarding the effects on the financial results, see section 2 above.

Global economic developments

Significant effects were apparent in 2020 due to the coronavirus crisis, which paralyzed the world economy for around 3 quarters, and had significantly adverse affects on global growth. In an attempt to respond to the crisis and the waves of infection, many countries around the world implemented a policy of lockdowns, which resulted in substantial harm to economic activity around the world. The beginning of an end to the crisis appeared to be signaled by drug companies' announcements of success in the development of a vaccination against the virus, and countries around the world began hunting for stocks of vaccines and launching a population vaccination programs.

USA - In 2020, the American economy contracted at a rate of approximately 3.5%, and in the fourth quarter, at a rate of 2.5% (in annual terms). As stated above, 2020 was characterized by the effects of the coronavirus pandemic and the efforts to respond to it, on both the medical and economic levels, which resulted in a policy of unprecedented monetary expansion by the Fed, which cut the interest rate to 0%-0.25% during the year, and injected money into the economy at a scope of trillions of dollars, by purchasing bonds at a rate of USD 120 billion per month. The government also implemented unprecedented expansionary fiscal measures, including the injection of approximately USD 3.5 trillion in the form of payments to citizens, businesses and local authorities. The unemployment rate as of the end of 2020 was 6.8%.

Europe - The European economy contracted by approximately 5% in the fourth quarter (relative to the previous quarter, in annual terms) and by approximately 7% in 2020, due to the coronavirus and the stringent lockdowns which were implemented by the countries. In the fourth quarter, after another wave of infections in most European countries, the European Central Bank continued implementing asset purchase programs at a scope of EUR 120 billion per month. The EU counties continued the fiscal incentivization programs at a scope of EUR 3.2 trillion to support businesses, inter alia, in order to prevent them from dismissing employees, and to assist sectors which were harmed by the coronavirus crisis, and to provide direct assistance to EU citizens. The interest rate remained unchanged; however, it was decided to facilitate the banks' receipt of finance, by deepening the negative lending interest rate. The average unemployment rate was 8% as of the end of 2020.

China - The first country to undergo the virus outbreak, and among the first to apparently have gained complete control of the virus, already in the beginning of the second quarter. China is one of the only countries around the world that grew in 2020: in the fourth quarter, the Chinese economy grew by 2.6% (in quarterly terms), and in total in 2020, the economy grew by 2.3% (in annual terms). During this period, the Chinese government continued incentivizing the Chinese economy by fiscal means, including investment in infrastructure, support for local governments, tax cuts and loan payment deferrals. The central bank implemented programs to support liquidity and to cut interest rates.

4. Exposure to and Management of Market Risks

Description of market risks and the effects of market risks on business results

The term “market risks” refers to the effect of changes in interest rates, inflation, foreign currency exchange rates, stock prices and other risk factors on the business results, equity, cash flows, and financial assets and liabilities of the corporation and its value.

The Group’s business results are materially affected by changes in market risk factors. The sensitivity of operations to market risks is due both to the direct effect of these changes on the nostro investments of the institutional entities in the Group, and to the indirect effect of returns of funds of members and policyholders in investment-linked policies, provident funds and pension funds, which are managed by those entities, on the management fees which are charged by them. For details regarding the exposure to market risks and methods for the management thereof in all of the Group’s operations, see Note 38 to the financial statements.

It is hereby clarified that in accordance with the Securities Regulations, sensitivity to changes in specific risk factors which refer to exposures to market risks in operations which are not performed by the insurance companies in the Group, i.e., financial exposures (assets and liabilities) with respect to the operations of the Company itself, Clal Agencies, and Clal Finance.

4.1 Individual responsible for the management of market risks in the corporation

The individual in the Company who is responsible for managing market risks is Mr. Avi Ben Nun. Mr. Ben Nun holds a BA in Economics and Business Administration, as well as an MBA, and has served as the Chief Risk Officer of the Group’s institutional entities since 2020.

4.2 The corporation’s policy regarding the management and oversight of market risks

The main risks to which the Group is exposed are risks associated with the insurance operation, which is the Group’s main operation. For a description of these risks, and methods for the management and oversight thereof, on the level of the Group and on the level of the Company itself, see Note 38 to the financial statements.

Oversight of the fulfillment of the Group’s policy regarding the exposure to market risks is performed by the management and Board of Directors of each of the Group’s member companies, with the assistance and challenging of the risk management unit, as applicable, and through data from their investment and accounting systems.

The Board of Directors believes that the quality of risk management in the Company is appropriate, in light of the circumstances.

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

4.3 Sensitivity tests to market risks

Presented below is a summary of the exposure and the sensitivity to changes in risk factors as of December 31, 2020 (NIS in thousands):
risk factor - NIS interest rate

	Profit / loss from the changes				**Profit / loss from the changes**		
Risk factor	**Maximum increase in the relevant market factor**	**Increase of 10% in market factor**	**Increase of 5% in market factor**	**Fair value of financial instruments exposed to the risk factor**	**Decrease of 5% in market factor**	**Decrease of 10% in market factor**	**Maximum decrease in the relevant market factor**
Marketable corporate bonds	**(5,184)**	**(115)**	**(57)**	**65,897**	**58**	**115**	**1,184**
Total	**(5,184)**	**(115)**	**(57)**	**65,897**	**58**	**115**	**1,184**

Risk factor - linked interest

	Profit / loss from the changes				**Profit / loss from the changes**		
Risk factor	**Maximum increase in the relevant market factor**	**Increase of 10% in market factor**	**Increase of 5% in market factor**	**Fair value of financial instruments exposed to the risk factor**	**Decrease of 5% in market factor**	**Decrease of 10% in market factor**	**Maximum decrease in the relevant market factor**
Marketable corporate bonds	**(5,448)**	**(184)**	**(93)**	**50,560**	**103**	**195**	**6,461**
ETF’s	**(1,137)**	**(43)**	**(21)**	**15,314**	**24**	**45**	**1,290**
Capital note towards the insurance company	**(70,759)**	**(2,005)**	**(1,101)**	**475,840**	**1,040**	**(2,005)**	**86,922**
Total	**(77,344)**	**(2,233)**	**(1,215)**	**541,714**	**1,167**	**(1,765)**	**94,674**

In 2019 sensitivity tests to market risks were not published, due to the insignificant exposure.

The Company performed sensitivity tests to the various risk factors in the relevant activity. The evaluation of the risk factors and the financial assets and liabilities was done pursuant to the Securities Regulations, and based on the significance of the exposure. For details regarding additional sensitivity tests pertaining to the Group’s entire activity, see Note 38 to the financial statements.

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

4.3 Sensitivity tests to market risks (Cont.)

Main working assumptions:

A. Cash and cash equivalents, short term assets and liabilities (up to one year), and assets and liabilities at variable interest, were not included in the evaluation of the exposure to changes in the interest rate curves.

B. Extreme values in the volatility of market factors were evaluated as the maximum daily changes in the last 10 years. The extreme scenario for interest rates as of December 31, 2020, is an absolute change of 2% in the interest rate, which is in accordance with the Regulations of the Israel Securities Authority regarding the minimum extreme scenario, which was chosen because the evaluation did not find a higher daily change in the relevant interest rate curves in the last 10 years.

C. When preparing extreme interest rate decrease scenarios, which are non-interest linked, the interest rate change was limited to a change which will not result in a negative interest rate.

Calculation of fair value

For marketable assets, the market price was used as the fair value. For non-marketable assets, a calculation of fair value was performed according to standard models for the calculation of fair value, based on cash flow discounting.

In the sensitivity tests which were performed for the various market risk factors in the relevant activity, the Company's exposure was found to be immaterial.

4.4 Events subsequent to the reporting period

Subsequent to the reporting period, no events occurred which significantly affected the Company's exposure to market risks.

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

Haim Samet **Chairman of the Board**		**Yoram Naveh** **Chief Executive Officer**

Tel Aviv, March 25, 2021