

*The following is an unofficial translation of the Hebrew report and has been prepared for convenience only.
In case of any discrepancy, the Hebrew version prevails.*

בנק הפועלים בע"מ
Bank Hapoalim B.M.

Number with the Registrar: 520000118

Securities Authority Tel Aviv Stock Exchange Ltd. Tav 121 Transmitted via Magna 02/12/2018
www.isa.gov.il www.tase.co.il (Public) Reference: 2018-01-110641

Immediate Report

Explanation: This form should not be used when there is a form appropriate to the reported event.

**Results of an issue should be reported on Tav 20 and not on this form.
A report on the rating of bonds or the rating of a corporation
should be filed under Form Tav 125.**

Nature of the Event: **Material Holder of Means of Control of the Bank**

Reference numbers of previous reports on the subject: _____

Attached is a file 021218 isa.pdf

The company *is not* an enveloping company as defined in the TASE Rules and Regulations

The date and time when the corporation first learned of the event: *29/11/2018 at 17:10*

*Names of the signatories on behalf of the Corporation: Elinor Houli, Her Job Title: Deputy Head of the Securities Operations and Trading in Israel Department
Anat Nagar, Her Job Title: Head of the Inquiries and Adjustments Section
Date Signed: 02.12.2018*

The reference numbers of the previous documents on the subject (any citation made does not constitute inclusion by way of reference):

The securities of the corporation are listed for trading on the Tel Aviv Stock Exchange
Date on which the structure of the form was updated: 06/11/2018

Abbreviated Name: Poalim

Address: POB 27, Tel Aviv 6100001 Telephone: 03-567 3800. 03-567 3333, Fax: 03-567 4576

Electronic Mail: ronit.shapira@poalim.co.il Company Website: <http://www.bankhapoalim.co.il>

Previous names of reporting entity:

Name of Electronic Reporter: Shapira Ronit, Her Job Title: Secretary of the Bank, Name of Employing Company:

Address: Yehuda Halevy 63, Tel-Aviv 6578109, Telephone: 03-567 3800 Fax: 03-567 4576,

Electronic Mail: ronit.shapira@poalim.co.il

Bank Hapoalim B. M.

Immediate Report on Some One Who Became a Material Holder of Means of Control of a Banking Corporation With No Core of Control

In accordance with Regulation 33 (f) of the Securities (Periodic and Immediate Reports) Regulations, 5130-1970

1. Particulars of the Holder

Name of the Corporation: CLAL INSURANCE ENTERPRISES HOLDINGS LIMITED

Name of the Corporation in English: CLAL INSURANCE ENTERPRISES HOLDINGS LIMITED

Type of Identification Number: A number with the Registrar of Companies in Israel

Identification Number: 520036120

Country of Incorporation: Israel

Address: 36 Raoul Wallenberg Road Kiryat Atidim, Tel Aviv, Area Code 6136902

Particulars Regarding the Control Over the Holder:

According to the information communicated to the Bank by the Holder, following are the particulars of the controlling parties of Clal Insurance Enterprises Holdings Ltd. (hereinafter - "the Company").

Approximately 24.8 % of the Company's issued share capital and voting rights are held on behalf of IDB Development Corporation Ltd. (hereinafter: "IDB Development") through the trustee Mr. Moshe Terry who was appointed as the trustee for the aforementioned shares and voting rights (see below). In addition to the holding through the trustee, IDB Development directly holds approximately 5% of the Company's issued capital, and in all approximately 29.8% of the Company's issued capital (approximately 29.5% fully diluted). Furthermore IDB Development entered into swap transactions in relation to the shares of the Company to the extent of 30%. For further details see Annex B.

To the best of the Company's knowledge, as of the publication date of the report, IDB Development is a private company wholly owned by Dolphin Netherlands B. V. ("Dolphin Netherlands"), a private company incorporated in the Netherlands, which is a corporation under the control of Mr. Eduardo Elsztain. IDB Development is a reporting corporation since its bonds are traded on the stock exchange in Tel Aviv – Jaffa.

Information about who is deemed for caution's sake to be the controlling party of the Company, IDB Development, and those under its control, is published in the Company's financial statements to the public.

2. The Holder's Holdings of Shares of the Bank as of 29.11.2018:

Name of the Security	Number of the Security on the Stock Exchange	Quantity of Securities	Dormant	Extent of Holding		Extent of Holding (Fully Diluted)	
				Capital	Voting	Capital	Voting
Bank Hapoalim O. S.	662577	58,223,704	None	4.35%	4.37%	4.35%	4.35%

The holdings mentioned above form part of an institutional reporting group (as this term is defined by law) of the Clal Insurance Enterprises Holdings Ltd. group.

It should be noted that other companies under the control of IDB Development (which do not belong to the Clal Insurance Enterprises Holdings Ltd group) hold 324,406 ordinary shares of the Bank which constitute approximately 0.02% of the capital and approximately 0.02% of the voting rights in the Bank.

The Holder became a material holder of means of control of the Bank due to the Bank becoming a banking corporation with no core of control as of 22.11.2018 (see the immediate report of the Bank of the same date (Reference No.: 2018-01-106951)).

CLAL INSURANCE AND FINANCE

Annex B – Description of the Controlling Parties

Approximately 24.8 % of the Company's issued share capital and voting rights are held on behalf of IDB Development Corporation Ltd. (hereinafter: "IDB Development") through the trustee Mr. Moshe Terry who was appointed as the trustee for the aforementioned shares and voting rights (see below). In addition to the holding through the trustee, IDB Development directly holds approximately 5% of the Company's issued capital, and in all approximately 29.8% of the Company's issued capital (approximately 29.5% fully diluted). Furthermore IDB Development entered into swap transactions in relation to the shares of the Company to the extent of 30%.

To the best of the Company's knowledge, as of the publication date of the report, IDB Development is a private company wholly owned by Dolphin Netherlands B. V. ("**Dolphin Netherlands**"), a private company incorporated in the Netherlands, which is a corporation under the control of Mr. Eduardo Elsztein. IDB Development is a reporting corporation since its bonds are traded on the stock exchange in Tel Aviv – Jaffa.

1. Appointment of a trustee for the controlling party's holding of shares of the Company and the director appointing process in the group

On 21st August, 2013, in accordance with the Commissioner's demand, IDB Development delivered an irrevocable power of attorney to Mr. Moshe Terry (hereinafter: "**Mr. Terry**" or "**the Trustee**") who was appointed by the Commissioner, as the trustee for approximately 51% of the issued share capital and voting rights in the Company, which were held on the foregoing date by IDB Development (hereinafter: "**the Means of Control**"), and transferred the shares to the trust account, in 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 a trust deed and with the aim of disconnecting the Company and the institutional bodies in the group from any possible influence of the struggle for control over the IDB group.

On 20th February, 2017, the Trustee transferred to IDB Development shares of the Company which constitute approximately 1% of its issued share capital and voting rights, which were charged by it as specified in footnote 1 below and on 3rd May, 2017, 31st August, 2017, 1st January, 2018, 3rd May, 2018 and 30th August, 2018 shares of the Company were sold which together constitute approximately 25% of the shares of the Company as specified in Section 3 below, such that as of the publication date of the report, IDB Development directly and indirectly holds in all approximately 29.8 of the Company's issued capital¹ (approximately 29.5% fully diluted).

Regarding the outline of the Commissioner for the sale of the control and the holdings of IDB Development in the Company and the regulation of the relationship between IDB Development and its controlling parties and the Company, see below.

The trust deed which was signed by IDB Development, formalizes the trustee's authorities. In accordance with the trust deed, the trustee will exercise all of the authorities which are conferred upon him by virtue of the Means of Control in favour of IDB Development and in accordance with the Commissioner's instructions, in so far as any may be given to him from time to time, in order to ensure the proper

¹ On 22nd March, 2017, IDB Development reported that it had charged approximately 4.99% (4.87% fully diluted) which constitute as of the present date approximately 4.98% (and approximately 4.93% fully diluted) of the Company's shares held by IDB Development in favour of the trustee for the bondholders (Series K) of IDB Development.

management of Clal Insurance Company Ltd. (hereinafter: “**Clal Insurance**”), Clal Credit Insurance Ltd. and Clal Pension and Provident Funds Ltd. (hereinafter together: “**Clal Entities**”) and the safeguarding of the interests of the insured and the savers, including with respect to raising capital in favour of Clal Entities, in any manner considered appropriate. The transfer of the Means of Control to the Trustee will not prejudice the right of IDB Development to receive dividends from the Company, in as much as it may be resolved to distribute same. Additionally, in any case of a sale, transfer or charge of the Means of Control, the Trustee will act in accordance with the instructions of IDB Development, provided that the Commissioner’s prior written approval has been received for this purpose. The trusteeship will end on the date of actual transfer by the Trustee of all of the Means of Control or upon approval being given by the Commissioner. In addition, the Commissioner has formalized the Trustee’s activities in letters and guidelines.

During the period since the appointment of the Trustee, guidelines and clarifications from the Commissioner were received by the Company regarding the relationship between IDB Development and its controlling parties and the Company and the bodies under its control, concerning the prohibition on IDB Development and its controlling parties from directing the Company’s activities, in the framework of which the Commissioner’s position was clarified and rules were established regarding meetings and the transfer of information between the Company, the institutional bodies and the agents of the corporation under its control, and IDB Development and its controlling parties, in a manner which will prevent IDB Development and its controlling parties from taking any action which constitutes, directly or indirectly, directing the business of the Company or representatives of the institutional bodies or the agents of the corporation owned by the Company. Instructions as aforesaid were also received with respect to the relationship between the Trustee and the Company and the bodies under its control, and the Company conducts itself in accordance with said guidelines, the clarifications and the consents given relative thereto, from time to time.

In the framework of the Commissioner’s letter of 30th December, 2014 regarding the outline for the sale of IDB’s control and holding of the Company (see below) (hereinafter: “**the Outline**”), it was clarified, *inter alia*, that during the Trustee’s period of tenure, the appointment of directors in the Company and in Clal Insurance will be performed by the committee for the appointment of directors in insurers where no one is in control, within the meaning thereof in the Control of Financial Services (Insurance) Law, 5741-1981. Insofar as directors cannot be appointed by the committee as aforesaid, then the appointment of directors in these companies will be performed by another committee to be appointed by the Minister of Finance or by the Commissioner, or by any other means as instructed by the Commissioner.

In May 2015, the Commissioner appointed a committee for the appointment of directors in the Clal Group in accordance with the aforesaid (hereinafter: “**the Committee**”). During the period since the appointment of the Trustee, various instructions were received from the Commissioner pertaining to the appointment of directors in the group; as of the present date, new directors in Clal Insurance and in the Company will be appointed from among the candidates who are recommended by the Committee.

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

On 30th December, 2014 the Commissioner advised that she would not grant IDB Development a permit of control of the Company². The Commissioner instructed IDB Development to formulate an outline for the sale of the control on the conditions, dates specified in the Commissioner’s letter, the final date for the signing of an agreement for the sale of control being no later than 31st December, 2015 and if such an agreement is signed, the period for obtaining the required approvals and the completion of the transaction is

² In May 2014, the Commissioner gave notice, further to the creditors’ arrangement with respect to IDB Holdings and since it ceased to exercise control over the institutional bodies in the group, of the revocation of the permit of control granted to IDB Holdings and to the former controlling parties of IDB Development.

no later than 30th June, 2016. If IDB Development does not comply with the aforesaid dates, IDB Development and the Trustee shall be obliged to act in order to sell the controlling shares at a rate of not less than 5% every 4 months.

On 7th January, 2016, after the failure of the sale process conducted by IDB Development in 2015, the Commissioner advised IDB Development and Mr. Eduardo Elsztain that on 7th January, 2016 a “terminating event” within the meaning thereof in the Outline as aforesaid had effectively occurred, and as a result, from that day onwards, IDB Development is required to act in accordance with the provisions of the Outline (which requires, in general, the sale of Means of Control on the stock exchange or in off-exchange transactions at the rate of at least 5% per four month period) and subject to the timetables specified therein.

On 13th July, 2016, following correspondence between IDB Development and the Commissioner and the Trustee, in connection with the Outline, the Trustee filed with the District Court of Tel Aviv- Yafo an urgent motion for instructions (“**the Motion**”). In the Motion, the Court was requested: (1) To order the Trustee to sell 5% of the Company’s shares by 7th September, 2016, in accordance with the Outline; and (2) To appoint a broker (who is experience in the capital market), to implement the sale by way of an off-exchange tender, in a manner whereby the broker notifies institutional investors that the said shares are up for sale, at a minimum price, by way of tender, to the highest bidder; or, alternatively, to take any action which is required, at the discretion of the Court, for the purpose of implementing the sale of the shares as aforesaid, including but not limited to the sale of the shares in the course of trading on the stock exchange.

The judgment of the Court (“the Judgment”) was given on 5th April, 2017 in the framework of which the Court ordered the Trustee to sell 5% of the Company’s shares held by him (“the Sold Shares”), within 30 days.

As part of the Judgment, it was determined that the Trustee is subject, in his actions, to the instructions of the Commissioner with respect to the sale of the Company’s shares, and that the discretion exercised by the Commissioner when instructing the Trustee to take action to sell 5% of the Company’s shares in accordance with the Outline, was reasonable and proportionate. It was further determined that the sale of the shares as stated above should be made by the Trustee at the best price obtainable for them at the time of sale (and on this matter the Court accepted the position of the Trustee, according to which the best way of selling the shares is by way of tender).

Additionally, as part of the Judgment, it was clarified that it refers to the instruction to sell 5% of the said shares only, when after this sale, the Commissioner will have to exercise her discretion once again 4 months later (and then again the Commissioner will have to take into account all of the relevant considerations, as enumerated by the Court, and any change in circumstances, if there is any).

On 1st May, 2017 IDB Development filed a motion with the Court, with the consent of the Trustee (in connection with the manner of sale of the shares, as specified below), regarding the manner of sale of the Sold Shares (“the Motion”). As part of the Motion, the Court was requested to approve that the sale of the Sold Shares be made by way of a “swap transaction” (instead of a sale by way of tender as instructed by the Court in the Judgment), in the framework of which the Sold Shares would be sold in an outright sale (without reservations, without conditions and without right of retraction) by IDB Development to a third party in a transaction to be carried out through a banking institution in accordance with a price determined by agreement between IDB Development and the third party, the foregoing by 4th May, 2017. To the Motion was attached the Commissioner’s position according to which she does not object to the Motion for the execution of the said swap transaction.

Accordingly, on 3rd May, 2017, after obtaining the approval of the Motion by the Court as aforesaid, and on 31st August, 2017, on 1st January, 2018, on 3rd May, 2018 and on 30th August, 2018 (in accordance with the directions handed down by the Commissioner to the Trustee shortly before each sale as aforesaid, to continue to take action under the Outline in place of IDB Development for the sale of 5% of the of the Means of Control of the Company), IDB Development sold the Company’s shares, which together constitute

approximately 25% of the Company's shares (5% on each of the dates) and in parallel with every sale entered into a swap transaction with a banking institution, according to which at the end of a period of up to 24 months after the date of each sale transaction ("**the Swap Period**") each of the swap transactions will expire and a settling of accounts will take place between IDB Development and the banking institution, with respect to the difference between the selling price of the Sold Shares to the relevant third party and the value of the Sold Shares as of the date of settling of accounts (which will be determined according to the price at which the Sold Shares will be sold on that date by the third party), where IDB Development and any party related to it will be precluded from acquiring the Sold Shares.

On 18th May, 2017, IDB Development filed an appeal with the Supreme Court against the Judgment ("the Appeal"). IDB reported that further to a court hearing held on 14th May, 2018, and in accordance with the Supreme Court's recommendation, IDB Development withdrew the Appeal, and accordingly it was dismissed without any order for costs.

3. Proceedings for the sale of the control of the Company

In the month of February 2018, IDB Development gave notice of the expiration of the memorandum of understanding for the sale of all of the Company's shares which are held by IDB Development, in accordance with its terms. IDB Development is continuing to work towards finding a buyer for the core of control of the Company.