

Convenience translation

In any case of inconsistency, the immediate report in Hebrew shall prevail

IDB Development Corporation Ltd.

Immediate report dated April 16, 2019 - reference number: 2019-01-037501

Subject: Letter on behalf of Trustee for the Debentures (Series 9) to the Commissioner

Further to what is stated in Notes 3.B.2 and 3.B.8 to the financial statements of IDB Development Corporation Ltd. ("**The Company**") for the year 2018, in connection with the outline for the sale of the control and the sale of the Company's holdings in Clal Insurance Enterprises Holdings Ltd., which was formulated by the Head of the Capital Market, Insurance and Savings Authority ("**The Outline**", "**Clal Insurance Enterprises**" and "**The Commissioner**", respectively), and also regarding an application that has been submitted by the controlling shareholder of the Company, Mr. Eduardo Elsztein, for a control permit ("**The application for a control permit**") in Clal Insurance Enterprises and in Clal Insurance Company Ltd. (a private company in which approximately 99.8% of the shares are held by Clal Insurance Enterprises), the Company reports that on 15.4.2019 it received a copy of a letter from the Trustee for the holders of the Company's Bonds (Series 9), which had been sent to the Commissioner ("**The letter**").

In his letter, the Trustee requested that the Commissioner should give instructions for the delaying of the realization of the shares in Clal Insurance Enterprises by the Trustee for the Company's holdings in Clal Insurance Enterprises (Mr. Moshe Terry), for the maximal period that is possible and in any event until the time of the Commissioner's decision on the application for a control permit. In accordance with what is stated in the letter, the halting of the outline might enable the Company to dispose of its holdings in Clal Insurance Enterprises, at their economic value instead of at their market value.

The Trustee further claims in his letter, inter alia, that the mechanism that was determined by the Commissioner for the holding of the shares in Clal Insurance Enterprises within the framework of the outline is a trust mechanism, and as such it is prima facie supposed to be a mechanism that is for the benefit of the Company. Accordingly, the Trustee sets out various claims in expansive detail in relation to the Company's position, which he claims is prima facie in an insolvent environment (this is taking note of the value of the Company's assets based on the market values of its public holdings and the carrying value of its non-public holdings in the accounting records), and claiming that in the Company's current state, the beneficiaries from the trust mechanism are effectively the Company's creditors and accordingly the trust mechanism must take the creditors' considerations into account and their interests before harming them, and that the circumstances require the re-application of judgment. The trustee further claims in his letter, inter alia, that all of the targets that stood at the basis of the publication of the outline from the outset have been achieved and implemented and that beyond this, it is also possible to achieve additional targets today, which the Commissioner may demand.

The Trustee further mentions in his letter that it would be appropriate to reconsider the timetables for the realization of the shares in Clal Insurance Enterprises in accordance with the outline, since the realization of the Company's holdings in Clal Insurance Enterprises in the manner that was determined in the outline will not enable the Company to maximize the value of its holdings in Clal Insurance Enterprises and it would seem that from the perspective of the holders of the Company's Bonds (Series 9), this is an event that could force them to take immediate action in order to protect their rights, in the event that the Commissioner does not respond positively to their request.

The Company is examining the abovementioned letter.

It should be mentioned that Clal Insurance Enterprises is held by the Company at a rate of approximately 25.3% (of which approximately 20.3% is held through the Trustee, who was appointed by the Commissioner in accordance with the outline). In addition to the said holding, the investment in Clal Insurance Enterprises also includes a holding through the swap transactions in relation to shares in Clal Insurance Enterprises at a rate of approximately 28.9%.
