

**Financial Statements  
for the period from  
January through September  
2016**

**Review for Analysts, November 2016**

# Limitation of Liability

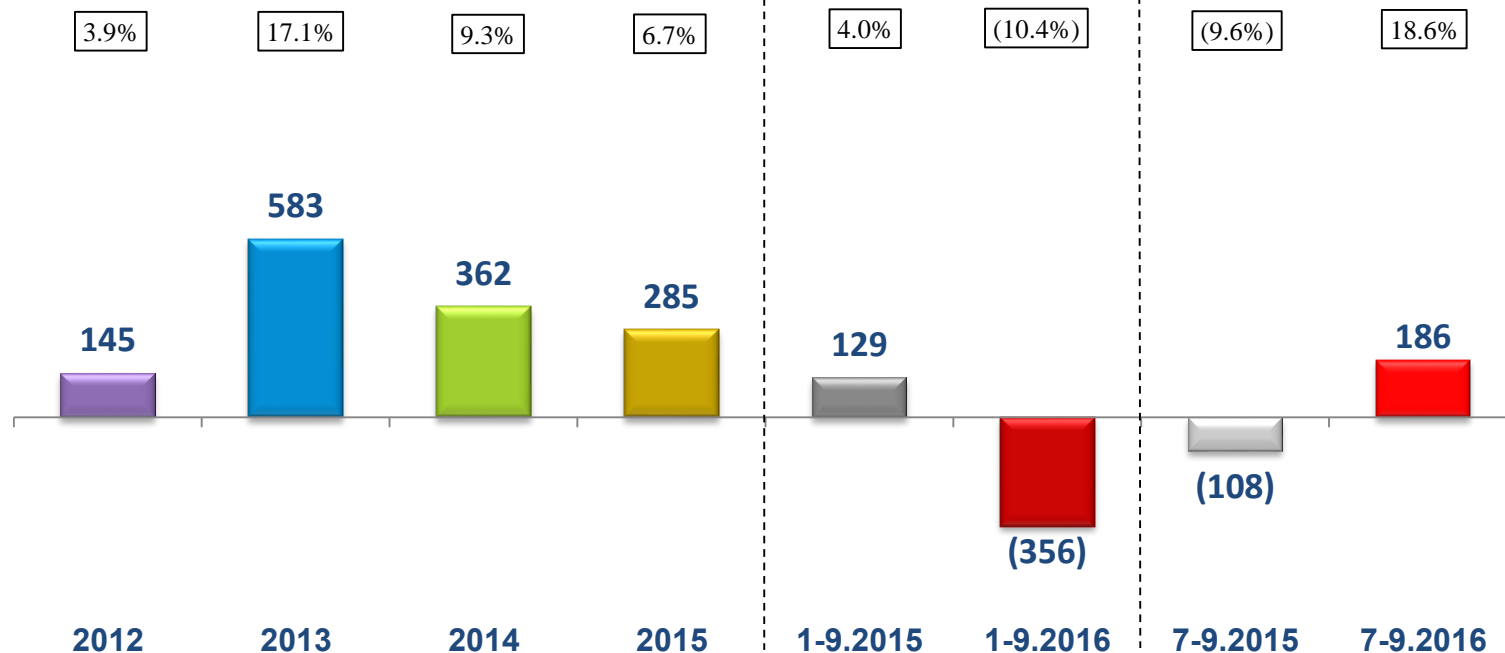
This presentation includes partial information only with respect to the Company's results for the period from January through September 2016, and was prepared for summary and convenience purposes only.

This presentation cannot serve as a substitute for a review of the Company's public reports, which contain the complete information regarding the Company, before reaching any decision regarding an investment in the Company's securities.

This presentation does not constitute an offer for the acquisition of the Company's securities, nor a request for any such offers, and is intended for the delivery of information only, as part of the provision of explanations regarding the Company.

# Comprehensive Income After Tax Attributable to Shareholders (NIS Millions)

Return to equity



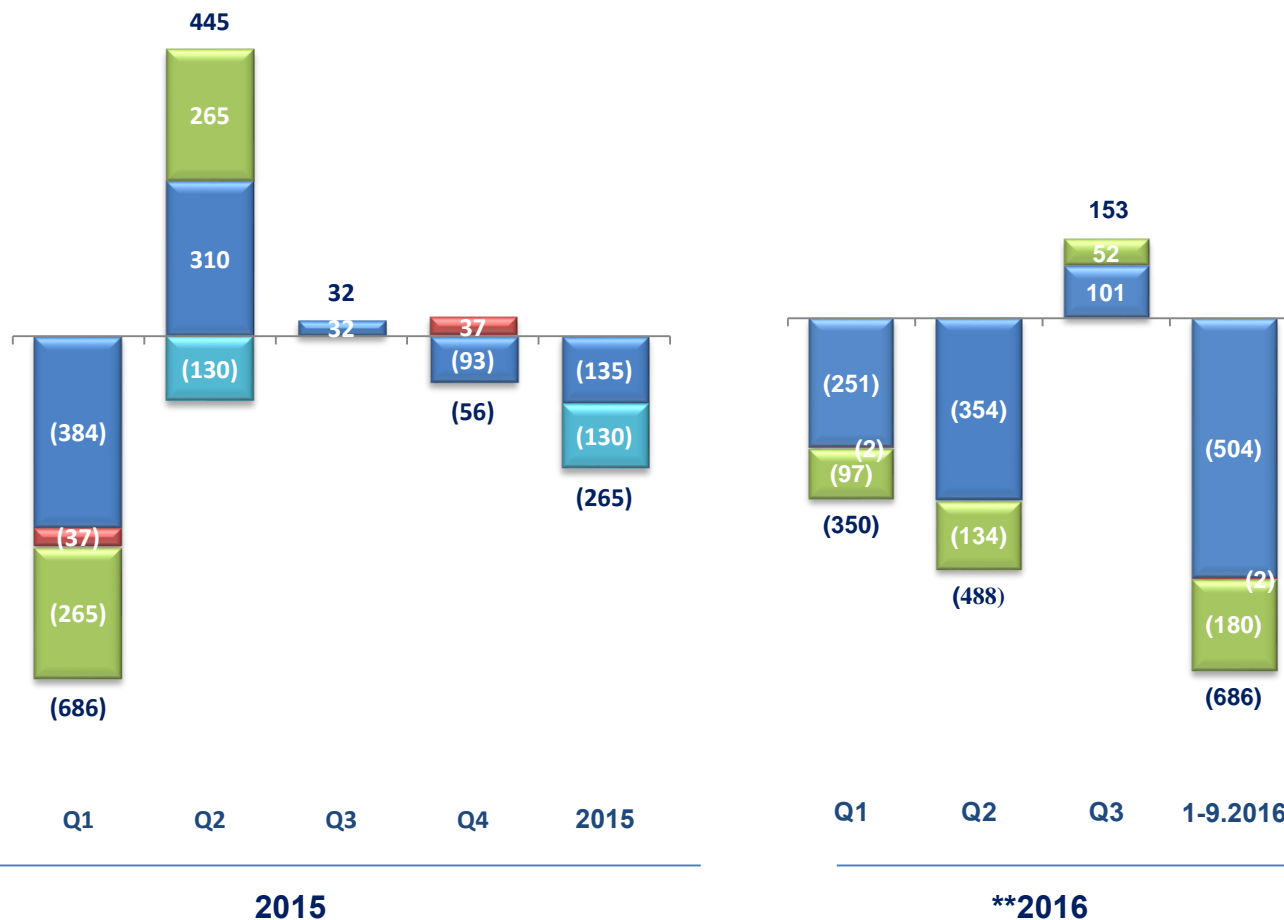
## Overall results (net of tax):

Low interest rate environment on insurance liabilities	(25)		(192)	(166)	(130)	(440)	20	98
Sale of foreign operation	(39)							
Loss in Clal Finance	(47)	(27)	(43)					
Profit from the transition to Atidim *			45					
Special provisions in long term savings						(66)		
Estimated impact of the Winograd committee						(81)		(3)
<b>Total</b>	<b>(111)</b>	<b>(27)</b>	<b>(190)</b>	<b>(166)</b>	<b>(130)</b>	<b>(587)</b>	<b>20</b>	<b>95</b>
<b>Comprehensive income without these effects</b>	<b>256</b>	<b>610</b>	<b>552</b>	<b>451</b>	<b>260</b>	<b>231</b>	<b>(128)</b>	<b>91</b>

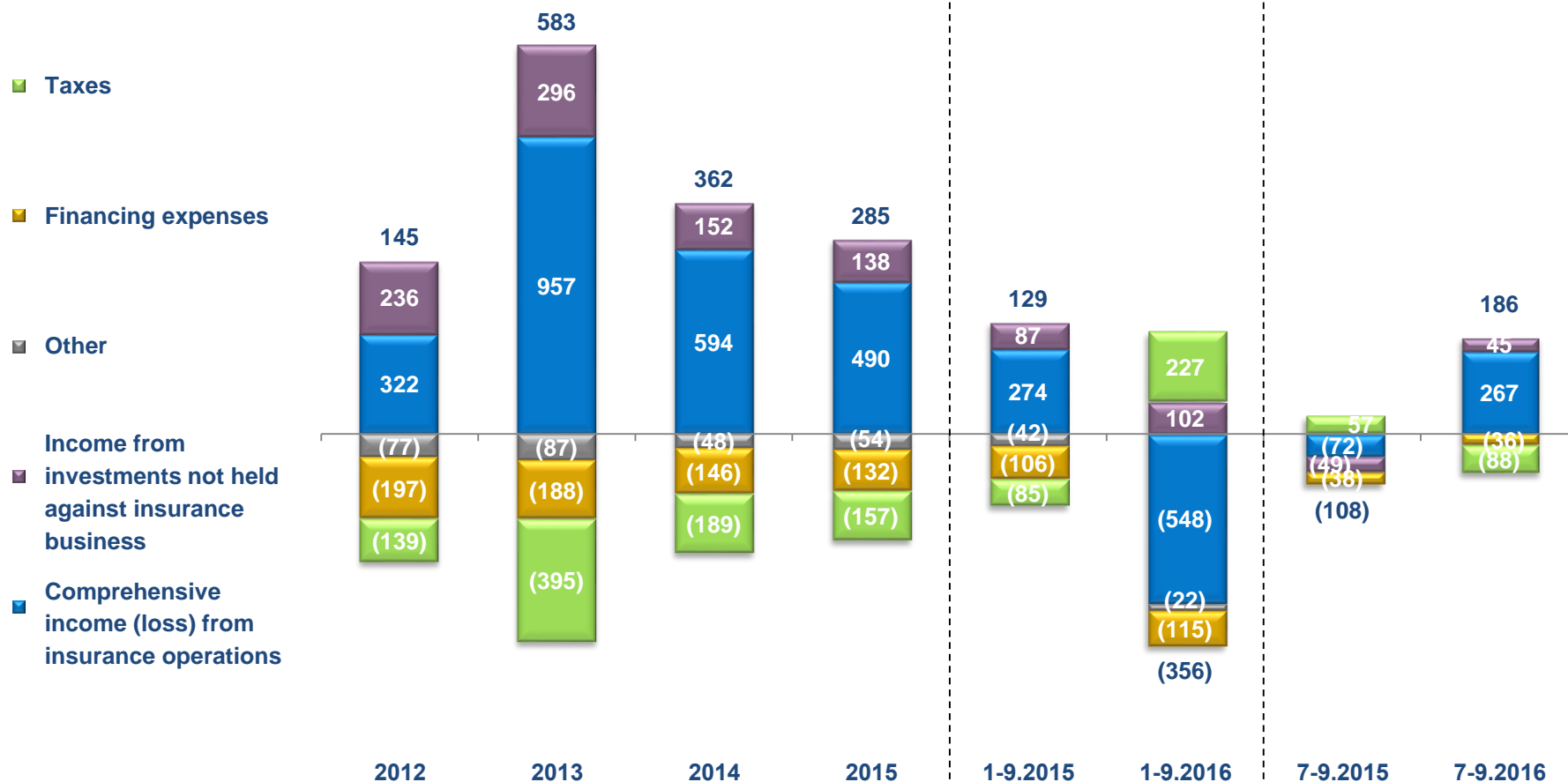
\* Capital gains from the sale of the headquarters building and from the revaluation of a property which was used by the Group and which became an investment property

# Impact of the Low Interest Rate Environment on Profit Before Tax with Respect to Insurance Liabilities (NIS Millions)

- Health insurance
- Non-life insurance
- New circular regarding LAT in life insurance\*
- Excluding new circular regarding LAT in life insurance

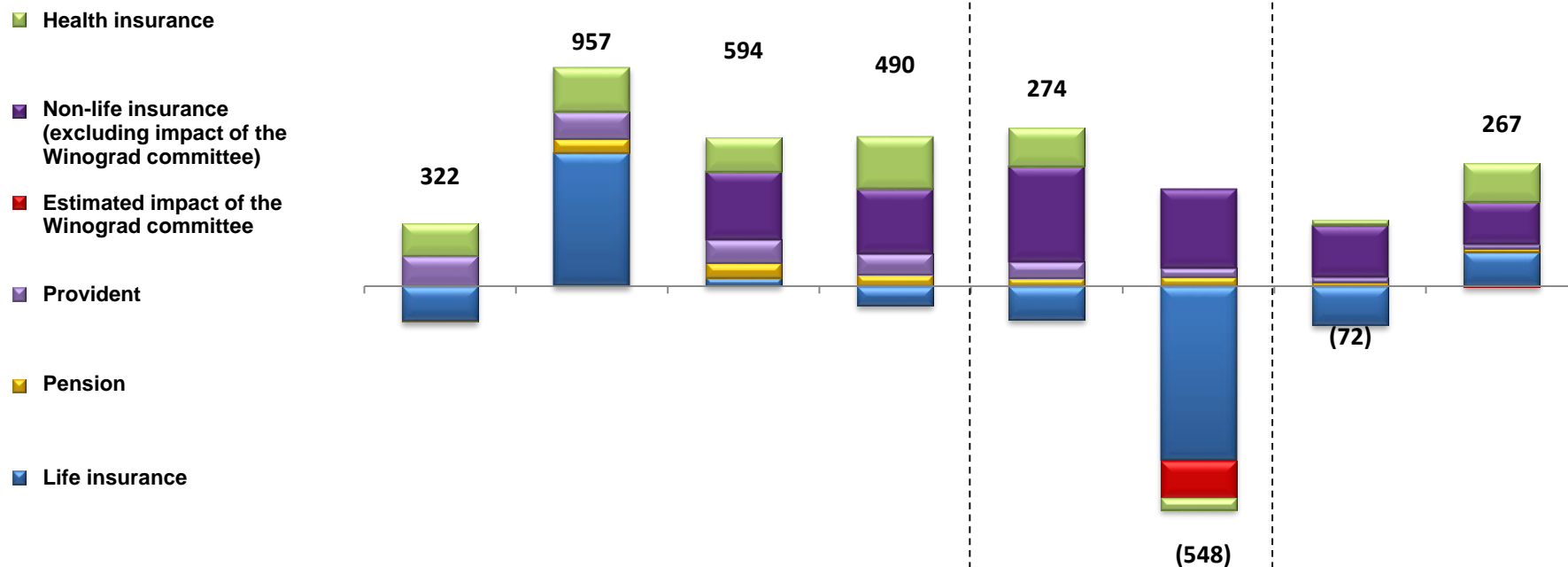


# Composition of Comprehensive Income Attributable to Shareholders (NIS Millions)



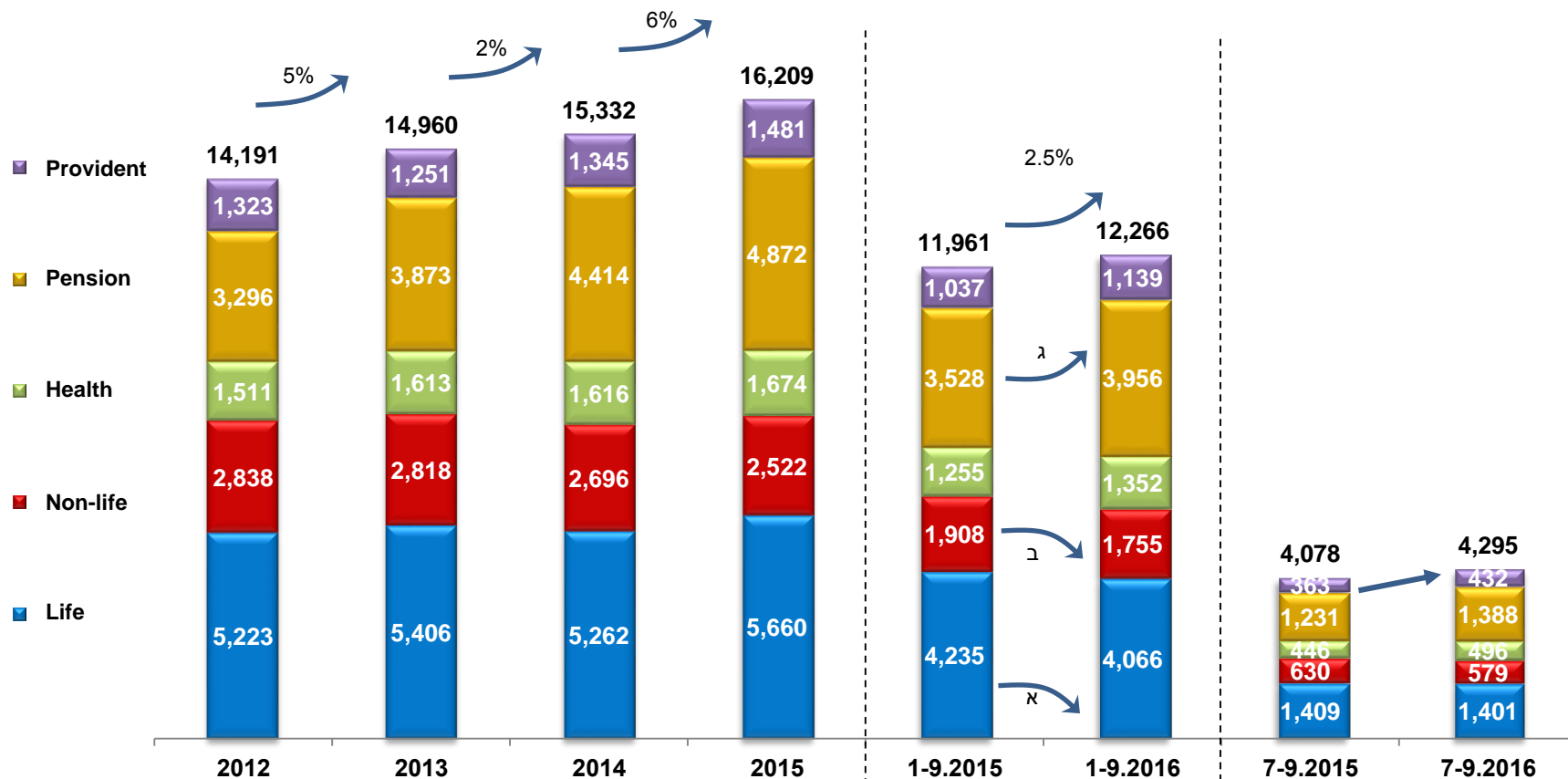
# Comprehensive Income Before Tax from Insurance Operations by Segments

)NIS Millions(



	2012	2013	2014	2015	1-9.2015	1-9.2016	7-9.2015	7-9.2016
Health insurance	110	153	115	178	129	(39)	18	130
Non-life insurance (without the impact of the Winograd committee)	231	217	323	268	176	145	11	1
Estimated impact of the Winograd committee						(126)		(4)
Provident	102	88	78	71	54	30	18	12
Pension	(4)	48	49	39	27	31	12	13
Life insurance	(116)	450	29	(65)	(113)	(589)	(131)	115

# Gross Premiums Earned and Contributions (NIS Millions)



\* After adjustments and offsets

\*\* Excluding central provident fund for severance pay and for other purposes

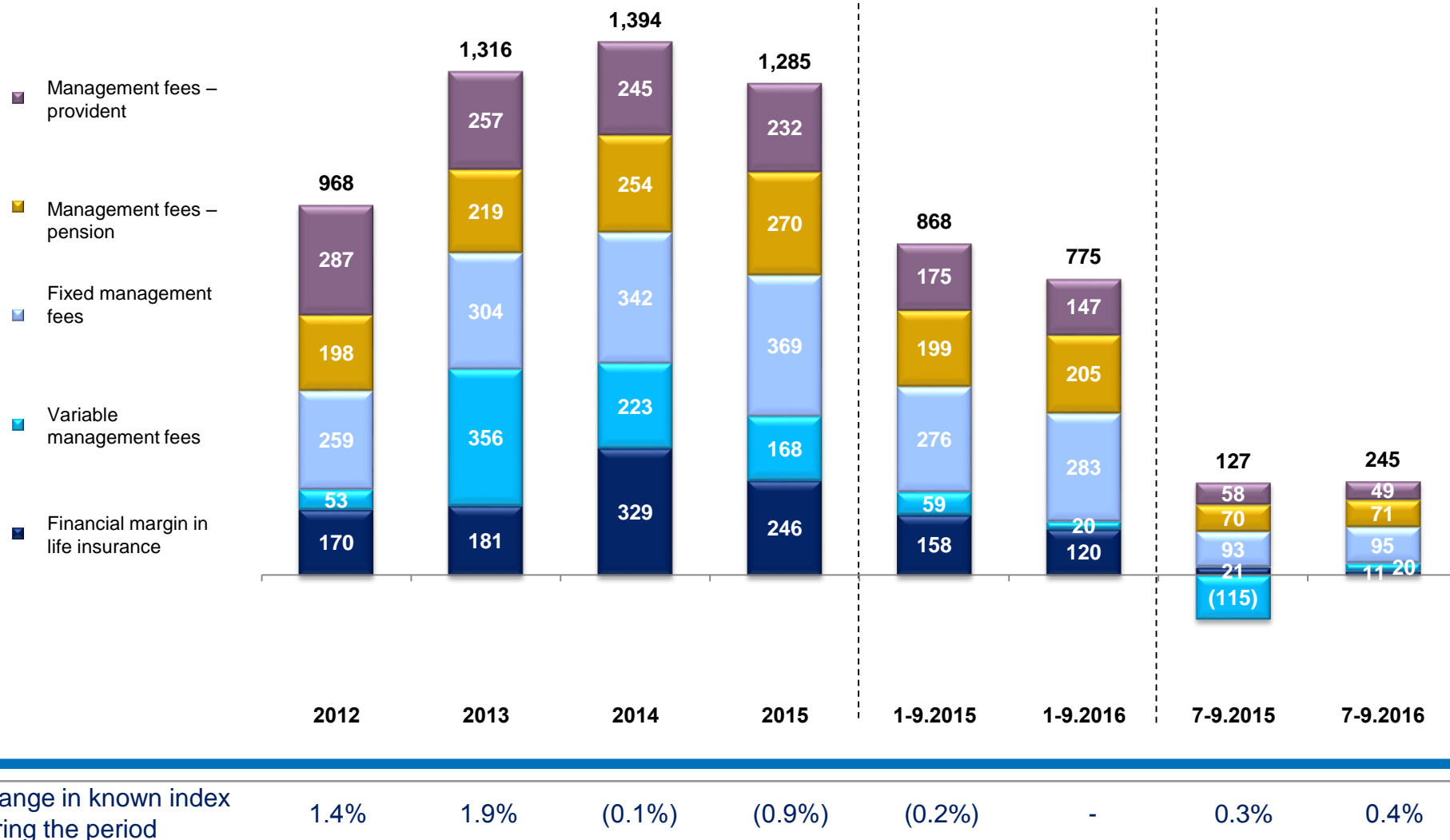
\*\*\* Including investment contracts

A. The decrease is primarily due to a decrease in sales of investment contracts that was offset by an increase in new sales of individual and managers' products

B. The decrease is primarily due to non-renewal of student personal accidents and non-renewal of losing business operations, including collective business operations in mandatory vehicle sectors and property.

C. The increase is primarily due to an increase in individual sales.

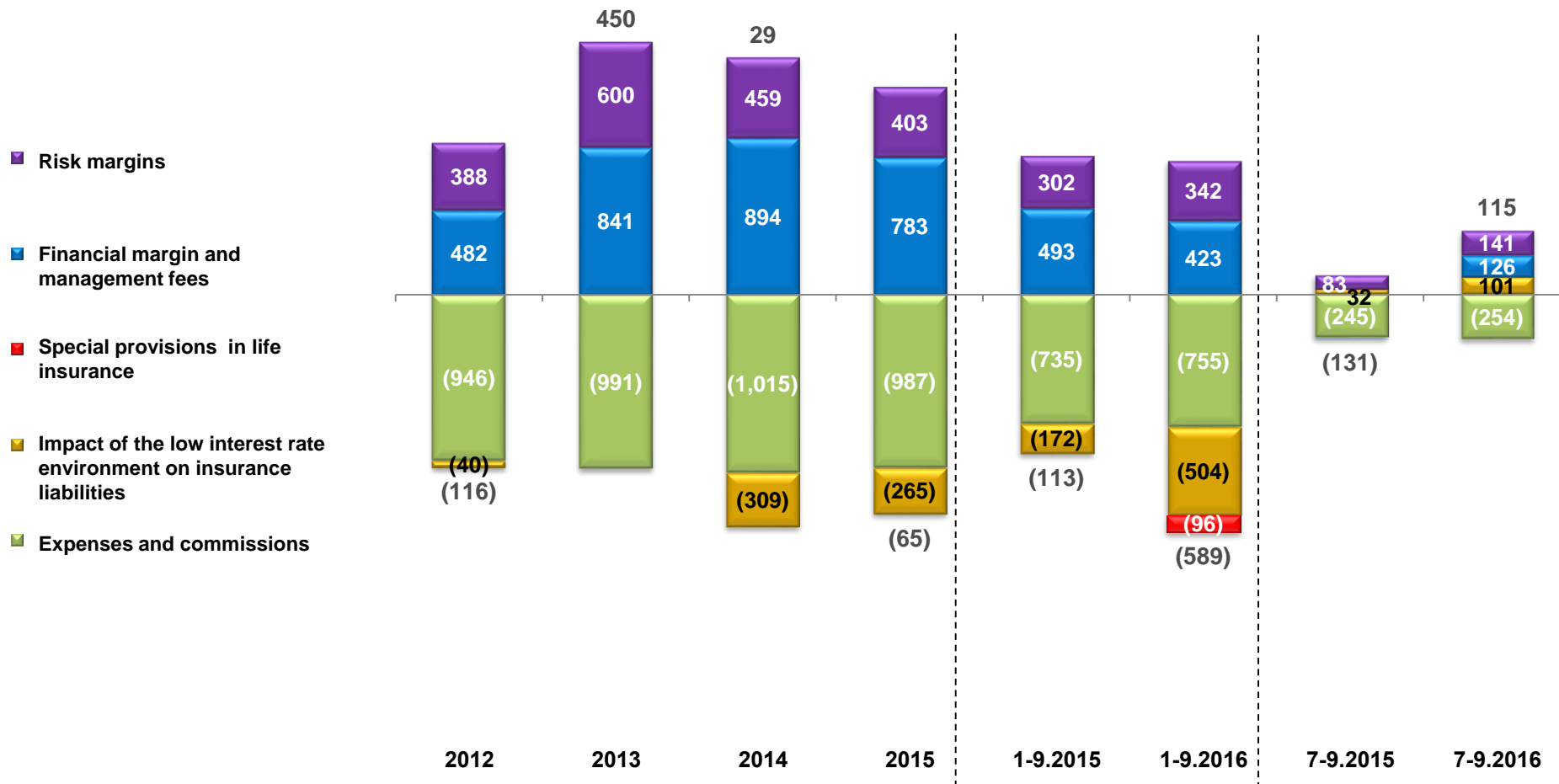
# Long Term Savings Segment - Management Fees and financial margin (NIS Millions)



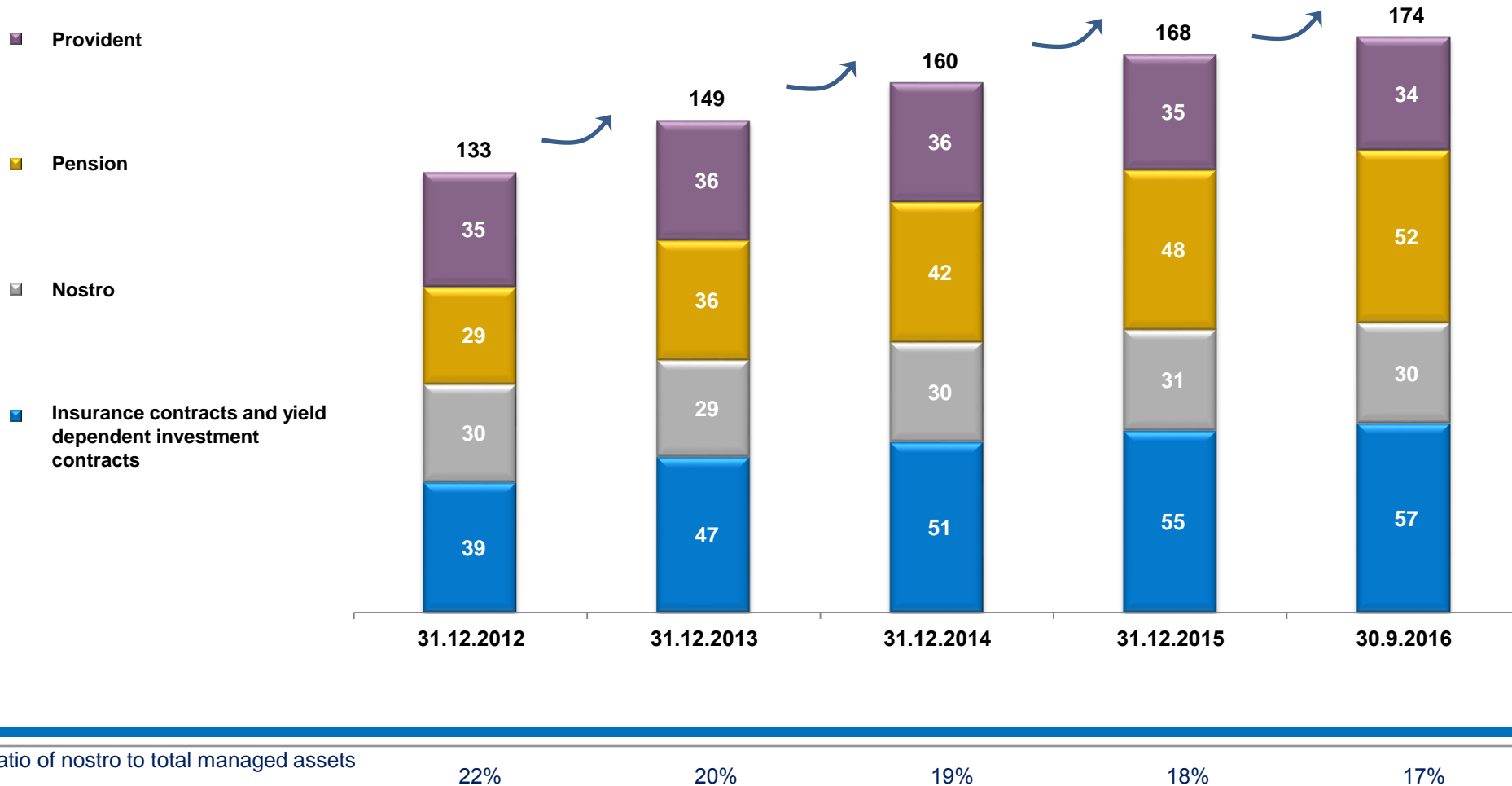


# Life Insurance - Composition of Comprehensive Income

) NIS Millions(

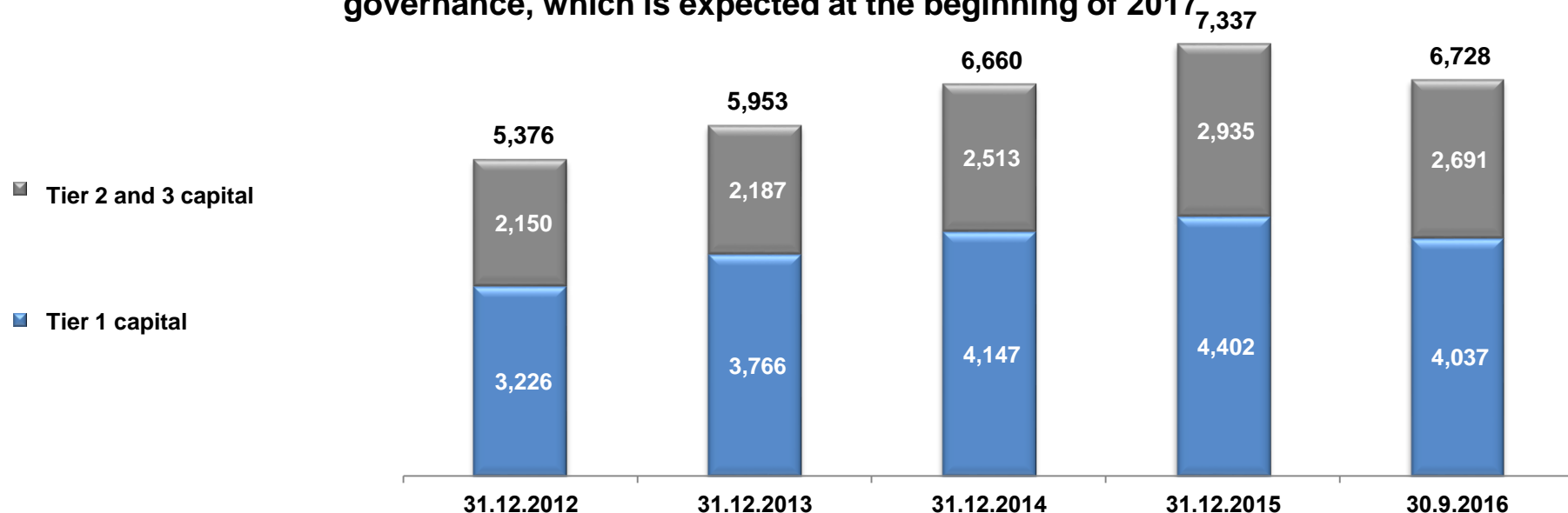


# Managed Assets by Portfolio (NIS Billions)



# Clal Insurance - Components of Recognized Capital (NIS Millions)

Before the application of the Solvency II capital governance, which is expected at the beginning of 2017,



Ratio of Tier 2 and Tier 3 capital to current capital

40%

37%

38%

40%

40%

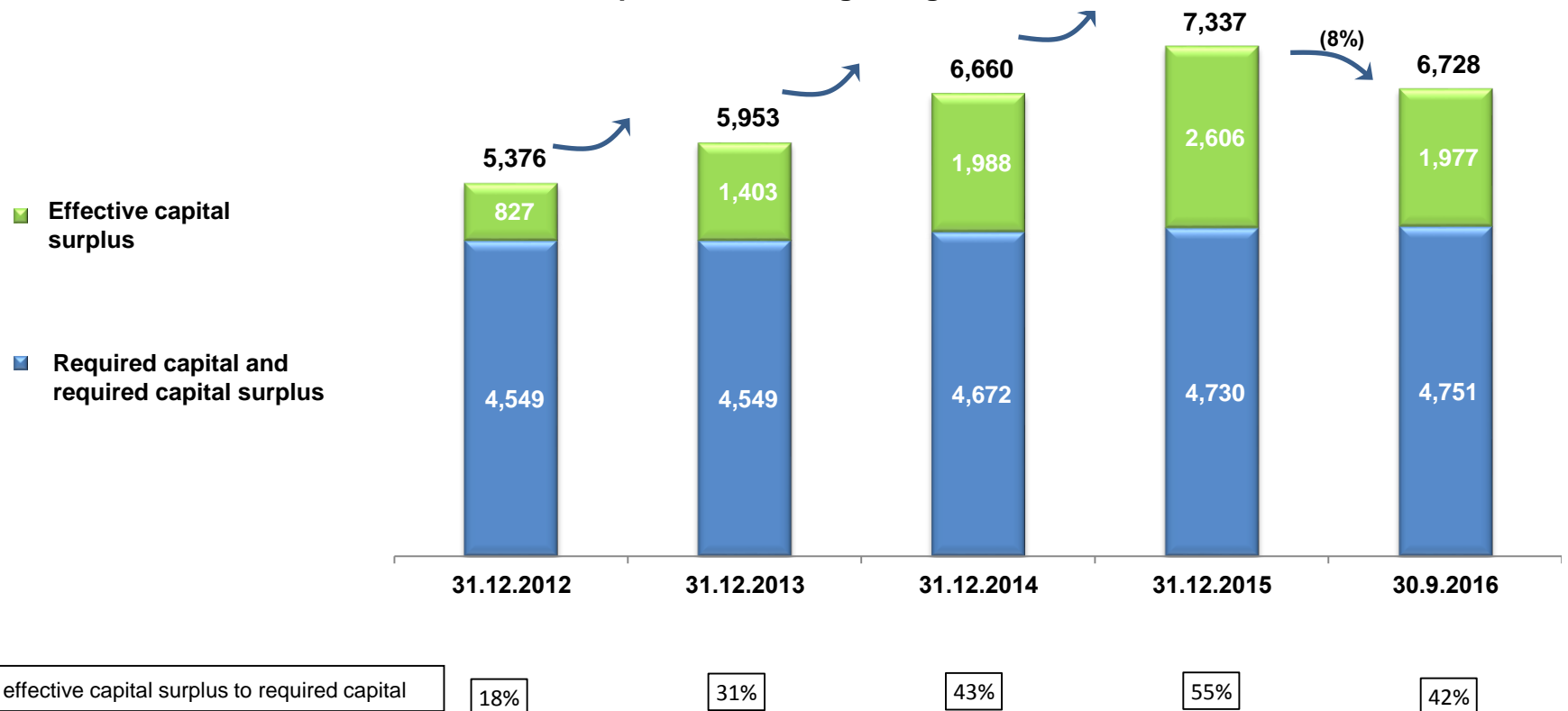
	2013	2014	2015	1-9.2016
Repayments and amortizations in recognized Tier 2 and Tier 3 capital	(113)	(187)	(273)	(244)
Raisings (debt issuances)	150	513	695	-
Total change in recognized Tier 2 and Tier 3 capital	37	326	422	(244)

\* As of the reporting date, a total of approximately NIS 227 million of Tier 2 hybrid capital is not recognized as equity as of September 2, 2016, and Tier 3 capital to Tier 1 capital. These amounts will be recognized if profit is created which increases Tier 1 capital, or against future repayments.

\*\*Total increase in recognized capital - NIS 1,352 million (rate of increase: 25%)

# Clal Insurance - Required Capital and Effective Capital Surplus (NIS Millions)

Before the application of the Solvency II capital governance,  
which is expected at the beginning of 2017



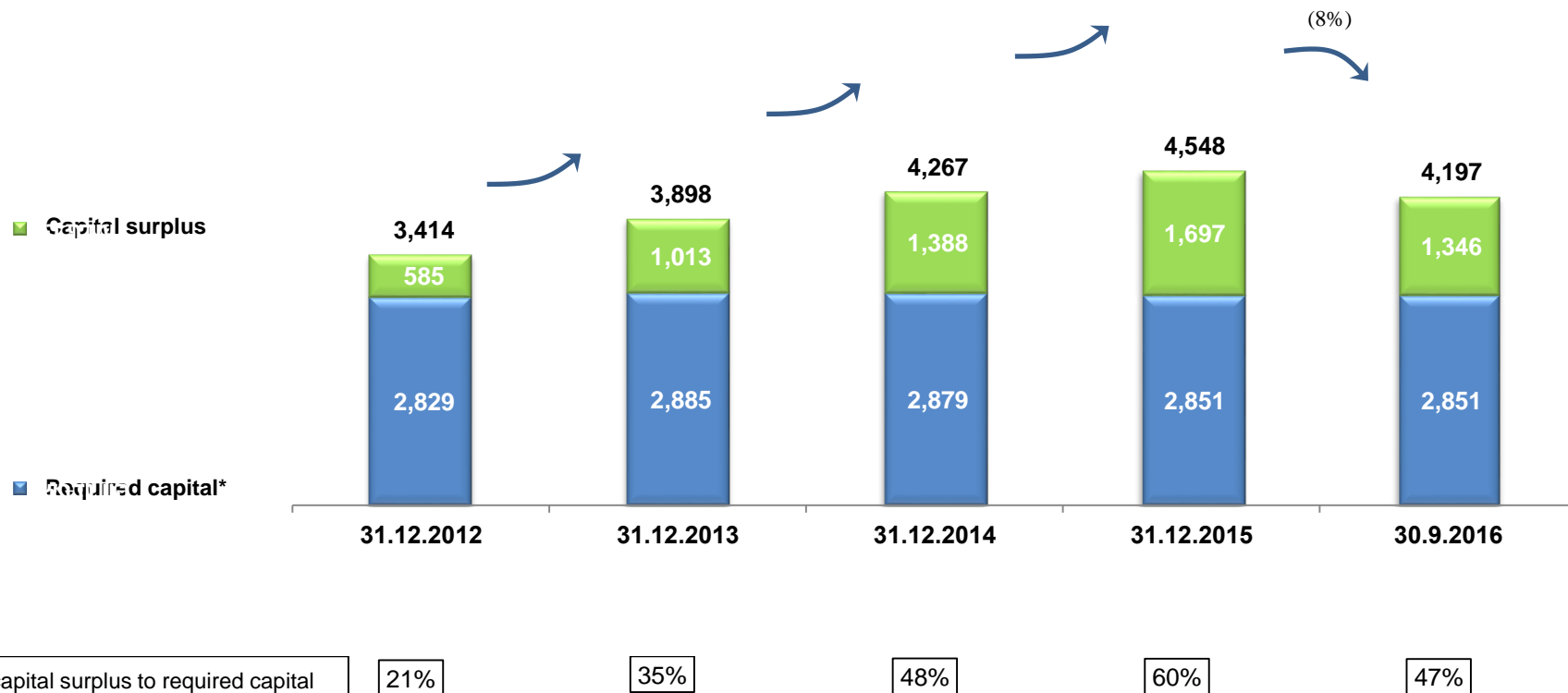
## **Estimate of capital status according to Solvency II as of December 31, 2015**

According to the results of exercise IQIS 5, as of December 31, 2015, Clal Insurance has an existing capital in excess of the capital required under the new solvency regime at a rate of 104%, taking into account the transitional provisions.

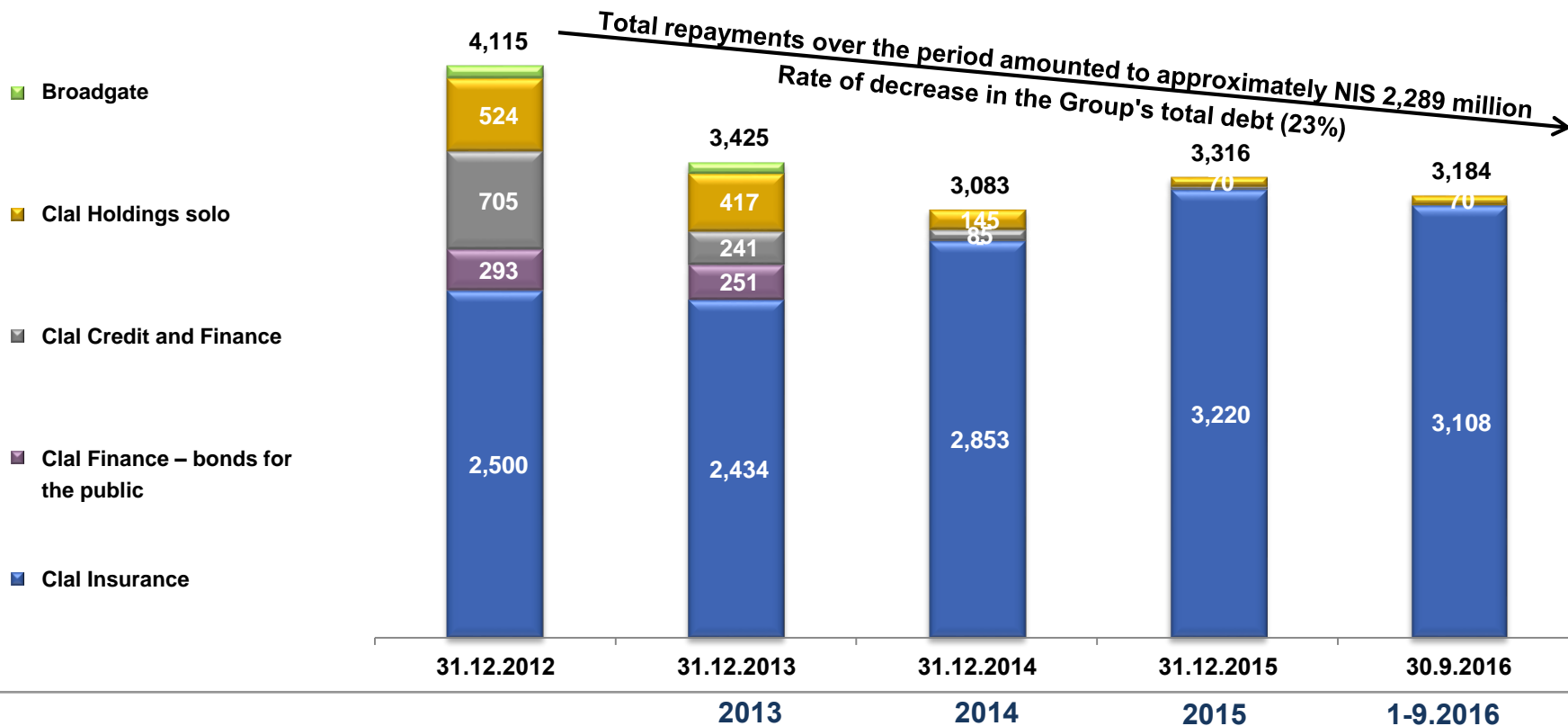
Irrespective of the transitional provisions, the Company has a capital deficiency which is not substantial at a rate of 97%.

In August 2016, the Commissioner published a letter regarding the distribution of dividends by insurance companies, which limits the possibility of dividend distribution, among other things, in case where after the distribution, the company has a solvency ratio in accordance with quantitative exercise, irrespective of the transitional provisions, of a minimum rate of 115% (up to and including the financial statements with respect to December 31, 2017) increasing gradually up to 130%. In light of the Commissioner's letter regarding the distribution of dividends and given the solvency ratio of Clal insurance without transitional provisions, Clal Insurance is precluded at this stage from distributing dividends.

# Clal Holdings - Capital Requirements\* and Capital Surplus (NIS Millions)



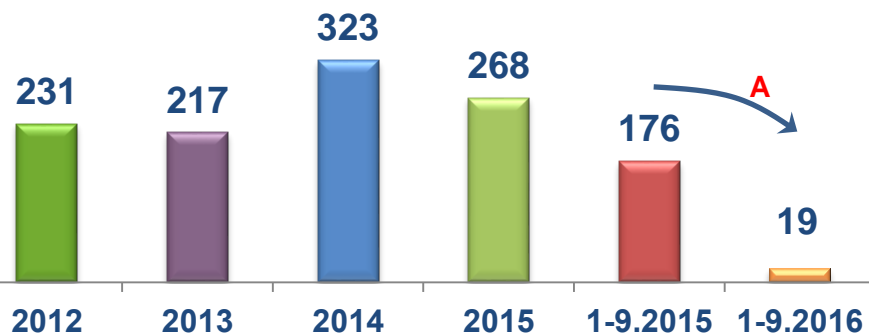
# Main Debt of the Group (NIS Millions)



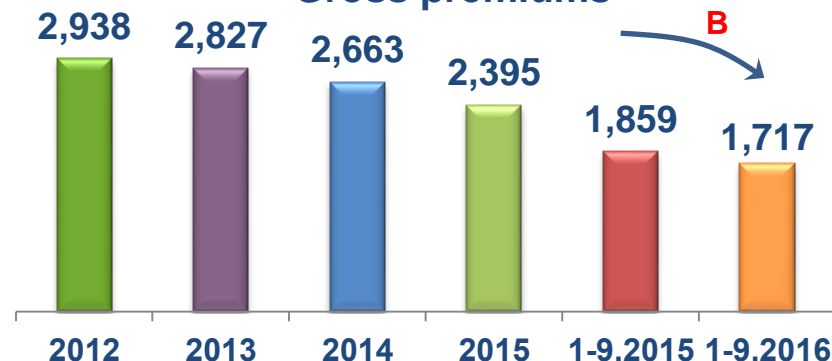
	2013	2014	2015	1-9.2016
Raisings in Clal Insurance	150	513	695	-
Repayments to external parties, interest, linkage and other	(840)	(855)	(462)	(132)
<b>Total change</b>	<b>(688)</b>	<b>(342)</b>	<b>233</b>	<b>(132)</b>

# Non-Life Insurance - Main Results

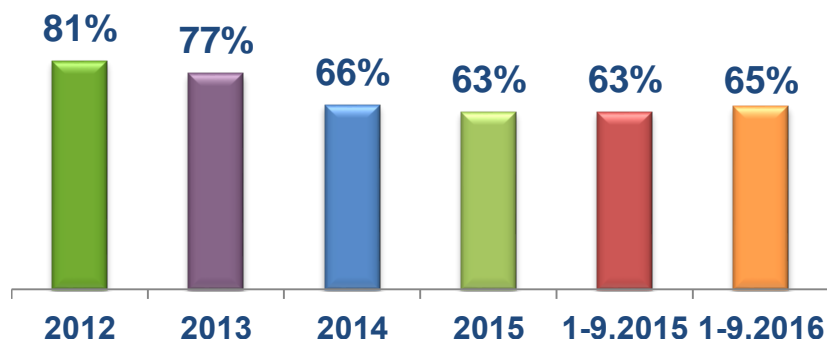
Comprehensive income (loss) before tax



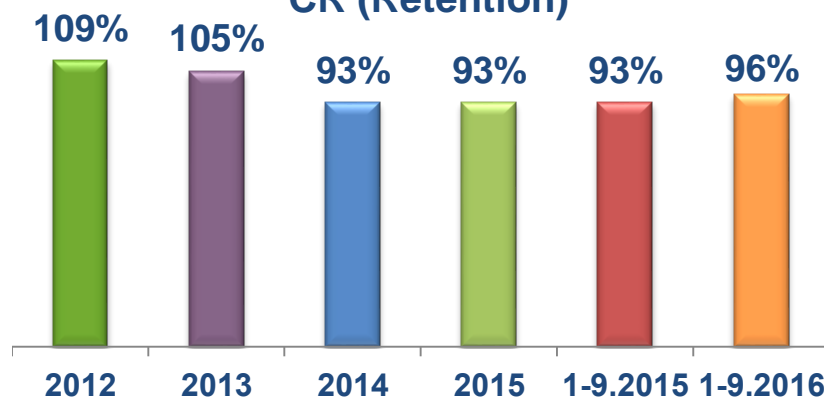
Gross premiums



LR (Retention)\*



CR (Retention)\*



A. Primarily due to the provision with respect to the possible implications of the amendment to the discounting regulations, in light of the recommendations of the Winograd committee, in the amount of approximately NIS 126 million; on the other hand, in the corresponding period last year, the discount rates used to calculate insurance liabilities in the compulsory motor, liabilities and personal accidents branches were updated, and accordingly, the reserve increased by approximately NIS 37 million, with no significant impact during the reporting period. After neutralization of the provisions, comprehensive income in the reporting period amounted to a total of approximately NIS 145 million, as compared with income of approximately NIS 213 million in the corresponding period last year.

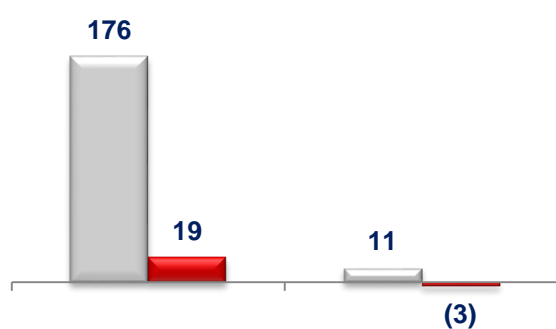
B. Primarily due to the non-renewal of student personal accidents and from non renewal of losing business operations, including collective business operations, in the compulsory motor and property branches.

\*in 2016 - After neutralization of the impact of the Winograd committee's recommendations and in the corresponding period last year net of the updated discount rates.



■ 2016 ■ 2015

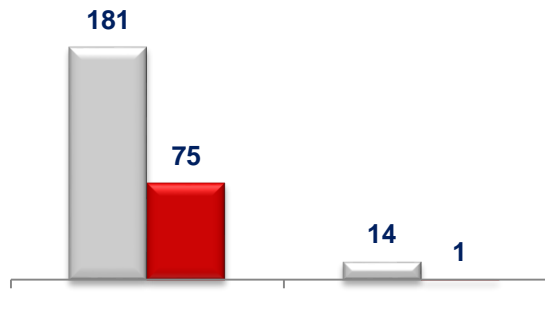
# Non-Life Insurance -Comprehensive Income Before Tax )NIS Millions(



Third quarter

Nine months

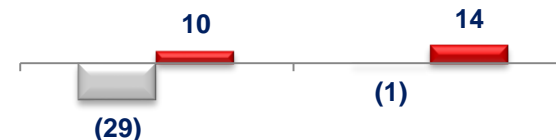
Total non-life insurance <sup>1</sup>



Third quarter

Nine months

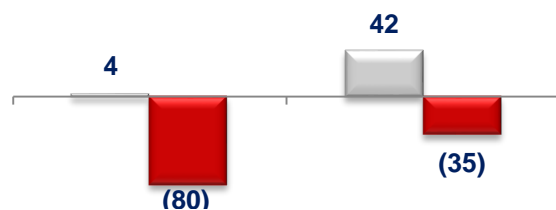
Compulsory motor <sup>2</sup>



Nine months

Third quarter

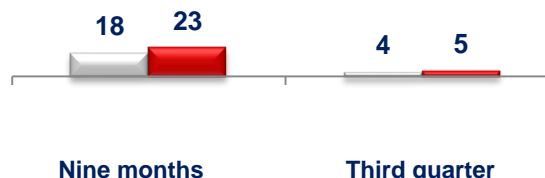
Motor property <sup>4</sup>



Nine months

Third quarter

Liabilities and others <sup>3</sup>



Nine months

Third quarter

Credit insurance



Nine months

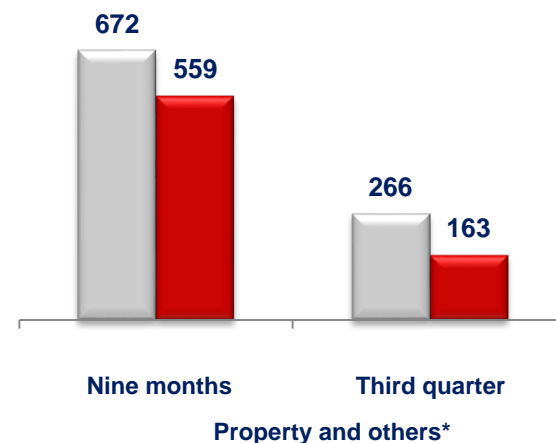
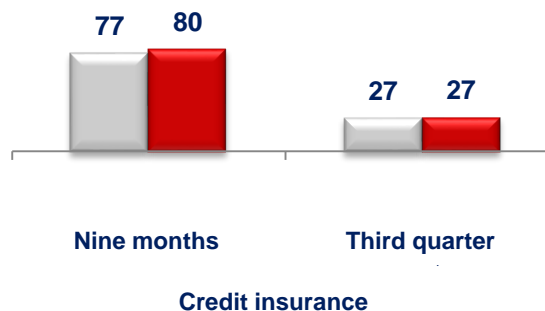
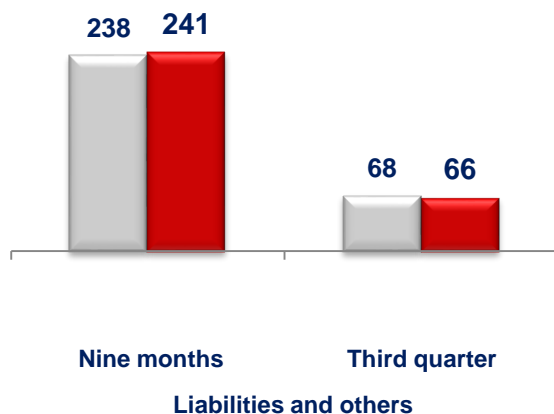
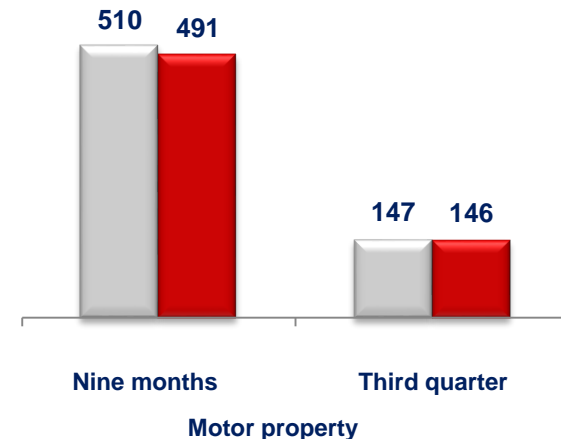
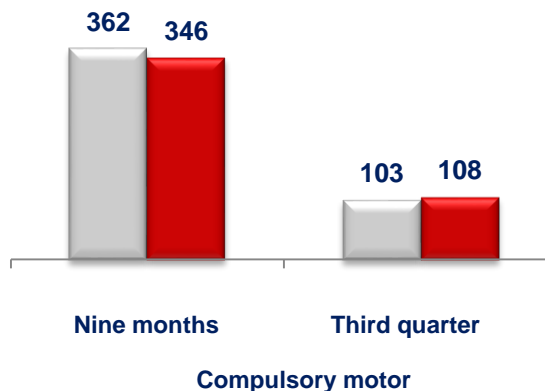
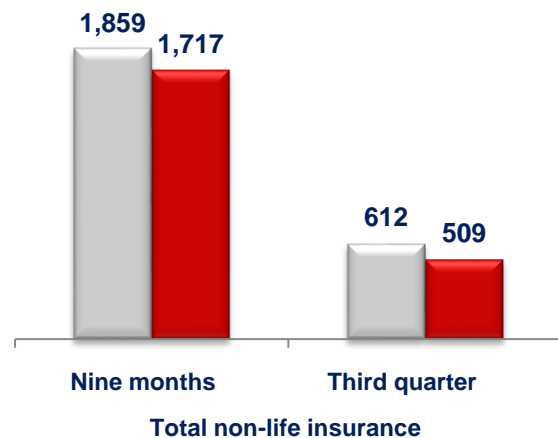
Third quarter

Property and others

1. The decrease in income for the period mainly derives from a provision for possible implications due to the amendment of the discounting regulations in view of the recommendation of the Winograd committee in the amount of NIS 126 million.
2. The decrease in income for the period mainly derives from a provision for possible implications due to the amendment of the discounting regulations in view of the recommendation of the Winograd committee in the amount of NIS 76 million.
3. The decrease in income and the transition to loss in the period mainly derives from a provision for possible implications due to the amendment of the discounting regulations in view of the recommendation of the Winograd committee in the amount of NIS 50 million and deterioration in underwriting profitability in the period deriving from negative development in claims mainly in employers' liability in previous years.
4. The transition from loss to profit mainly derives from improved underwriting results due to the betterment of collective businesses and importers and improvement in underwriting in individual businesses

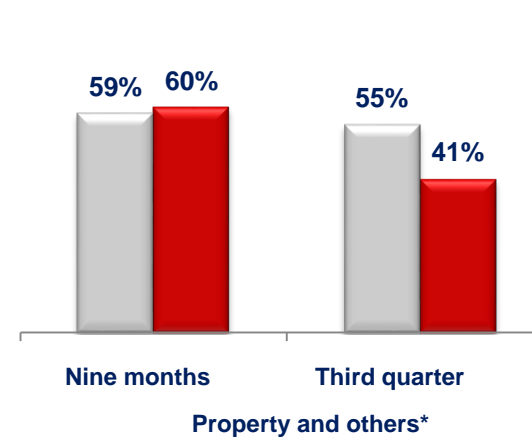
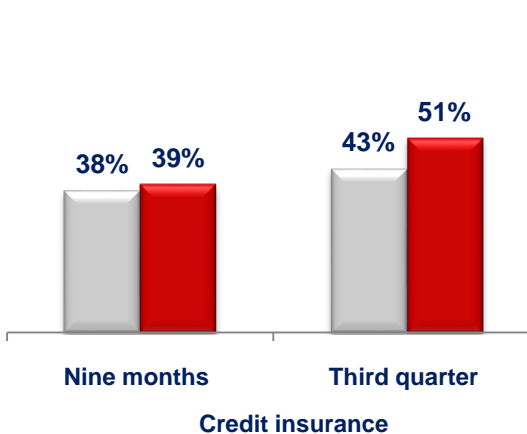
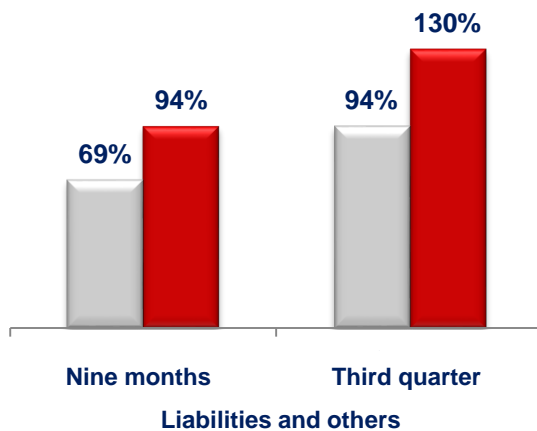
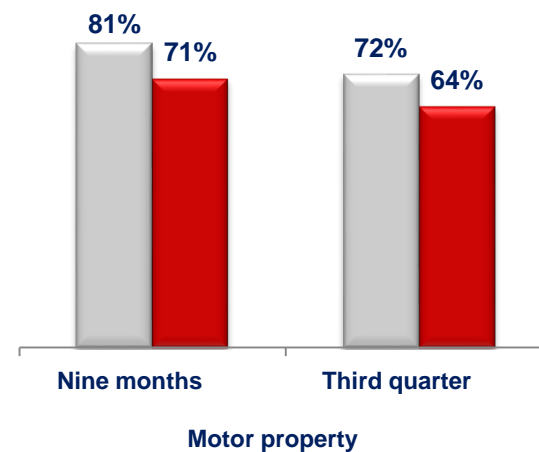
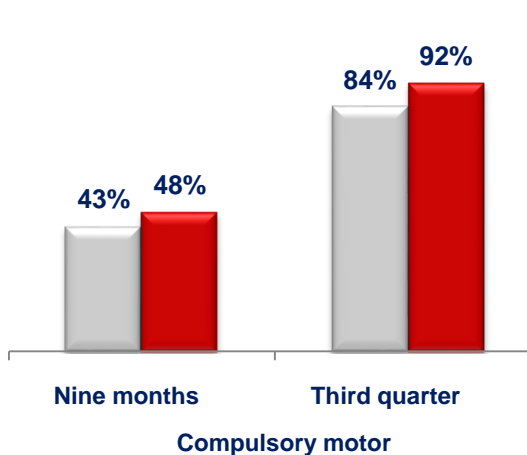
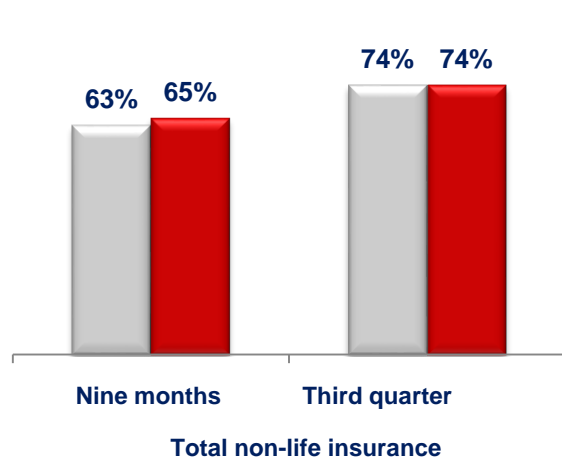
■ 2016 ■ 2015

# Non-Life Insurance - Gross Premiums



\* Primarily from the non-renewal of student personal accidents and the continued betterment of the portfolio by non renewal of losing business operations including collective business operations

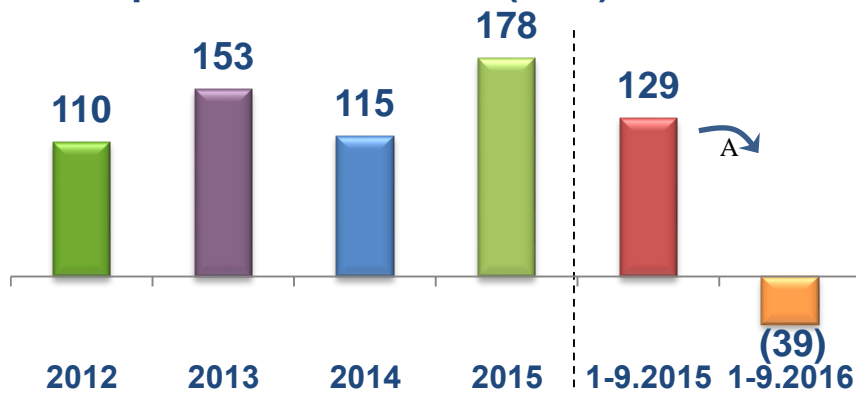
# Non-Life Insurance - LR\* on Retention



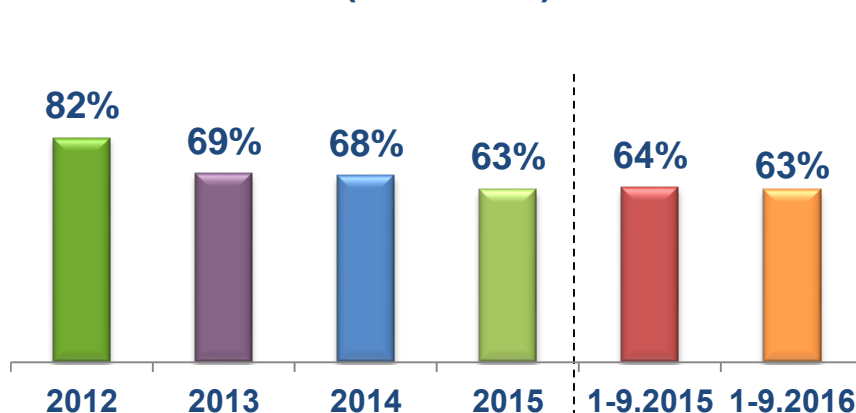
\*After neutralization of the impact of the Winograd committee's recommendations and discount interest

# Health Insurance - Main Results

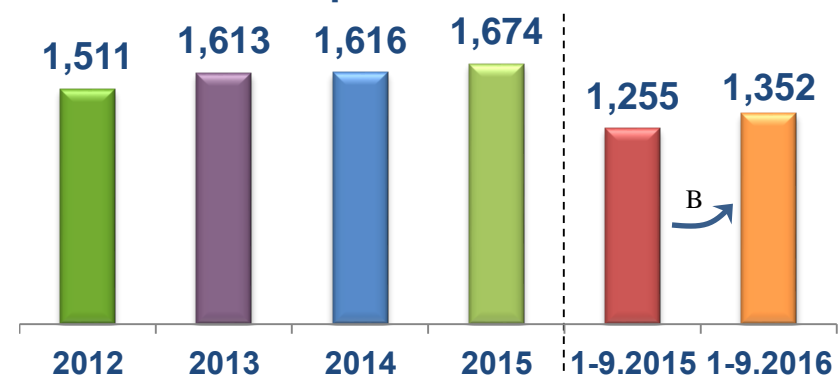
Comprehensive income (loss) before tax



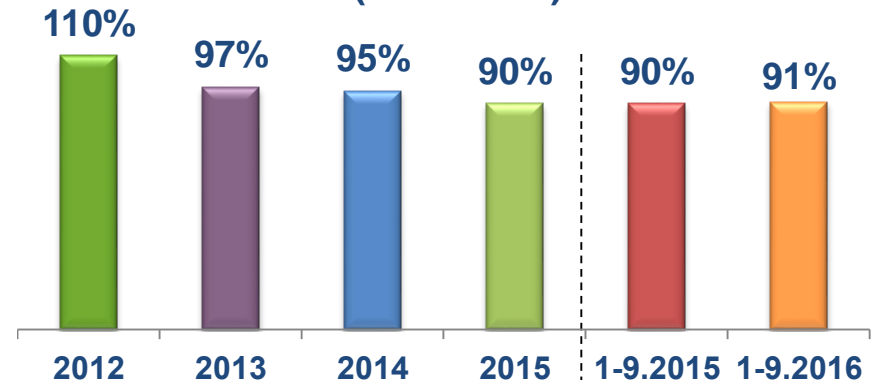
LR (Retention)\*



Gross premiums earned



CR (Retention)\*



- A. The decrease in income and the transition to loss was primarily due to the liability adequacy test (LAT), which resulted in increased reserves by NIS 180 million in the reporting period with no impact in the corresponding period last year. After neutralization of this provision, the comprehensive income before tax amounted to a total of approximately NIS 141 million, as compared with comprehensive income in the amount of approximately NIS 129 million in the corresponding period last year. The decrease in income is primarily due to the decrease in investment income above the level required to cover the insurance liabilities.
- B. The increase in premiums was primarily due to the increase in the Company's individual business operations.

\* The change in the reserve which was taken into account is after deducting investment gains which were charged to policyholders in profit-sharing policies net of provisions for Liability Adequacy Test (LAT).

## CEO Summary

"Clal Insurance continues to present good results in its current business operations, in accordance with its business policy of increasing underwriting profit in its core business operations. The low interest rate environment continues to have an effect on the Company's results, due to the need to perform significant provisions and showing losses in the life insurance and nursing insurance portfolios of the Company however, an increase in interest rate may result in a decrease of these provisions and returning to showing profits in these portfolios .

**Thank You**