

Clal Insurance Enterprises Holdings Ltd.



# Financial Statements 2017



Review for Analysts, March 2018

# Limitation of Liability

This presentation includes partial information only with respect to the Company's results for the period January-December 2017, 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 (including in the Company's financial statements), 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.

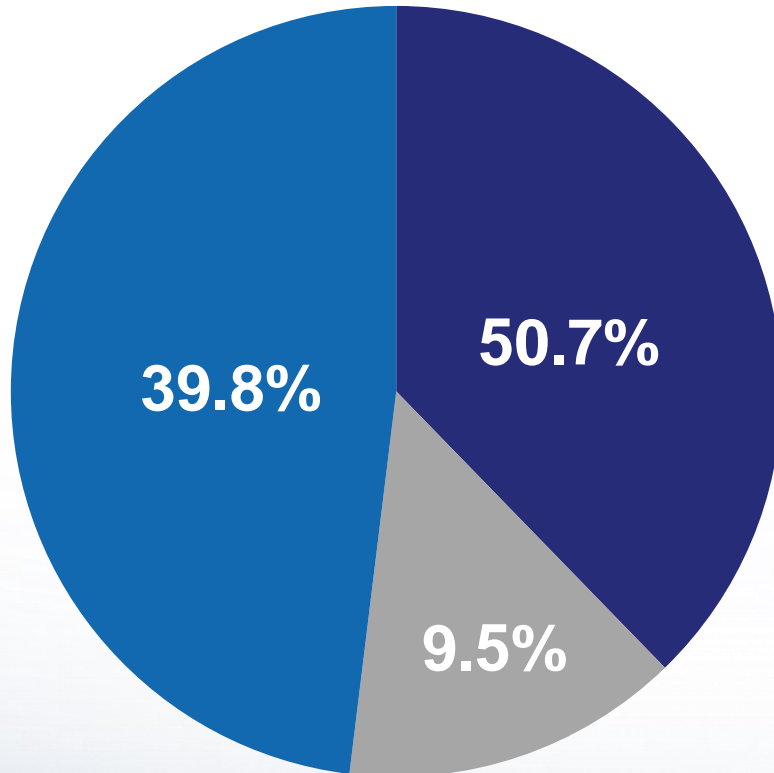


# The Company's Vision

**To be the leading group in the insurance and long-term savings market in Israel; one which aims to increase the value of the company and maximize value for the shareholders, with an emphasis on growth in profitability, the improvement of service to the company's clients, innovation in products and services, technological and digital leadership, preservation of the high-quality human resource and a constant striving for excellence.**



# Shareholders



Clal Insurance Enterprises Holdings Ltd. is a part of IDB Development group, which holds approximately 40%\* of its shares



Bank Hapoalim holds another approximately 9.5%



Shares which are held by the public and listed for trade on the Tel Aviv Stock Exchange



\*\* Approximately 35% of the share capital of Clal Holdings is held for IDB Development through a trustee, Mr. Moshe Terry

# About Us

Clal Insurance, founded in 1987, is one of the leading insurance and long-term savings groups in Israel

Assets under management: NIS 191 billion  
(As of the end of December 2017)

ilAA+ rating from Standard & Poor's Maalot  
Aa1.il rating from Midroog

Scope of premiums and contributions in 2017: Approximately NIS 17.4 billion

Operates together with approximately 2,000 insurance agents

Employs approximately 4,300 employees



# Development of Digital Tools

Launch of a new agents website, which collects the information required to perform transactions online, and to manage the insurance and savings portfolios for their customers

Launch of a new customer website, which allows the Company's customers to receive digital service in all areas, including receiving detailed information regarding the insurance and savings plans

## Personal account

Accessible and easy performance of common actions: viewing reports and personal authorizations, redeeming funds, changing investment tracks, updating personal details, and more

## Online claims area

Submission of claims and followup regarding the status of filed claims

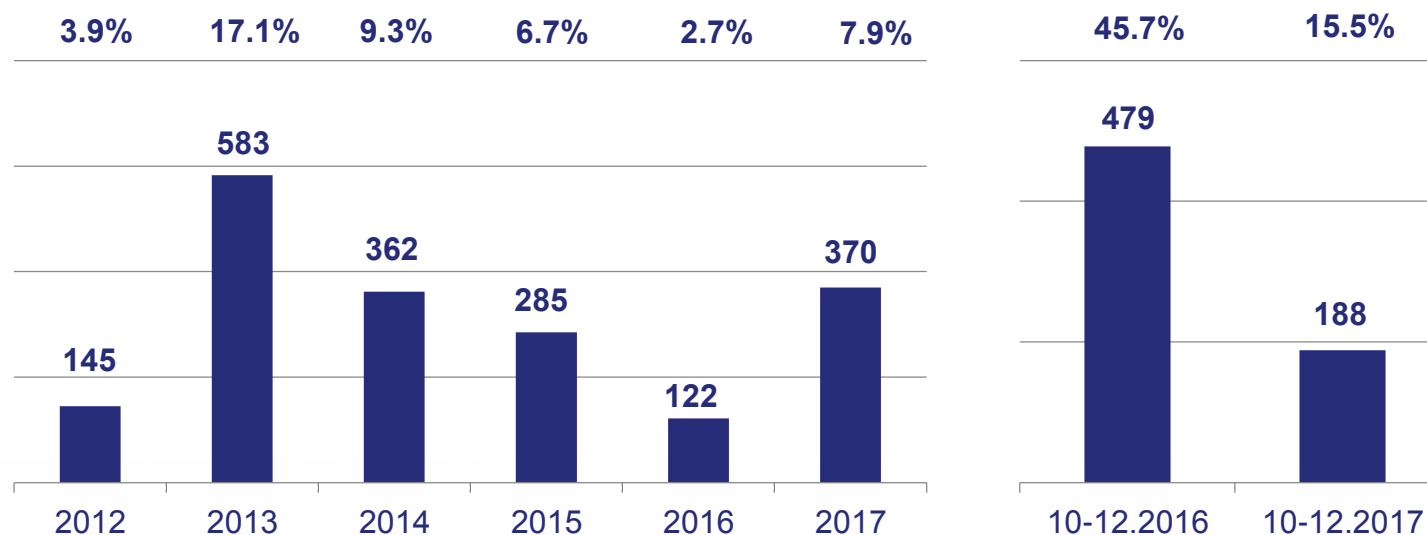
## Joining online

Joining any of the Company's various products in the motor, home and health insurance segments, as well as the provident, pension and continuing education segments, through a simple and quick process



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

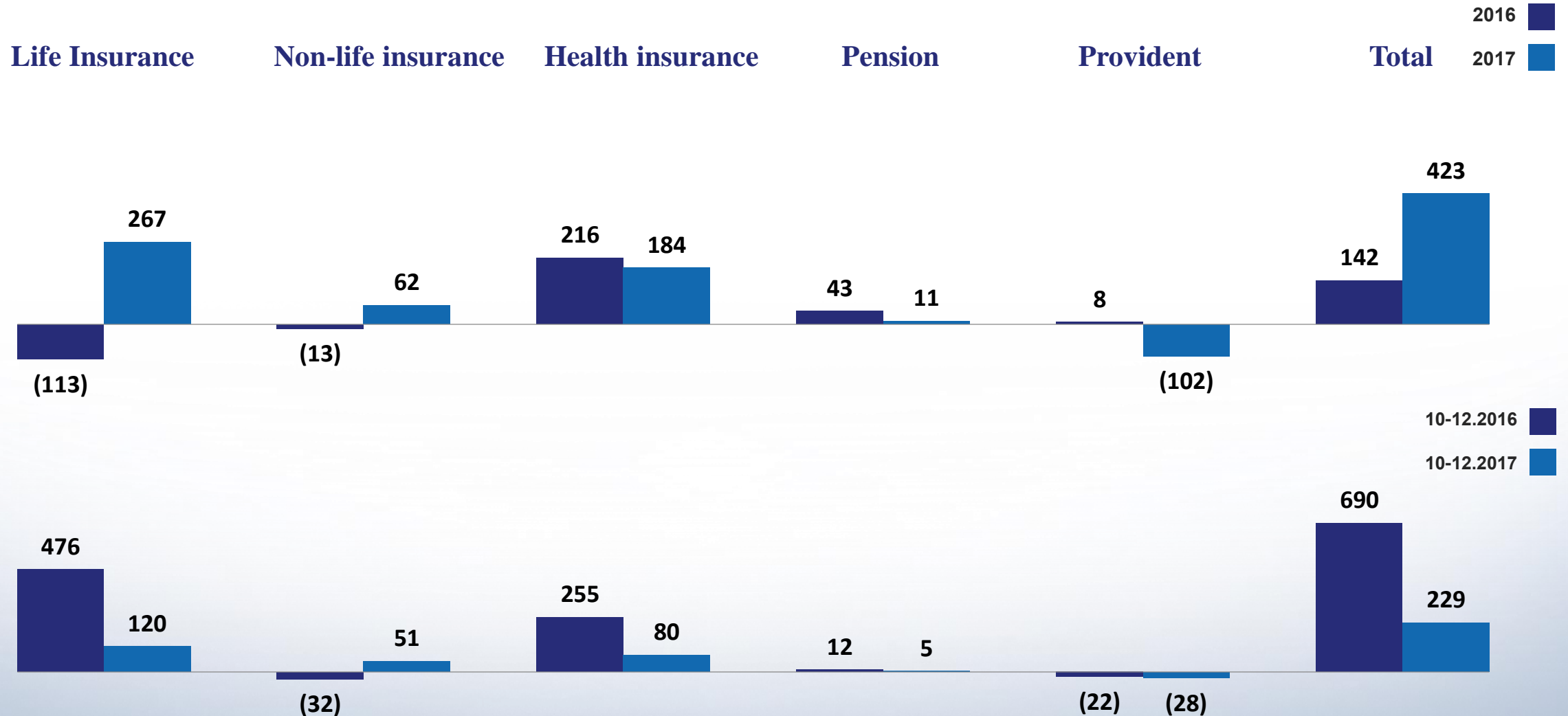
## Return on Equity



Special effects which affected the results:	2012	2013	2014	2015	2016	2017	Cumulative 2013-2017	10-12.2016	10-12.2017
Impact of the low interest rate environment on insurance liabilities	(39)	26	(309)	(266)	(335)	(248)	(1,132)	477	9
Optimization of members' rights and collection	-	-	-	(22)	(101)	(53)	(176)	1	-
Amortization of goodwill	-	(19)	(10)	(2)	(25)	(108)	(164)	(25)	(27)
Additional special provisions *	(12)	-	(68)	(10)	(24)	(38)	(140)	(7)	-
<b>Total provisions before tax</b>	<b>(51)</b>	<b>7</b>	<b>(387)</b>	<b>(301)</b>	<b>(485)</b>	<b>(448)</b>	<b>(1,612)</b>	<b>446</b>	<b>(18)</b>
<b>Total provisions after tax (including tax benefits)</b>	<b>(33)</b>	<b>17</b>	<b>(248)</b>	<b>(183)</b>	<b>(274)</b>	<b>(291)</b>	<b>(978)</b>	<b>310</b>	<b>(12)</b>
<b>Normalized return on equity from the aforementioned effects</b>	<b>4.8%</b>	<b>16.6%</b>	<b>15.7%</b>	<b>11.0%</b>	<b>8.7%</b>	<b>14.1%</b>		<b>16.1%</b>	<b>16.5%</b>

\* Mainly provisions with respect to class actions and debt exchange costs

# Comprehensive Income Before Tax by Segments (NIS Millions)



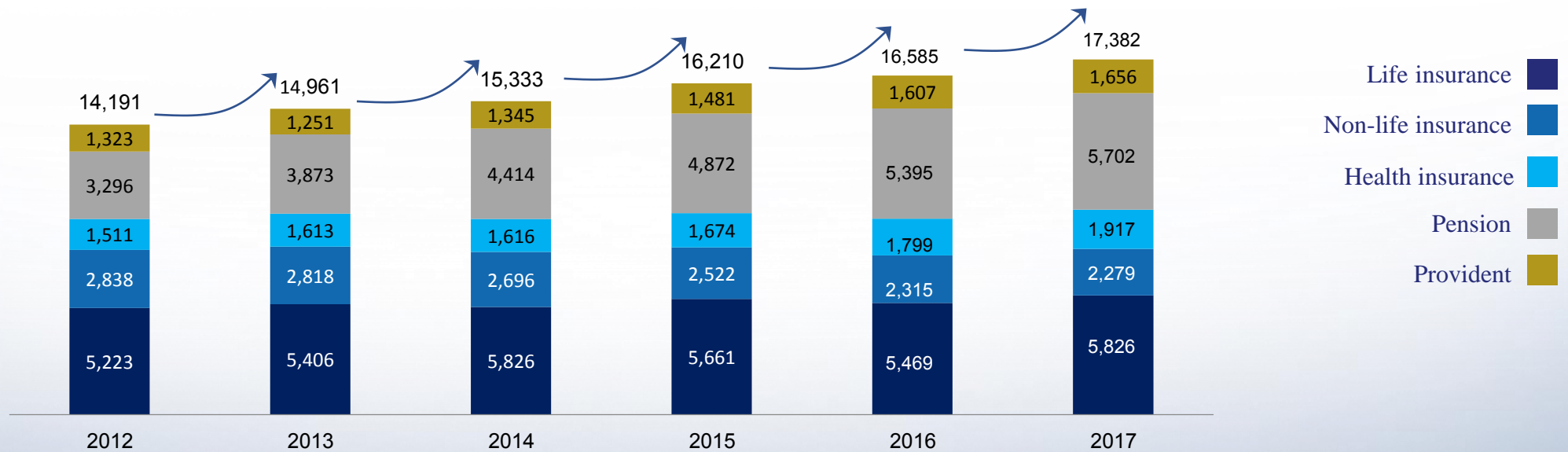


# Gross Premiums Earned and Contributions

(NIS Millions)

	2012	% Change	2013	% Change	2014	% Change	2015	% Change	2016	% Change	2017
Life Insurance	5,223	4%	5,406	(3%)	5,262	8%	5,661	(3%)	5,469	7%	5,826
Non-Life Insurance <sup>1</sup>	2,838	(1%)	2,818	(4%)	2,696	(6%)	2,522	(8%)	2,315	(2%)	2,279
Health Insurance <sup>2</sup>	1,511	7%	1,613	0%	1,616	4%	1,674	7%	1,799	7%	1,917
Pension	3,296	18%	3,873	14%	4,414	10%	4,872	11%	5,395	6%	5,702
Provident	1,323	(5%)	1,251	8%	1,345	10%	1,481	9%	1,607	3%	1,656
<b>Total</b>	<b>14,191</b>	<b>5%</b>	<b>14,961</b>	<b>2%</b>	<b>15,333</b>	<b>6%</b>	<b>16,210</b>	<b>2%</b>	<b>16,585</b>	<b>5%</b>	<b>17,382</b>

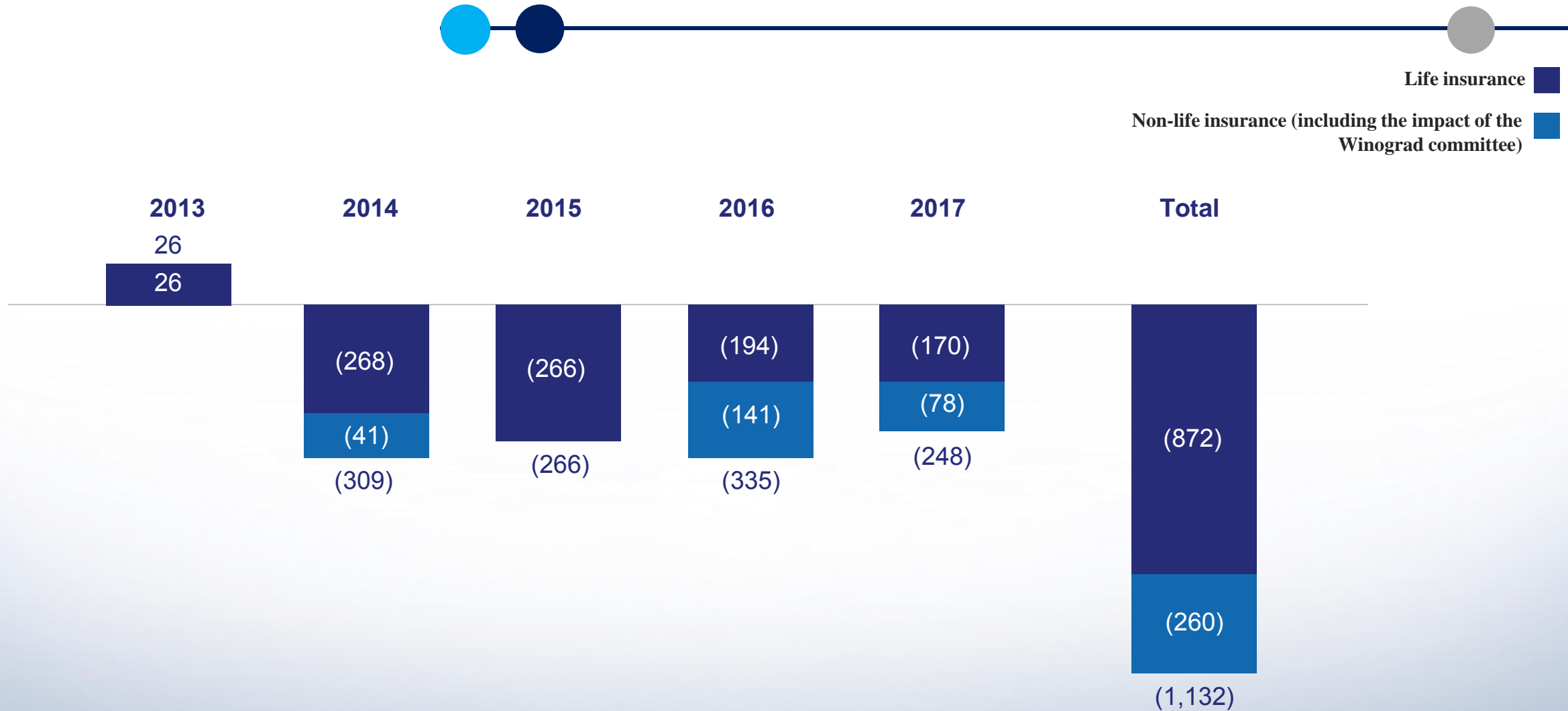
1. The decrease in non-life insurance results from the Company's strategy not to renew losing businesses, including collective businesses in compulsory motor and motor property branches, as well as not renewing personal accidents insurance for students.
2. The increase in health insurance was primarily due to the increase in individual business.



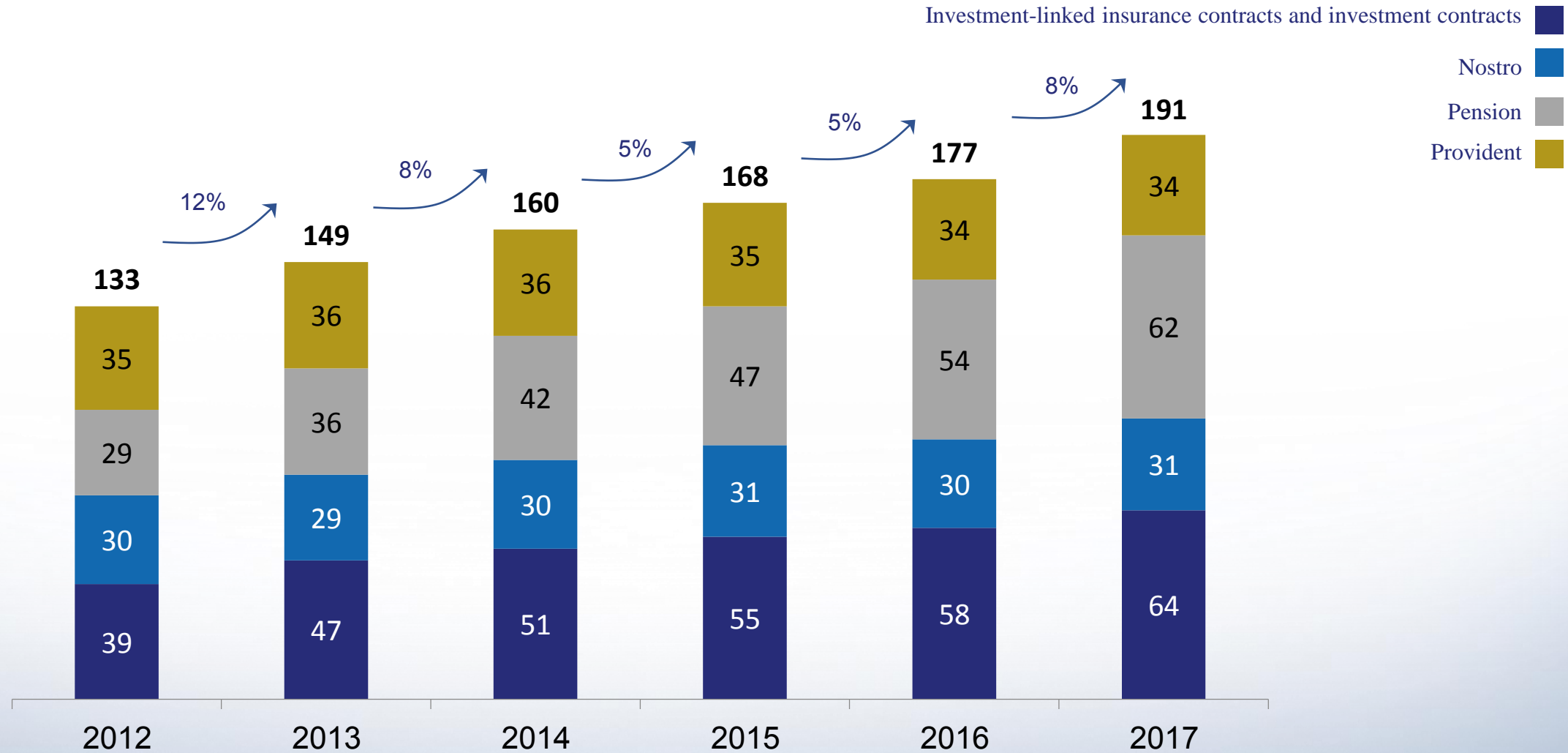
\* Excluding central provident fund for other purposes | \*\* In life insurance includes investment contracts

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

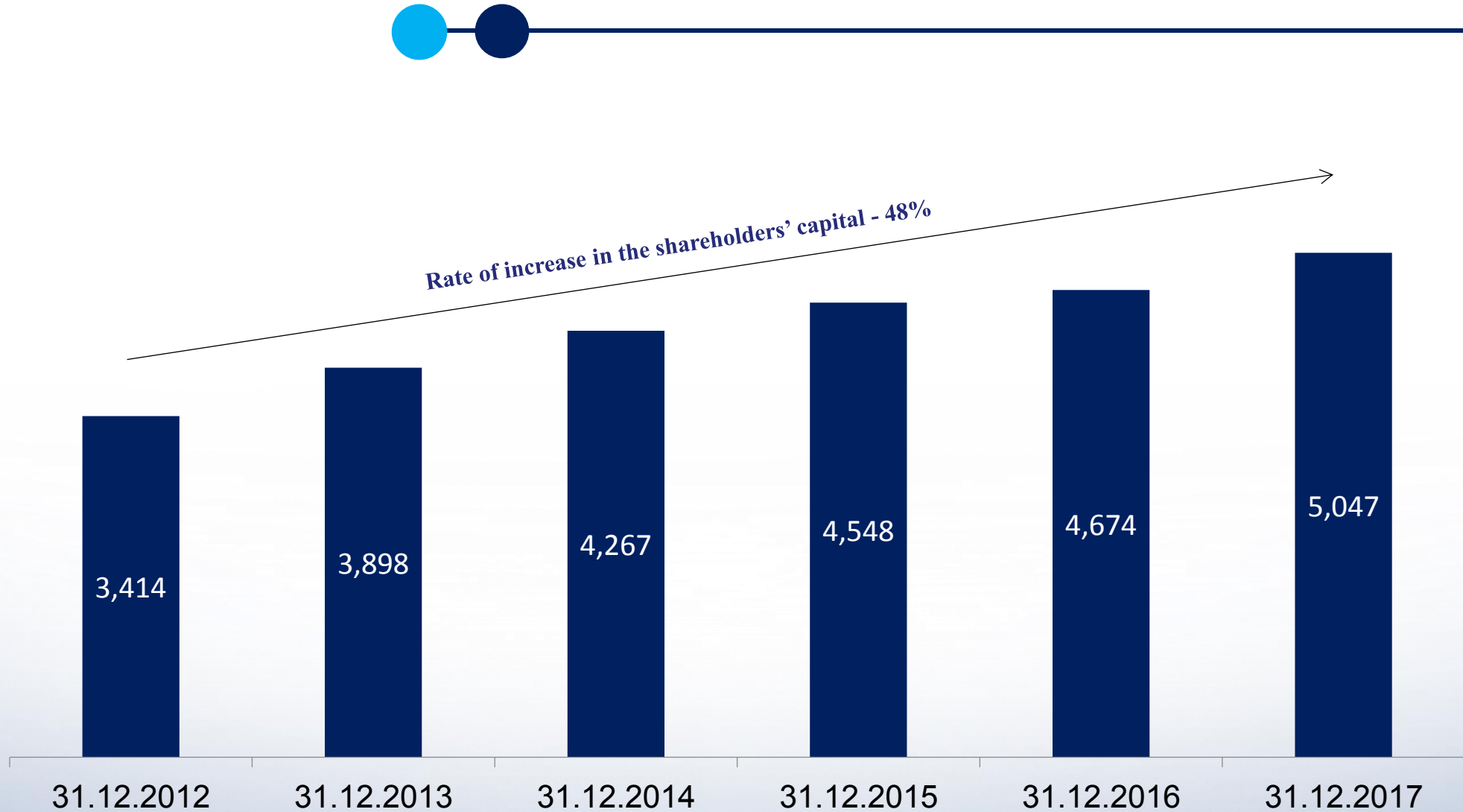
(NIS Millions)



# Managed Assets by Portfolio (NIS Billions)

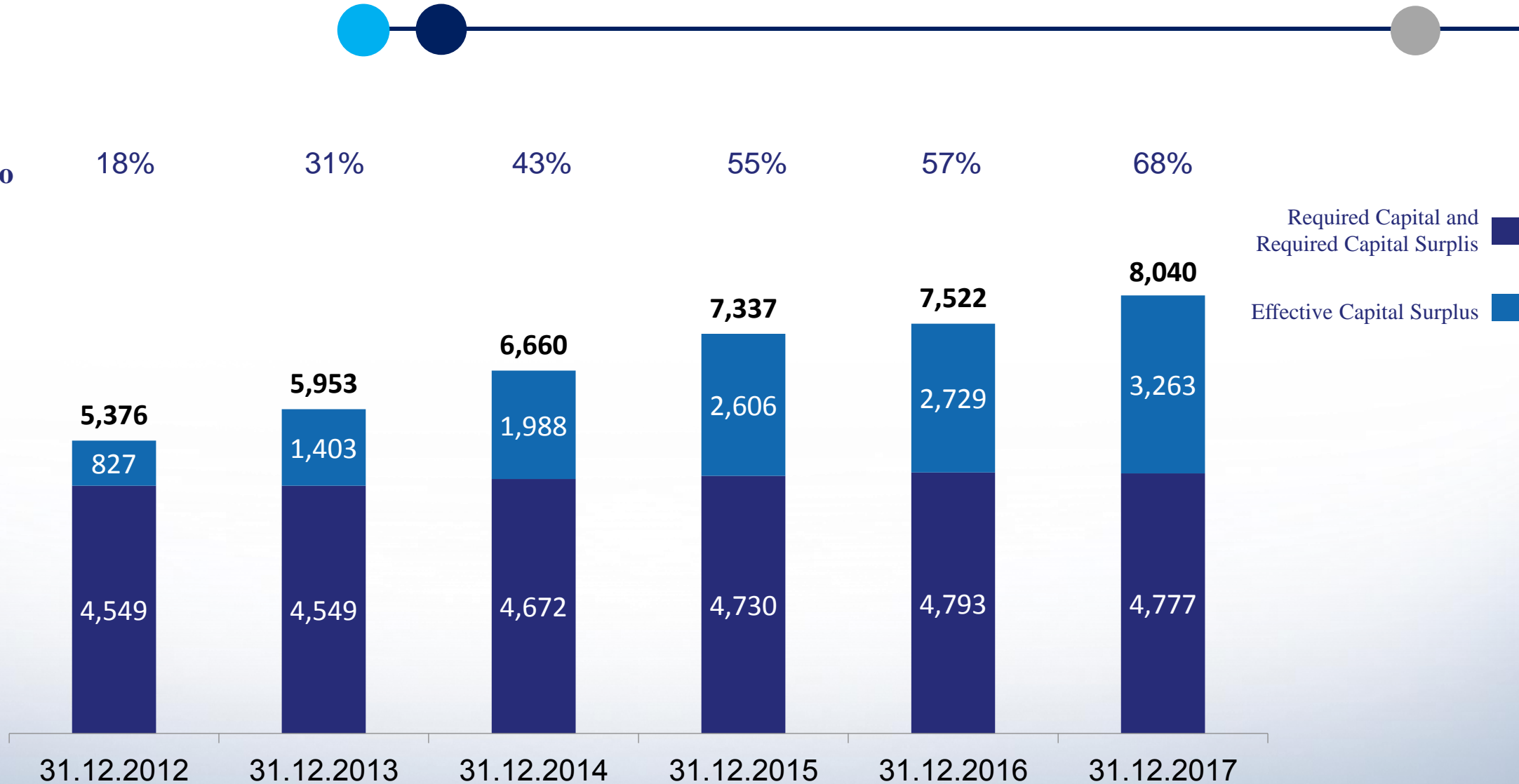


# Capital Atributable to Company Shareholders (NIS Millions)



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

Rate of effective capital surplus to required capital



# Estimated Capital Status According to the Solvency 2 as of December 31, 2016

Presented below is a summary of the calculation results as of December 31, 2016, which are included in the board of directors' report:

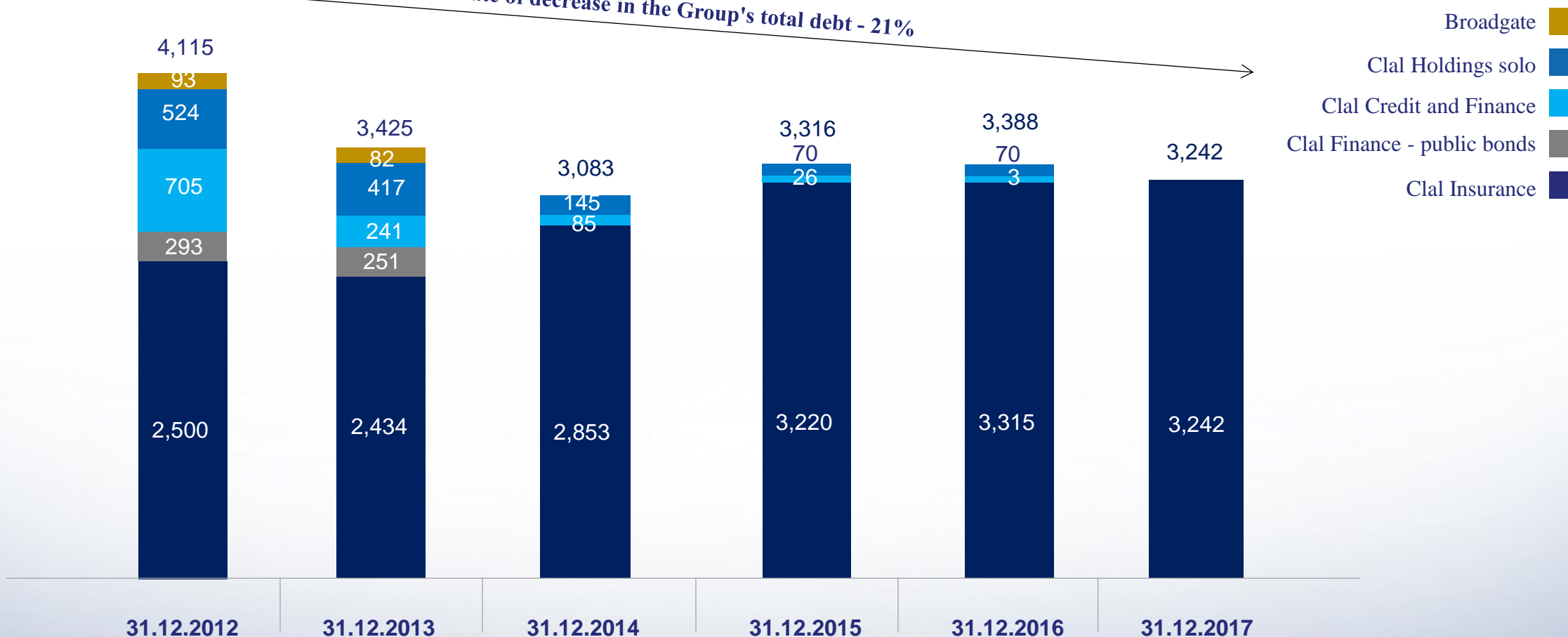
<b>Without taking into account the provisions for the distribution period, and including adjustment of the stock scenario:</b>	
Equity for the purpose of the solvency capital requirement	8,866
Solvency capital requirement (SCR)	7,969
<b>Surplus</b>	<b>897</b>
<b>Solvency Ratio</b>	<b>111%</b>
<b>Fulfillment of milestones, in consideration of the provisions for the distribution period and the adjustment of the stock scenario:</b>	
Equity for the purpose of the solvency capital requirement	7,887
Solvency capital requirement (SCR)	4,418
<b>Surplus</b>	<b>3,469</b>



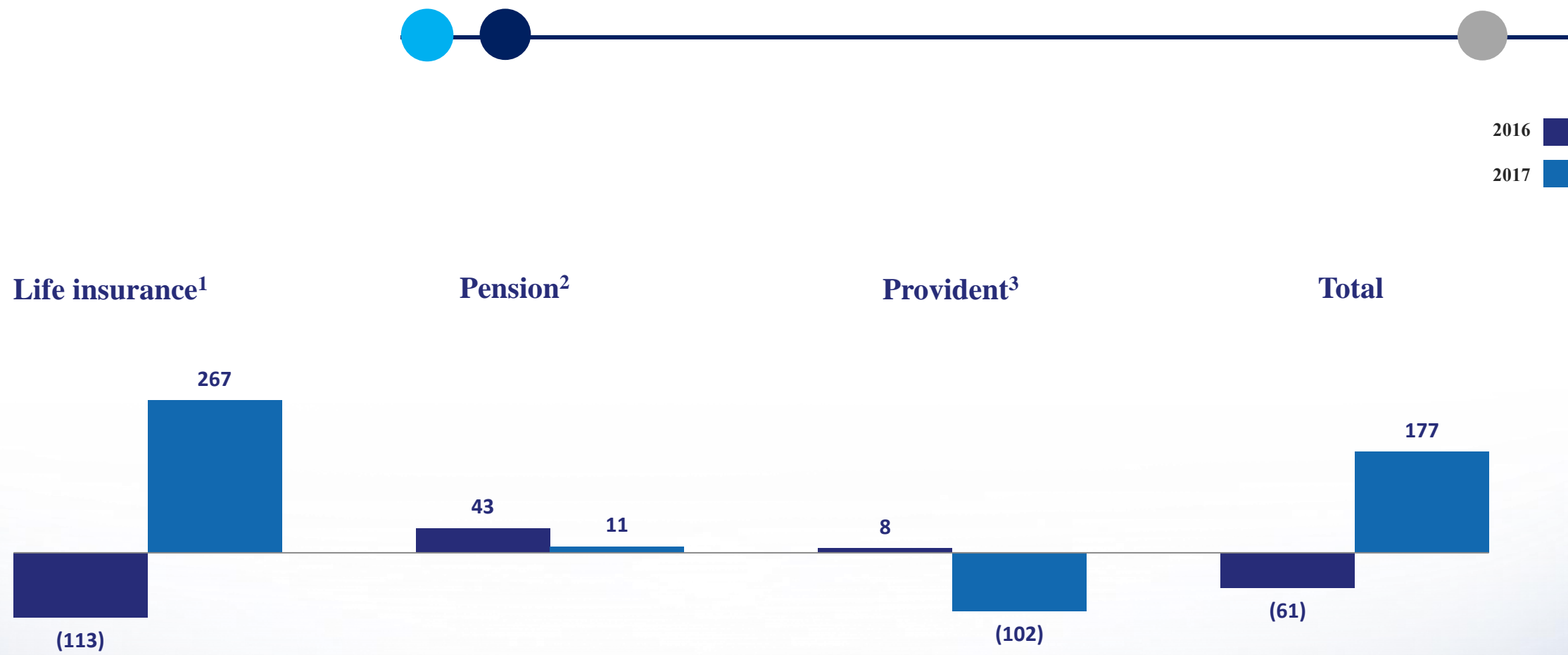
- ✓ The above details were not audited by the auditors as part of auditing the financial statement.
- ✓ According to the provisions of the distribution period, the SCR as of December 31, 2016 is 60% of the of the SCR calculated according to the stock scenario.
- ✓ The Company will report the results of calculation as of December 31, 2017 as part of its financial statement for the second quarter of 2018.
- ✓ The Board of directors of Clal Insurance has not yet determined the solvency ratio target based on the provisions of the economic solvency regime. This determination constitutes a precondition for a dividend distribution.

# Main Debt of the Group (NIS Millions)

Rate of decrease in the Group's total debt - 21%



# Long Term Savings | Comprehensive Income Before Tax (NIS Millions)

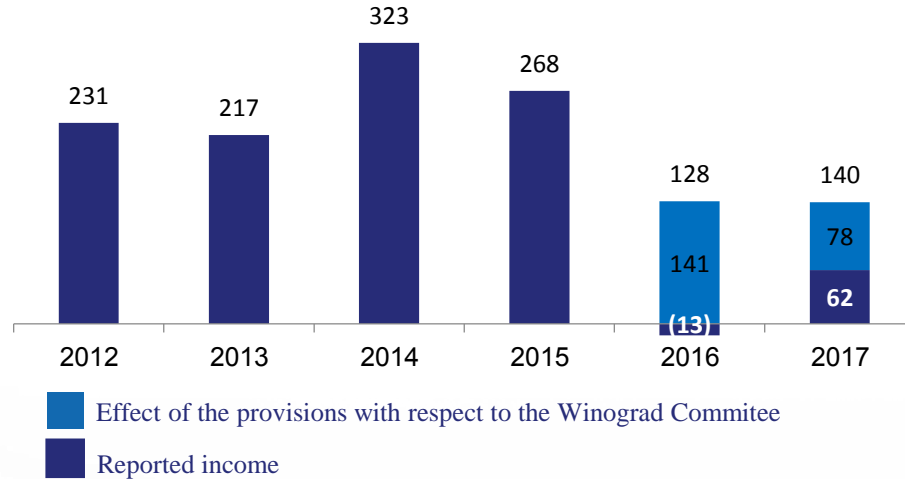


1. Variable management fees in the amount of NIS 352 million were collected in 2017, as compared with collection of NIS 106 million in 2016.
2. The decrease in income in pension was due to the increase in expenses, in automation expenses for the purpose of complying with the regulatory requirements, and in light of the updates to the company's general and administrative costs allocation model.
3. The results include amortization of goodwill in the amount of NIS 108 million and NIS 25 million, in 2017 and 2016, respectively.

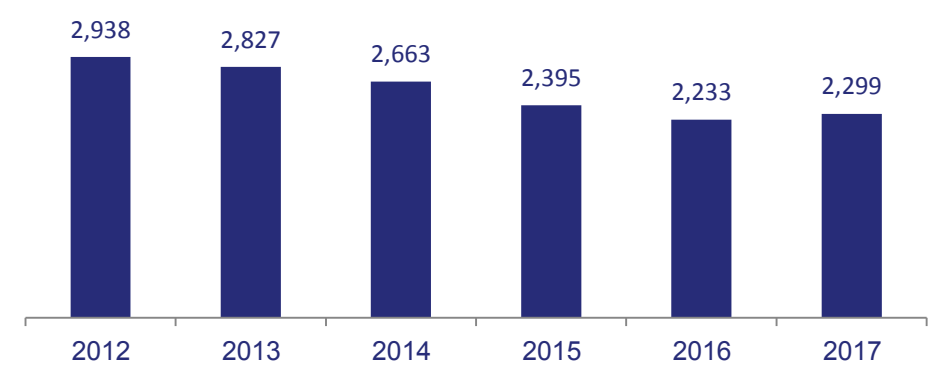


# Non-Life Insurance | Main Results (NIS Millions)

Comprehensive income (loss) before tax

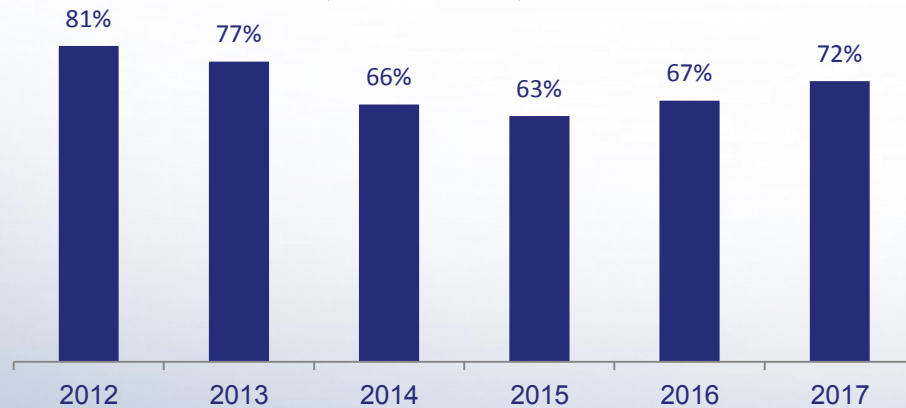


Gross premiums<sup>1</sup>

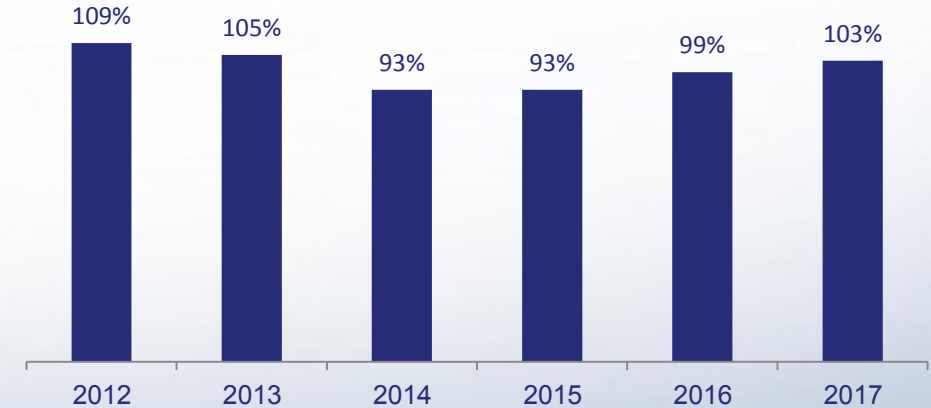


1. The decrease stems from the Company's strategy not to renew losing businesses, including collective businesses in compulsory motor and motor property branches, as well as not renewing personal accidents insurance for students.

LR (Retention)\*



CR (Retention)\*



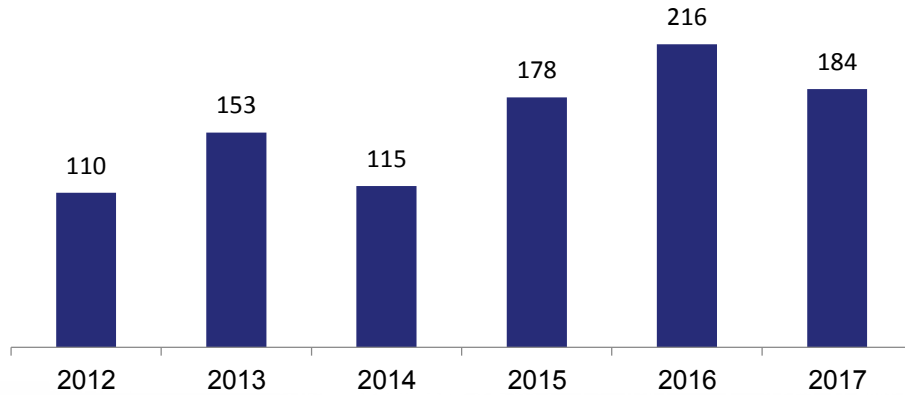
\* After neutralizing the effect of the provision with respect to the possible implications of the amendment to the Discounting Regulations, in light of the recommendations of the Winograd committee.

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

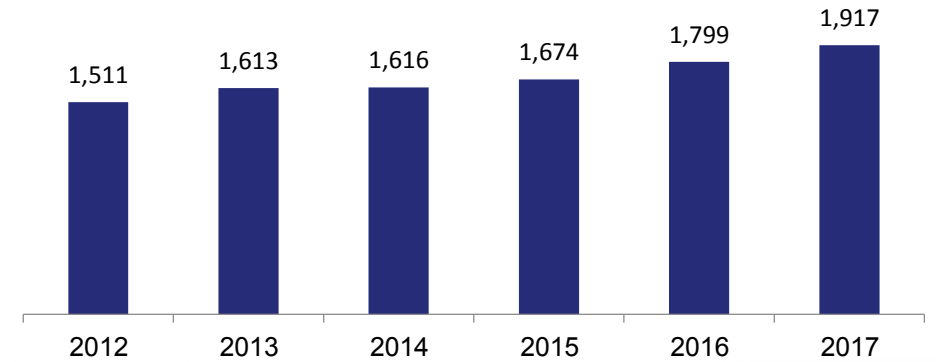


\* The results include the effect of the provision with respect to the possible implications of the amendment to the Discounting Regulations, in light of the recommendations of the Winograd committee.

Comprehensive income before tax<sup>1</sup>

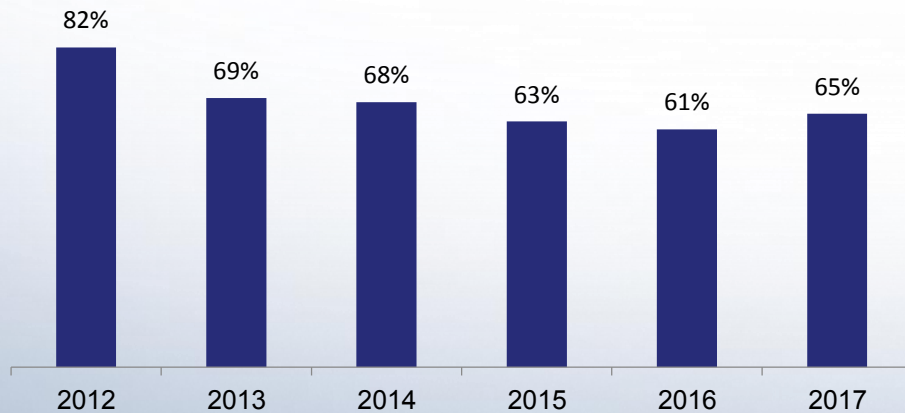


Gross premiums earned

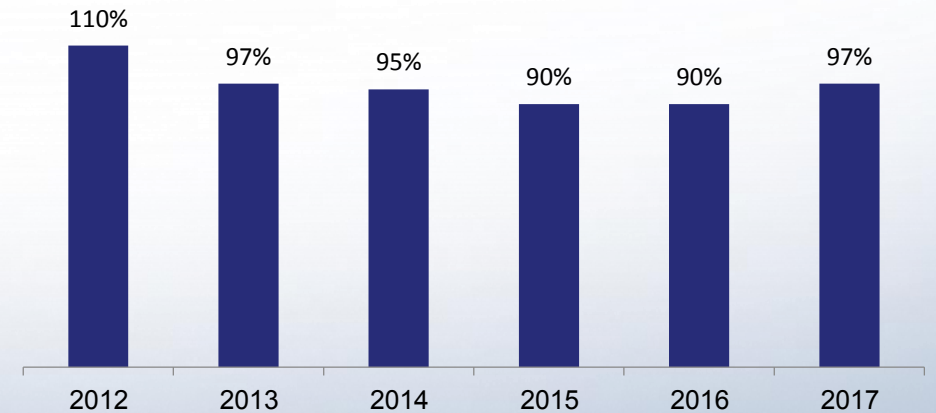


1. The increase in comprehensive income before thx for the years 2012-2017, mainly results from the company's policy to grow in individual business operations.

LR (Retention)



CR (Retention)



# Statements of the CEO

*“Clal Insurance's business results for 2017 reflect the company's strategy for the past five years, based on long term business management.*

*Clal Insurance has undergone a true revolution in reinforcing its business and technological stability for the next years. As part of this process, we have reinforced the company's financial reserves and updated our members and policyholders' rights. Additionally, as a result of the low interest rate environment, the company has allocated large amounts to reserves, which will infuse value for the company in the future once the market's interest rates rise.*

*I am proud to end a period of 5 years in my position and am leaving a solid company with a strong capital structure – the company's equity has increased in the past 5 years from approx. 3.4B NIS to approx. 5B NIS (an increase of approx. 48%). The total debt and financing expenses significantly decreased, the insurance portfolios were optimized and the underwriting profits were improved, the risk management, control and enforcement arrays were upgraded, the automation systems were developed and significantly upgraded to information systems that are mostly among the most advanced in the industry and we also recently applied an advanced, extensive digital vision to benefit the company's customers and agents.*

*I have no doubt that this strategy of investments and provisions with a long term outlook, which demanded an extent of sacrifice in the short term reported results, will prove itself and the company will infuse value and only upgrade itself in the future.”*





Thank You