

Clal Insurance Enterprises Holdings Ltd.



# Financial Statements For The Period January-June 2018



Review for Analysts, August 2018

# Limitation of Liability

This presentation includes partial information only with respect to the Company's results for the period January-August 2018, 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.**



# About Us

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

Assets under management: NIS 196 billion  
(As of the end of June 2018)

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

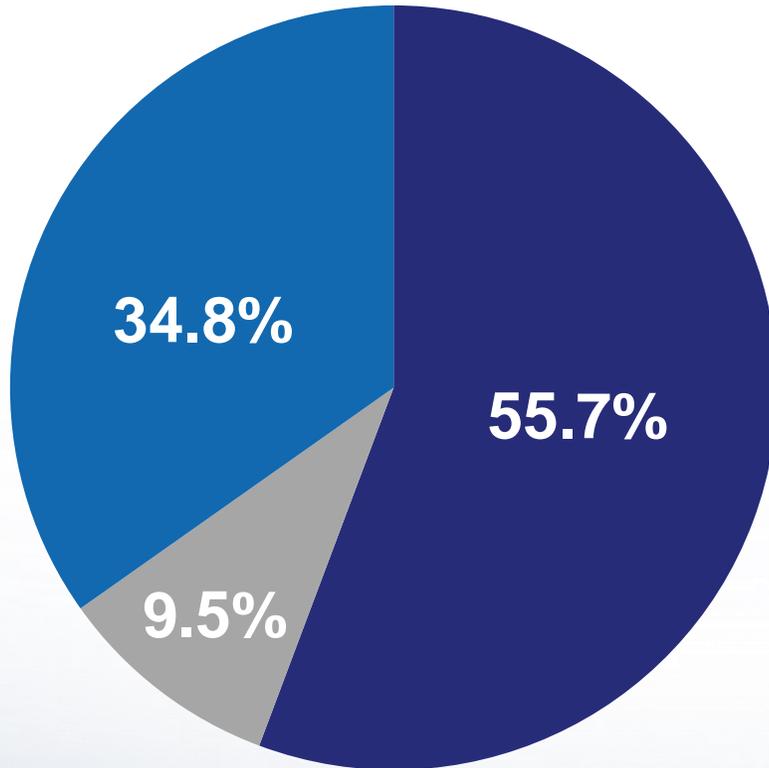
Scope of premiums and contributions in the first half of 2018: Approximately NIS 8.5 billion

Operates together with approximately 2,000 insurance agents

Employs approximately 4,300 employees



# Shareholders\*



Clal Insurance Enterprises Holdings Ltd. is a part of IDB Development group, which holds approximately 35%\*\* 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



\* Proximate to the publication date of the report

\*\* Approximately 30% of the share capital of Clal Holdings is held for IDB Development through a trustee, Mr. Moshe Terry

# 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

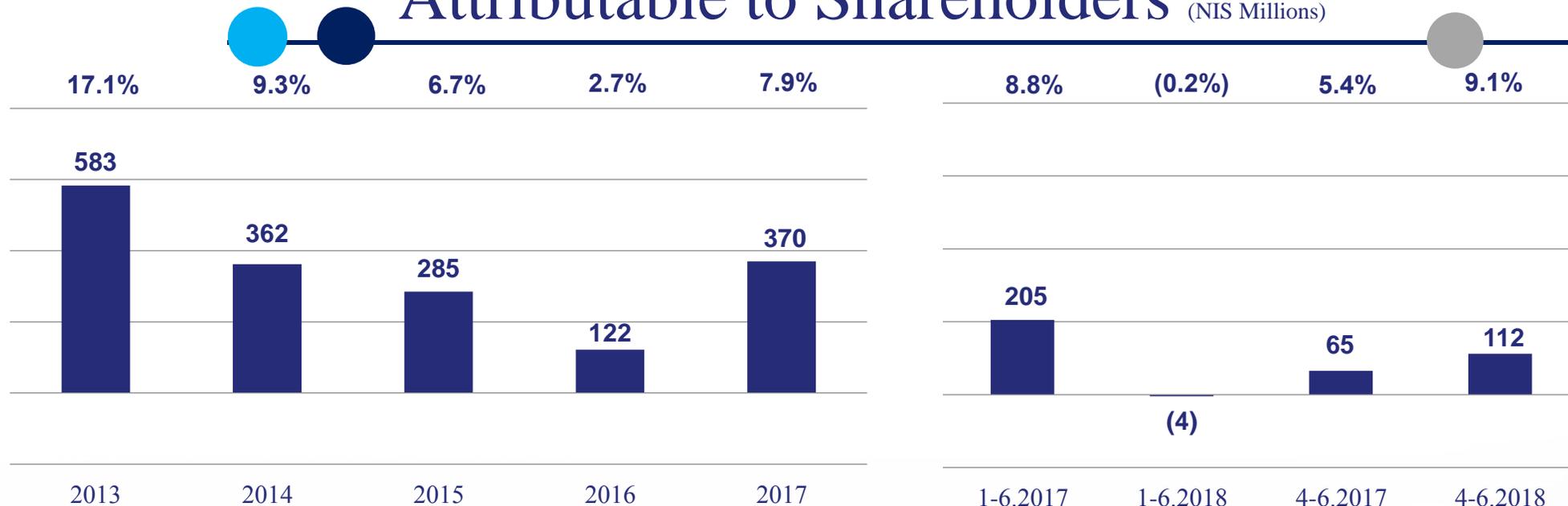
## Joining online

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



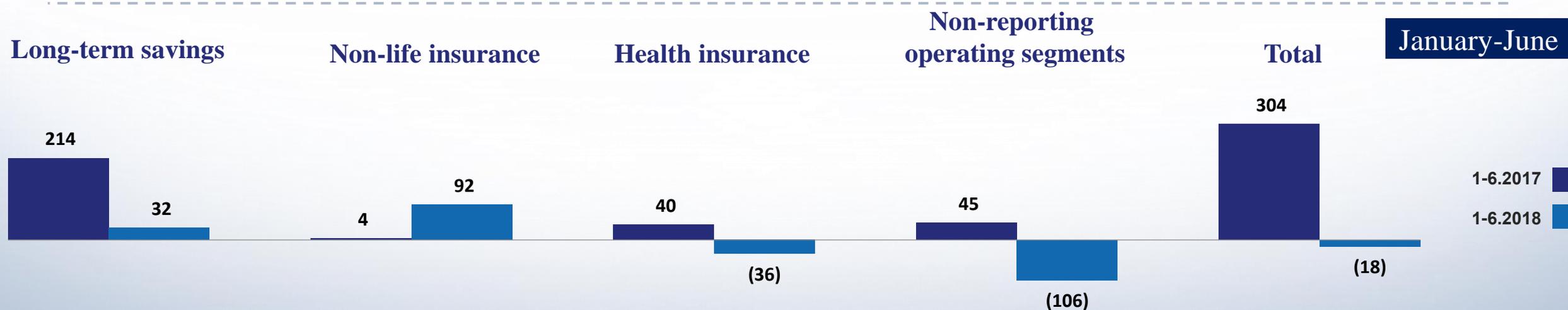
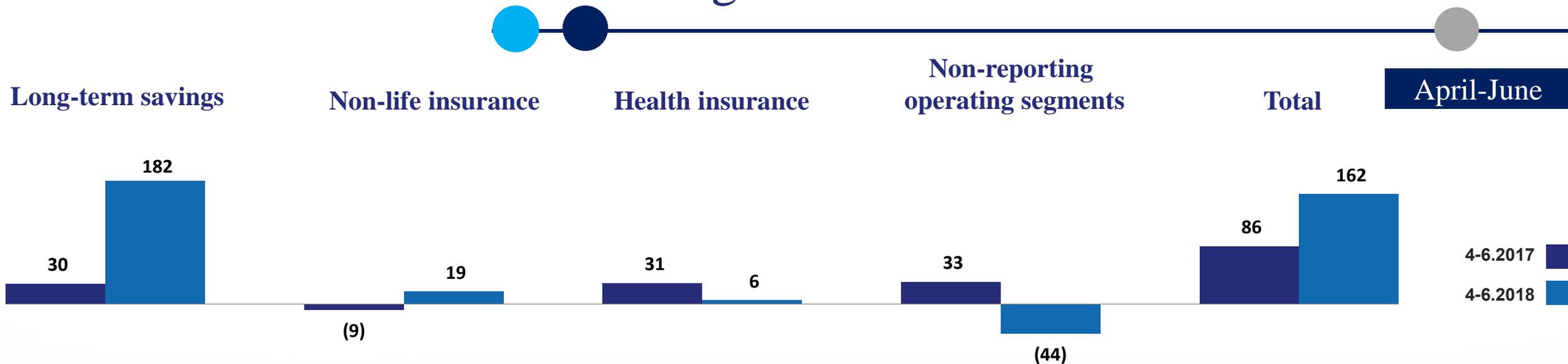
Special effects which affected the results:	2013	2014	2015	2016	2017	Cumulative 2013-2017	1-6.2017	1-6.2018	4-6.2017	4-6.2018
Impact of the low interest rate environment on insurance liabilities*	26	(309)	(266)	(335)	(248)	(1,132)	144	265	78	439
Optimization of members' rights and collection	-	-	(22)	(101)	(53)	(176)	(20)	-	(20)	-
Amortization of goodwill	(19)	(10)	(2)	(25)	(108)	(164)	(81)	(115)	(81)	(115)
Additional special provisions **	-	(68)	(10)	(24)	(38)	(140)	(15)	-	(15)	-
<b>Total provisions before tax</b>	<b>7</b>	<b>(387)</b>	<b>(301)</b>	<b>(485)</b>	<b>(448)</b>	<b>(1,612)</b>	<b>28</b>	<b>150</b>	<b>(38)</b>	<b>324</b>
<b>Total provisions after tax (including tax benefits)</b>	<b>17</b>	<b>(248)</b>	<b>(183)</b>	<b>(274)</b>	<b>(291)</b>	<b>(978)</b>	<b>18</b>	<b>99</b>	<b>(25)</b>	<b>213</b>
<b>Normalized return on equity from the aforementioned effects</b>	<b>16.6%</b>	<b>15.7%</b>	<b>11.0%</b>	<b>8.7%</b>	<b>14.1%</b>		<b>8.0%</b>	<b>(4.1%)</b>	<b>7.5%</b>	<b>(8.2%)</b>

\* For more details see page 9

\*\* Mainly provisions with respect to class actions, employees' early retirement and debt exchange costs

\*\*\* Results during the reporting period were primarily affected by capital market returns, which were lower than the returns in the corresponding period last year, and were reflected both in the decrease in investment income and in the collection of variable management fees

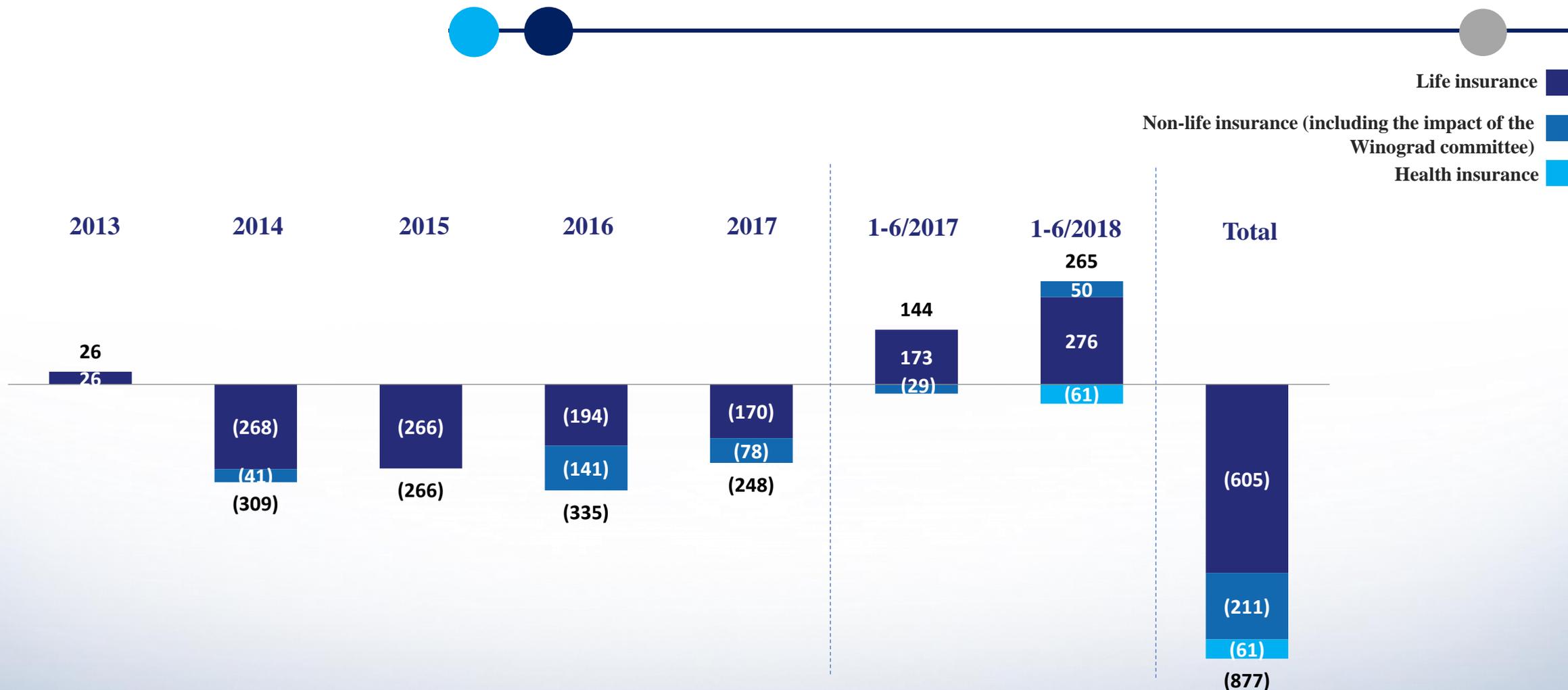
# Comprehensive Income Before Tax by Segments\* (NIS Millions)



\* Results during the reporting period were primarily affected by capital market returns, which were lower than the returns in the corresponding period last year, and were reflected both in the decrease in investment income and in the collection of variable management fees

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

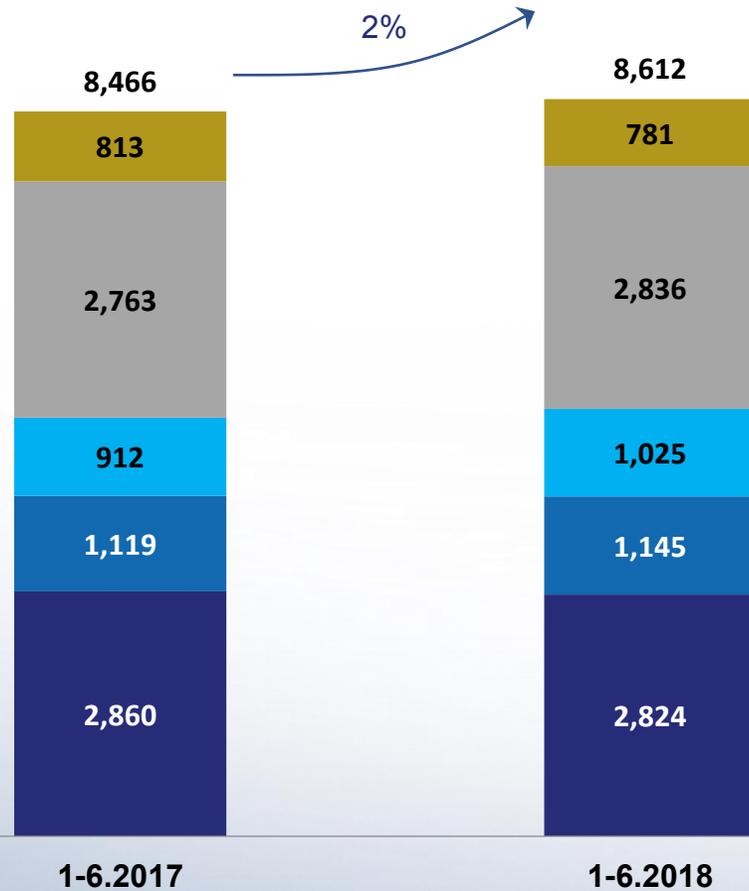
(NIS Millions)



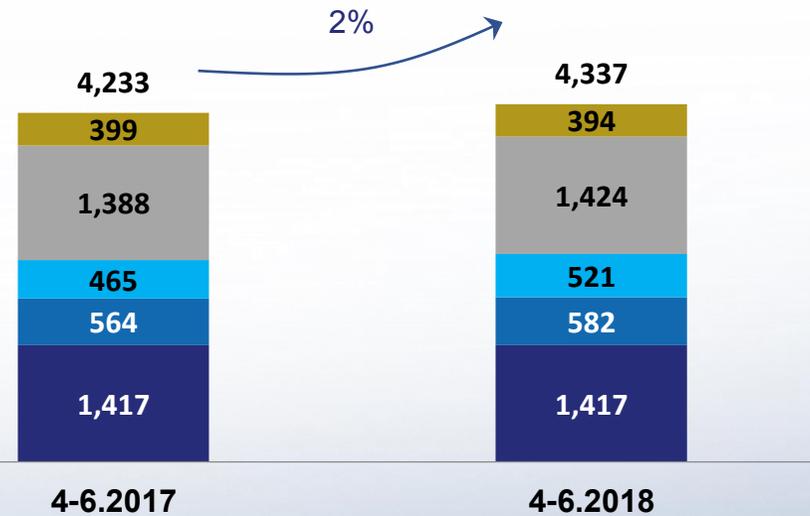
# Gross Premiums Earned and Contributions

(NIS Millions)

## January-June

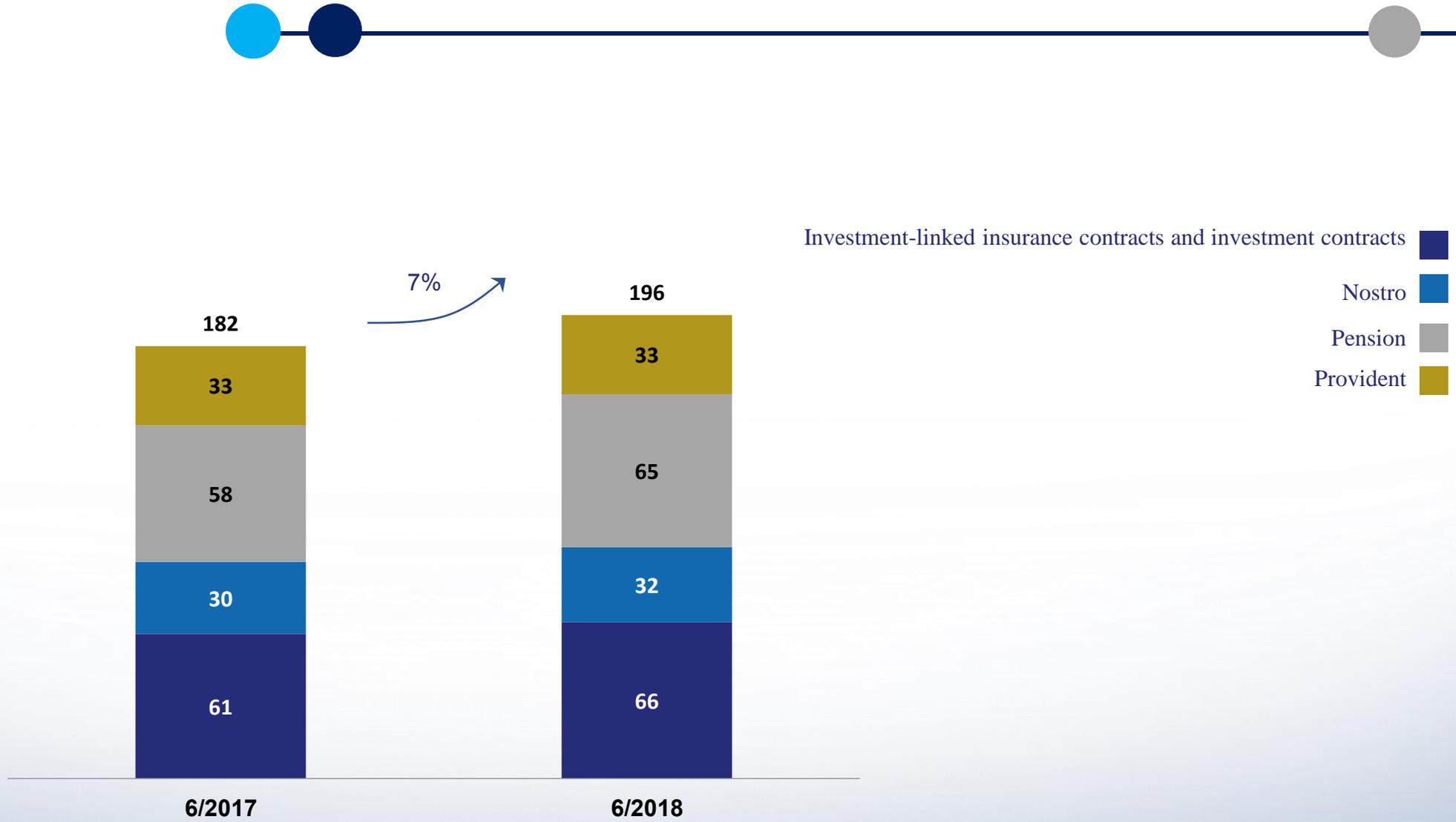


## April-June

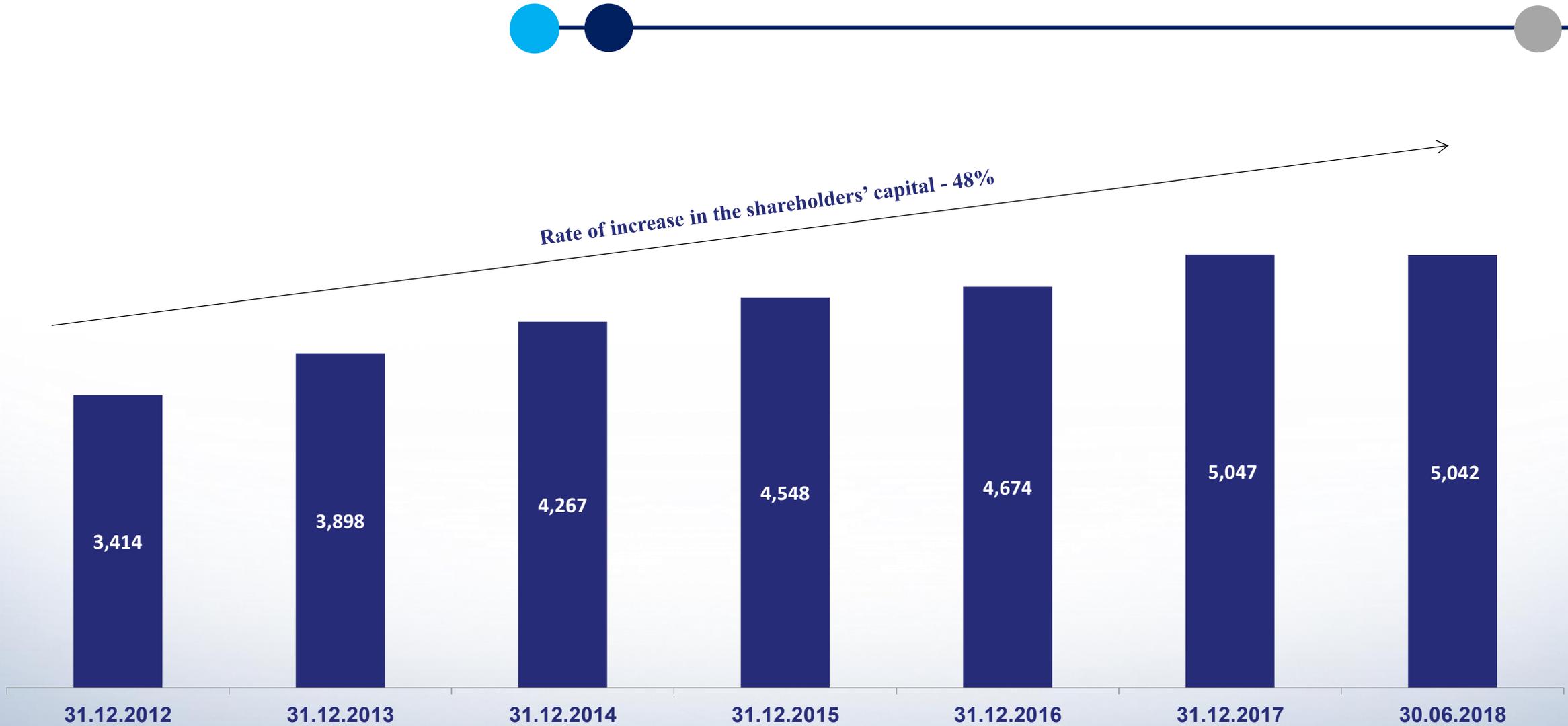


- Life insurance ■
- Non-life insurance ■
- Health insurance ■
- Pension ■
- Provident ■

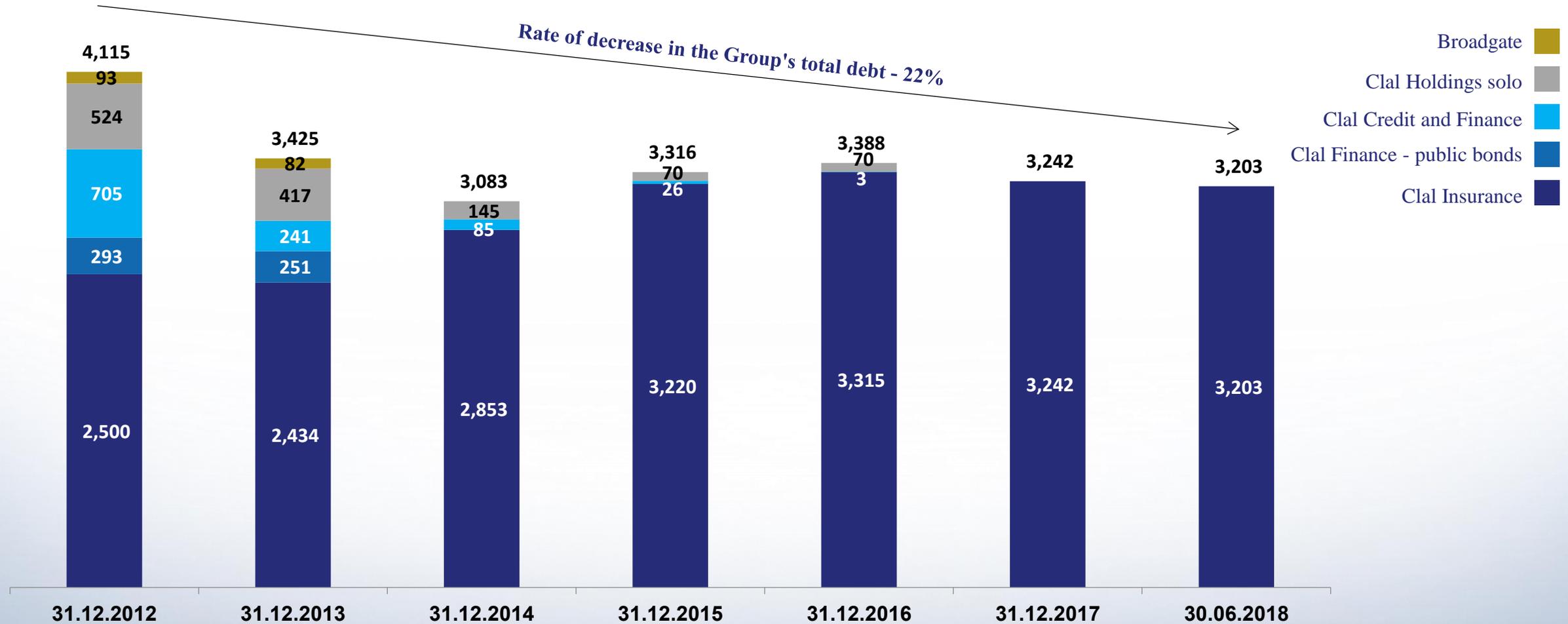
# Managed Assets by Portfolio (NIS Billions)



# Capital Atributable to Company Shareholders (NIS Millions)



# Main Debt of the Group (NIS Millions)



# Results of the Economic Solvency Ratio Calculation as of December 31, 2016 [NIS Millions]

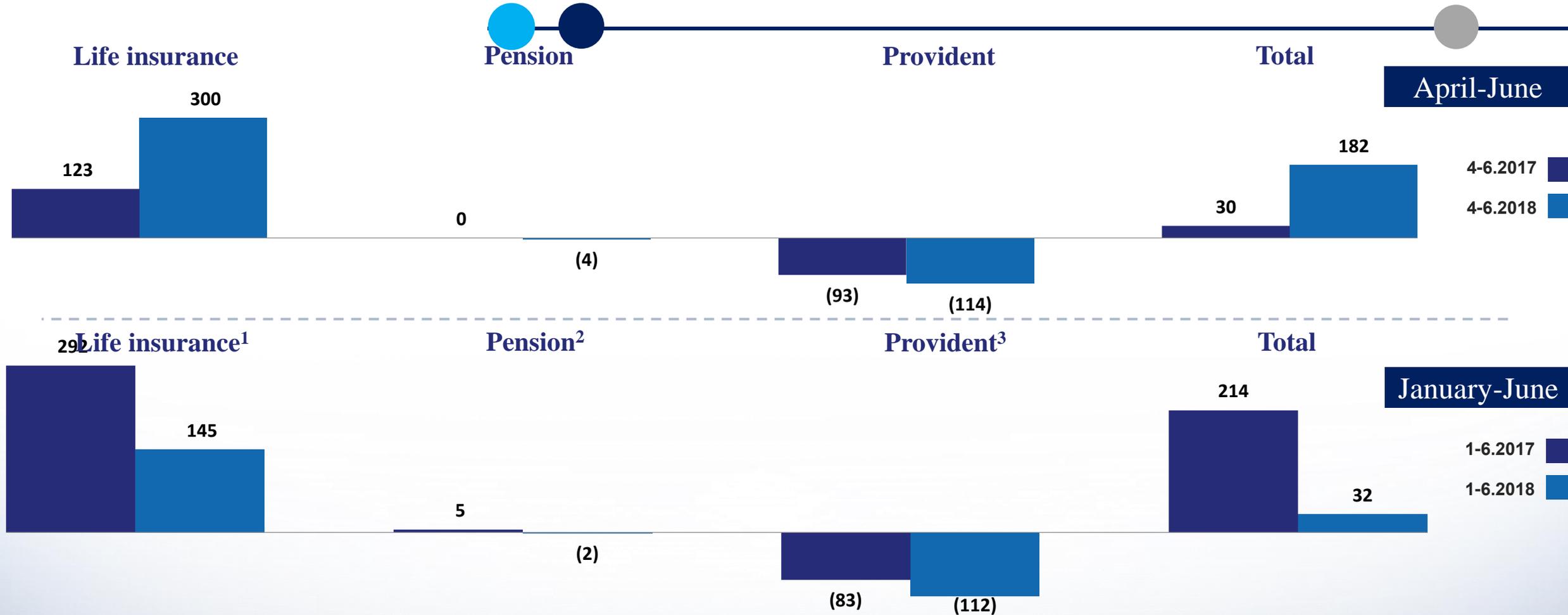
Presented below is a summary of the results of the economic solvency ratio calculation for Clal Insurance as of December 31, 2016:

<b>Without taking into account the provisions during the distribution period and the stock scenario adjustment:</b>	
Equity for the purpose of the solvency capital requirement	8,666
Solvency capital requirement (SCR)	7,969
<b>Surplus</b>	<b>897</b>
<b>Solvency ratio</b>	<b>111%</b>
<b>Fulfillment of milestones while taking into account the provisions during the distribution period and the stock adjustment:</b>	
Equity for the purpose of the solvency capital requirement	7,887
Solvency capital requirement	4,418
<b>Surplus</b>	<b>3,469</b>

- ✓ The data presented above have not been audited by the auditors as part of their review of the financial statements.
- ✓ In accordance with the provisions during the distribution period, the solvency capital requirement as of December 31, 2016 amounts to 60% of the solvency capital requirement calculated according to a stock scenario adjustment.
- ✓ The Board of Directors of Clal Insurance has not yet determined the target solvency ratio based on the provisions of the economic solvency regime, which is a precondition for a dividend distribution.
- ✓ In accordance with the Commissioner's directives, the solvency ratio report as of December 31, 2017 will be published by November 29, 2018.



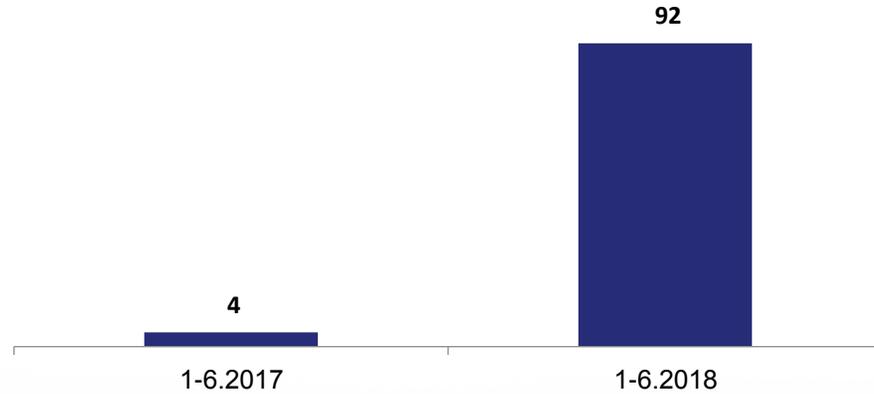
# Long Term Savings | Comprehensive Income Before Tax (NIS Millions)



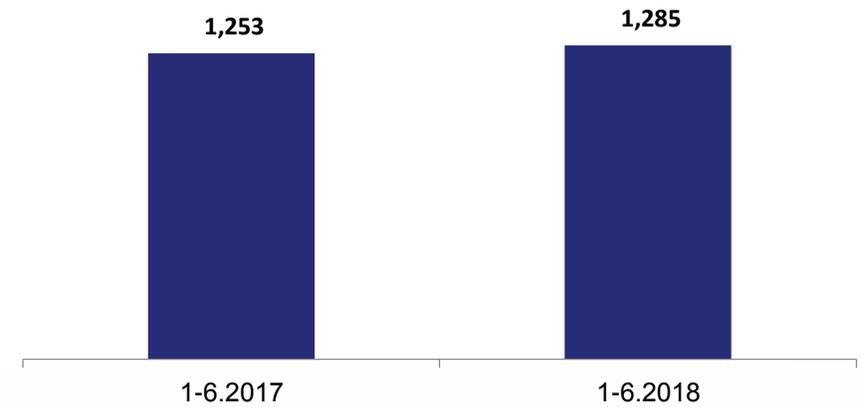
1. The decrease in income was primarily due to the decrease in investment income, against the decrease of the reserves due to the impact of the low interest rate environment on insurance liabilities in the amount of approximately NIS 276 million during the reporting period, as compared with a decrease of the reserves in the amount of approximately NIS 173 million in the corresponding period last year.
2. The decrease in income was primarily due to the decrease in management fee revenues, due to the competitive conditions in the segment, which led to an erosion in the management fee rate, and to an increase in operating expenses. These effects were partly offset by the increase in routine deposits.
3. The loss was primarily due to the impairment of goodwill which was recorded during the reporting period, in the amount of approximately NIS 115 million, as compared with impairment in the amount of approximately NIS 81 million in the corresponding period last year.

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

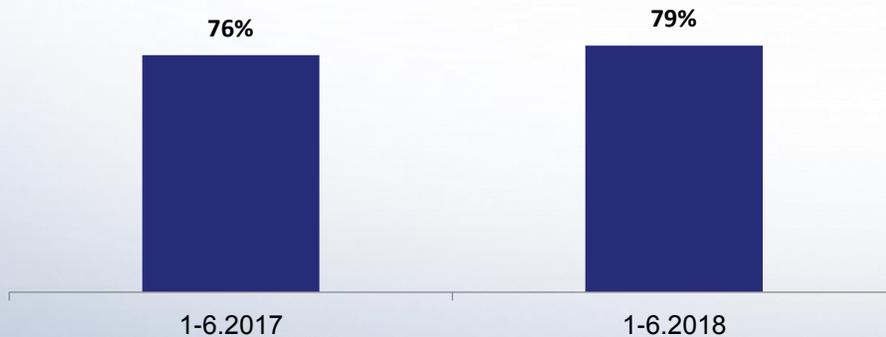
Comprehensive income before tax



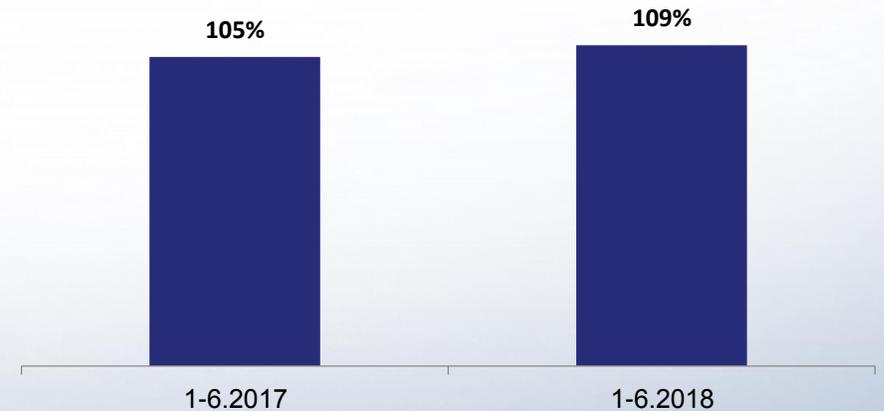
Gross premiums



LR (Retention)\*

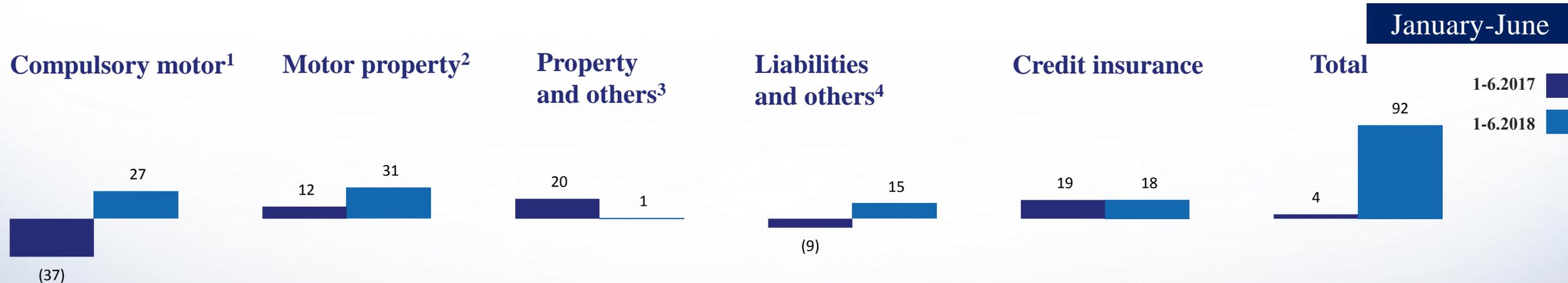
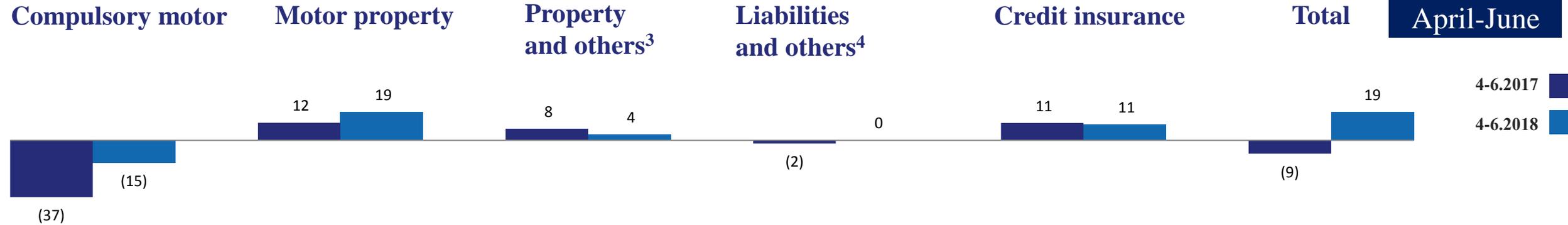


CR (Retention)\*



\* 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.

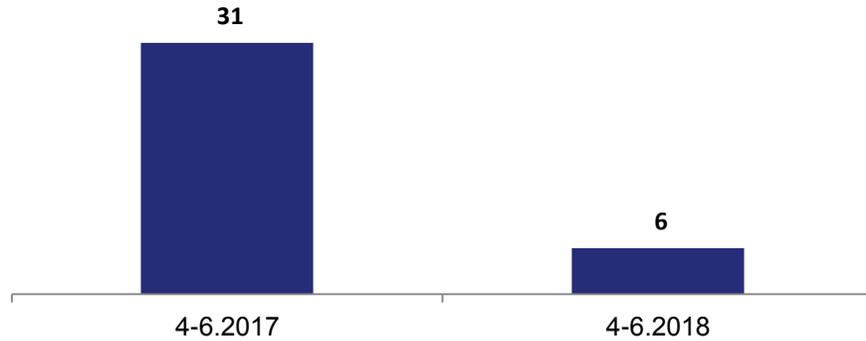
# Non-Life Insurance | Comprehensive Income Before Tax (NIS Millions)



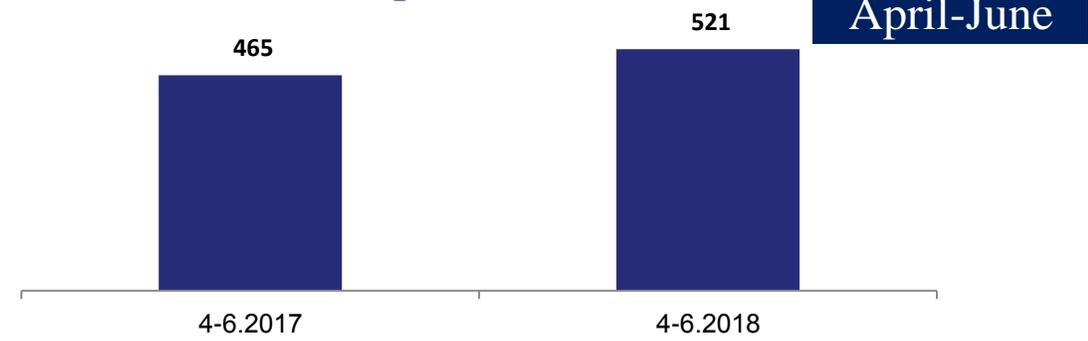
1. The increase in income was due to the decrease of the provision with respect to the possible implications of the amendment to the Discounting Regulations, in light of the recommendations of the Winograd committee, in addition to the improvement in surplus investment income over the income required to cover the increase in insurance liabilities.
2. The increase in income was primarily due to the continued underwriting improvement in individual business operations.
3. The transition from income to loss during the reporting period was primarily due to several large fire property claims, mostly in the first quarter.
4. The transition from loss to income was due to the decrease in the provision with respect to the possible implications of the amendment to the Discounting Regulations, in light of the recommendation of the Winograd committee, as compared with the increase of the provision in the corresponding period last year, while on the other hand, a deceleration occurred in the positive developments relative to last year in the third party sub-branch.

# Health Insurance | Main Results (NIS Millions)

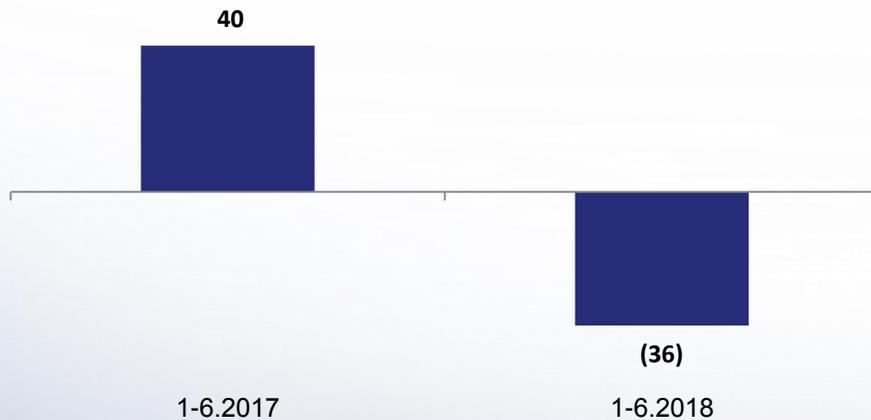
Comprehensive income before tax



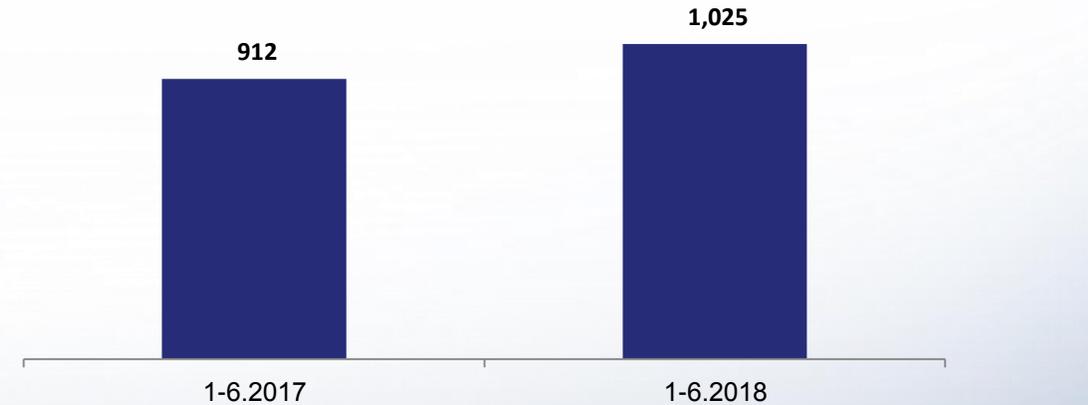
Gross premiums earned



Comprehensive income before tax <sup>2</sup>



Gross premiums earned <sup>1</sup>



2. The decrease in income and the transition to loss, relative to the corresponding period last year, were due to the liability adequacy test (LAT), which affected comprehensive income in the amount of approximately NIS 61 million, primarily due to the update to the actuarial assumptions which are used to calculate the reserve with respect to long-term care policyholders, with no effect in the corresponding period last year.

1. The increase in premiums was primarily due to the increase in individual business operations.

## Izzy Cohen, Outgoing CEO of Clal Holdings

*“I am leaving Clal Insurance after around 5.5 years, during which time significant changes and improvements have been made to the capital structure, mix of business operations and underwriting profitability, as well as improvement of policyholder rights, improvement of the technological systems, and improvement of the risk management, control and regulatory systems. I have no doubt that all of these will help enhance the Company in the future, and unlock value for its shareholders. I would like to wish the new management success in growing the Company and expanding its business operations, based on the infrastructures which have been created. I would also like to wish Yoram Naveh the greatest success upon his entry into the new position.”*

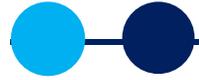
## Yoram Naveh, Incoming CEO of Clal Holdings

“I would like to thank the outgoing CEO of Clal Insurance, Mr. Izzy Cohen, for his significant contributions to and extensive efforts on behalf of the Company, while driving it towards continued leadership in the Israeli insurance sector.”

## Danny Naveh, Chairman of Clal Holdings

“On behalf of the Board of Directors, I would like to thank Izzy Cohen for his efforts over the last five years, and for the great deal of work which he has invested in upgrading the Company’s systems and infrastructures. I wish him the greatest success in his future endeavors.”





Thank You