



Clal Insurance Enterprises Holdings Ltd.

# Financial Statements For The Period January-June 2019

Review for Analysts, August 2019



# Limitation of Liability

This presentation includes partial information only with respect to the Company's results for the period January-June 2019, 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.



# Who we are?



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



Assets under management: NIS **207** billion (As of the end of June 2019), An increase of 6% compared with the end of Decmber 2018.



Total premiums, contributions and receipts with respect to investment contracts in January-Juny 2019: approximately NIS **9.1** billion. An increase of 4% compared with the corresponding period last year.



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



Operates together with approximately 2,000 insurance agents



Employs approximately 4,600 employees



Platinum rating of Maala in the field of corporate social responsibility



Leading in investment returns over time



The Company has unique activity in the field of mortgages and credit insurance

# Principal milestones in the last year

## CEO was replaced

Yoram Naveh was appointed as Company CEO

## Organizational structure change

Setting up the service, operations and collection unit

Setting up the customers and distribution division

Merging the pension and provident funds division and the life insurance division into the long-term saving division

## Relaunch of the finance activity

## Process of applying updated values in the Company

## Relaunch of the Clal Insurance and Finance brand

Leading in the field of integrating digital tools for customers among large insurance companies according to a survey by the Capital Markets Division

## Pitchon Lev fund raising event

## Organizational structure change

Splitting of the finance division and the investments division

Integrating the actuary activity to the finance division

## Launch of Pensia Mavticha

An innovative model in Israel

Clal VAR wings the product of the year award under the innovation category

Best service provider in the field of pension according to a survey by the Capital Markets Division

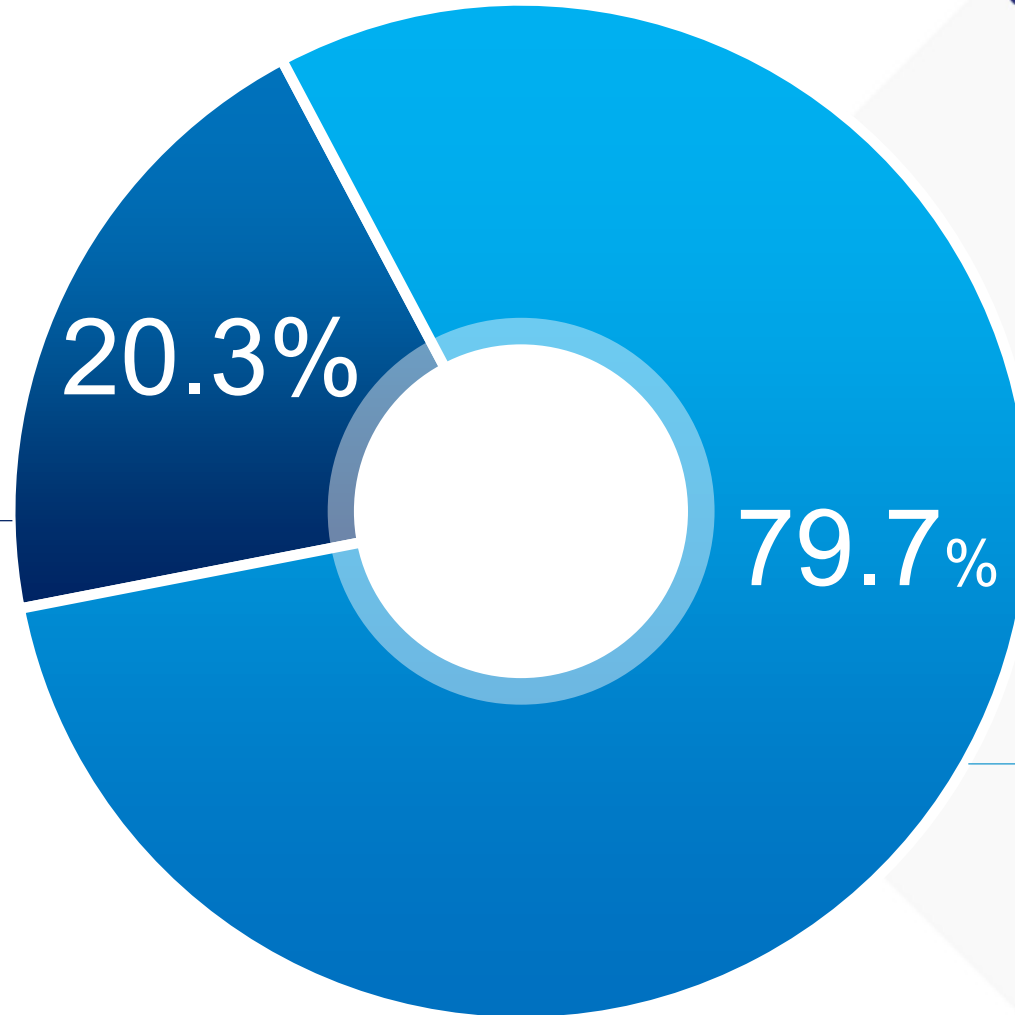
Awarded platinum rating by Maala



# Shareholders\*



IDB Development group is holding approximately 20.3%\*\* of the shares of Clal Insurance Enterprises Holdings



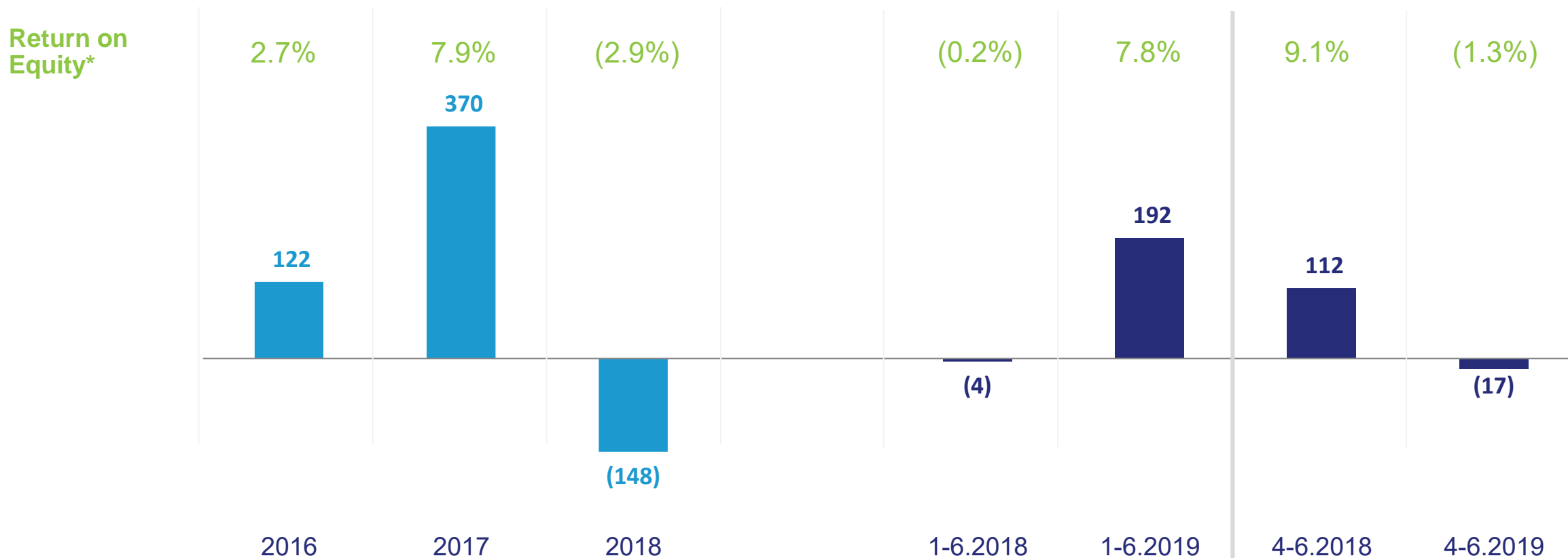
Shares which are held by the public and listed for trade on the Tel Aviv Stock Exchange. It is noted that IDB Development entered into swap transactions with respect to Company shares at a rate of approximately 24%.

\* Proximate to the publication date of the report

\*\* Approximately 15.3% of the share capital of Clal Holdings is held for IDB Development through a trustee, Mr. Moshe Terry

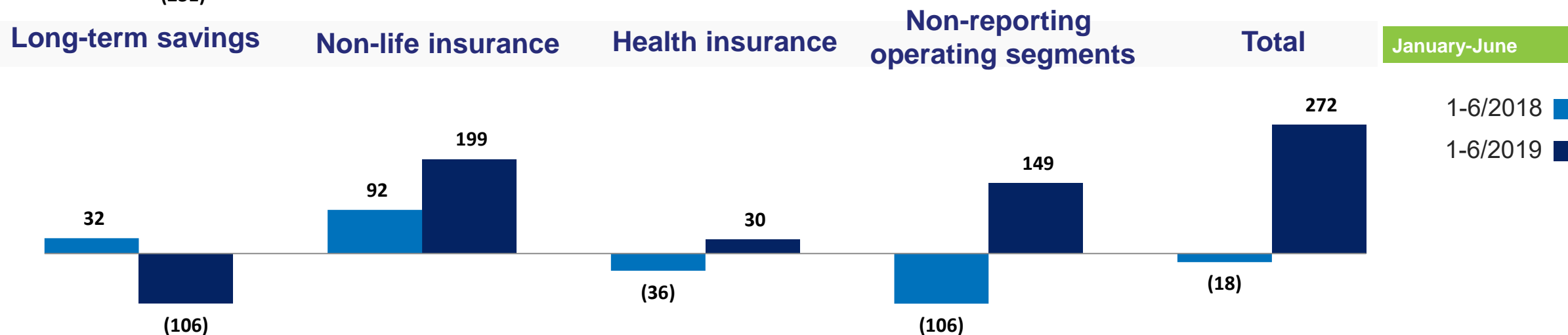
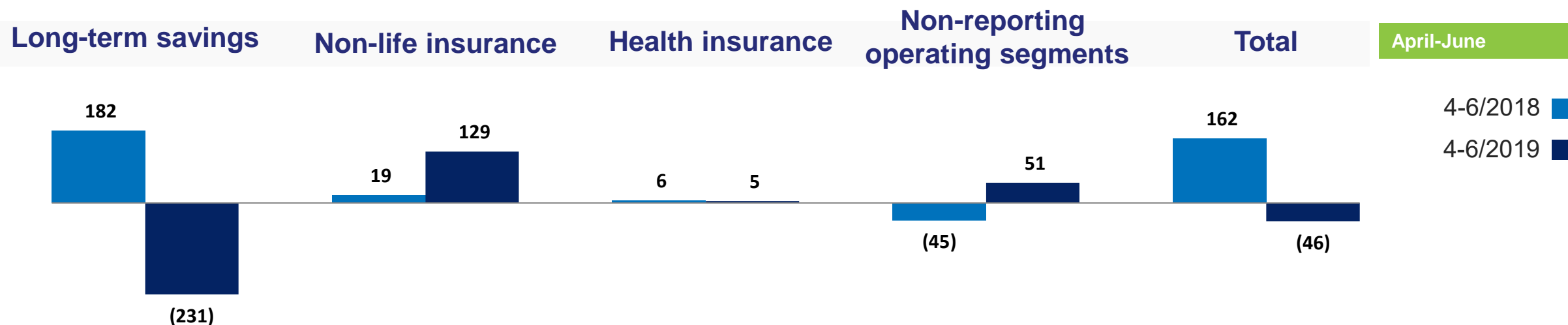
\*\*\* On May 2 2019, IDB Development entered into agreements with two buyers who are not related to IDB Development, whereby each of the buyers purchased Company shares constituting app. 4.99% of the Company's issued capital. In addition, one of the buyers was given an option to purchase further 3% of Company shares. To date, the said option has not yet been exercised. IDB Development has also entered into an agreement with a third buyer, whereby the buyer is given an option to purchase shares constituting up to app. 4.99% of the Company's issued capital (and no less than 3%). To date, the said option was exercised but the purchase transaction has not yet been completed.

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



\*Return on Equity In annual terms - return on equity is calculated on the basis of profit for the period attributable to the Company's shareholders, divided by equity at the beginning of the period attributable to the Company's shareholders

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

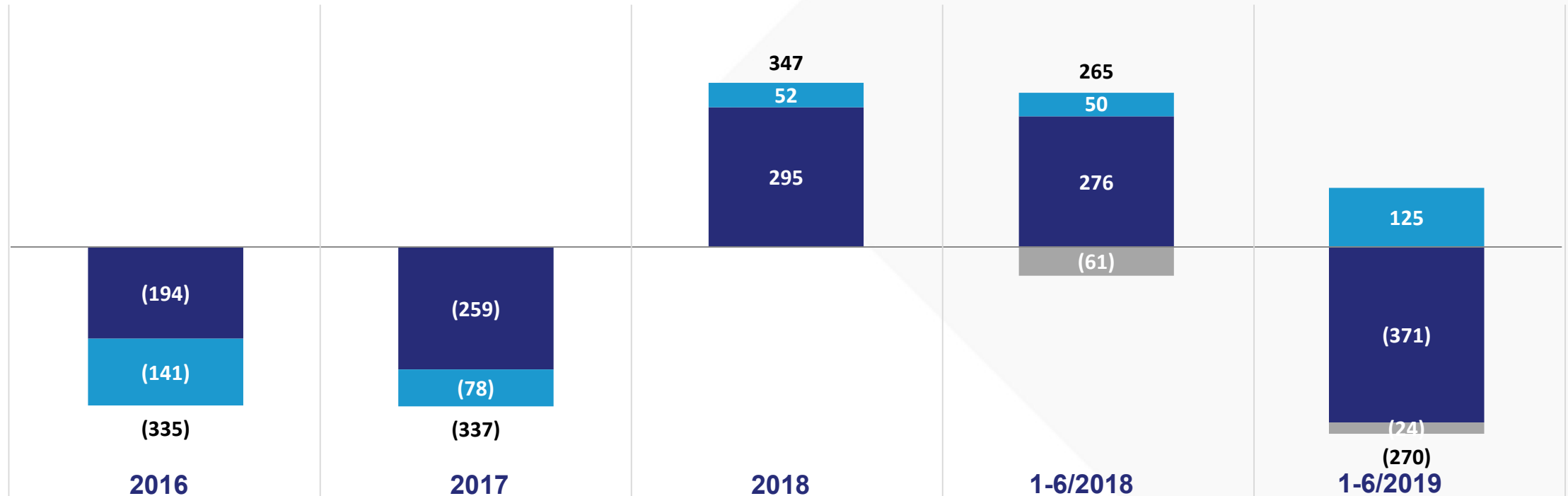


\* The comprehensive income in the reported period was mainly impacted by increase in capital markets yields that were higher than the yields in the corresponding period last year and were reflected in an increase in investment income that led to collection of app. NIS 206 million in variable management fees, compared with collection of app. NIS 15 million last year.

\*\* For a breakdown of data regarding the long-term saving and non-life insurance segments, see pages 11-12.

# Impact of Mortality Tables, Change of Retirement Age and the Low-Interest Rate Environment including LAT on Profit before Tax With Respect to Insurance Liabilities (NIS Millions)

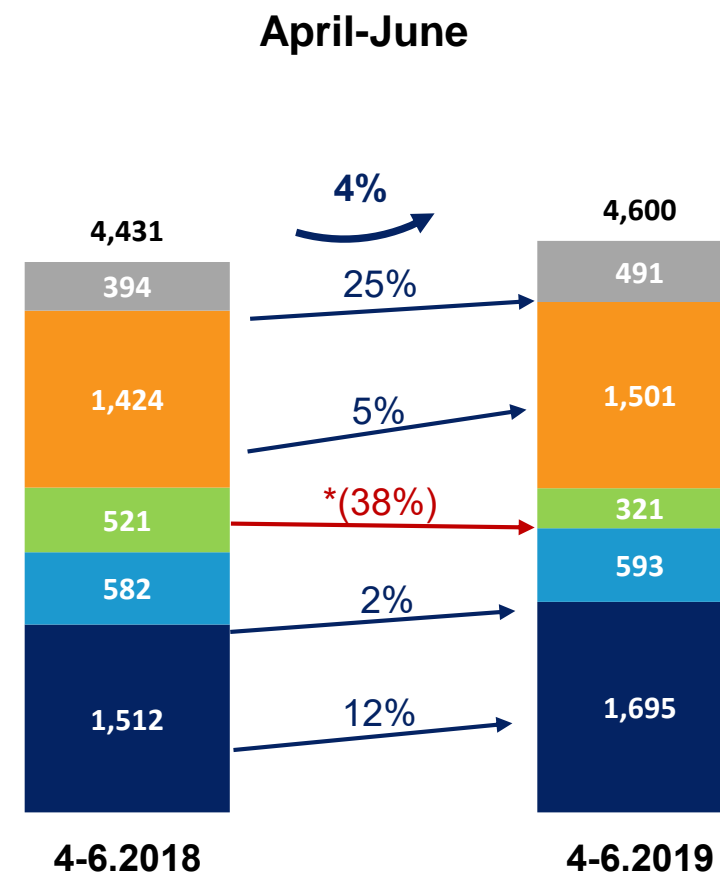
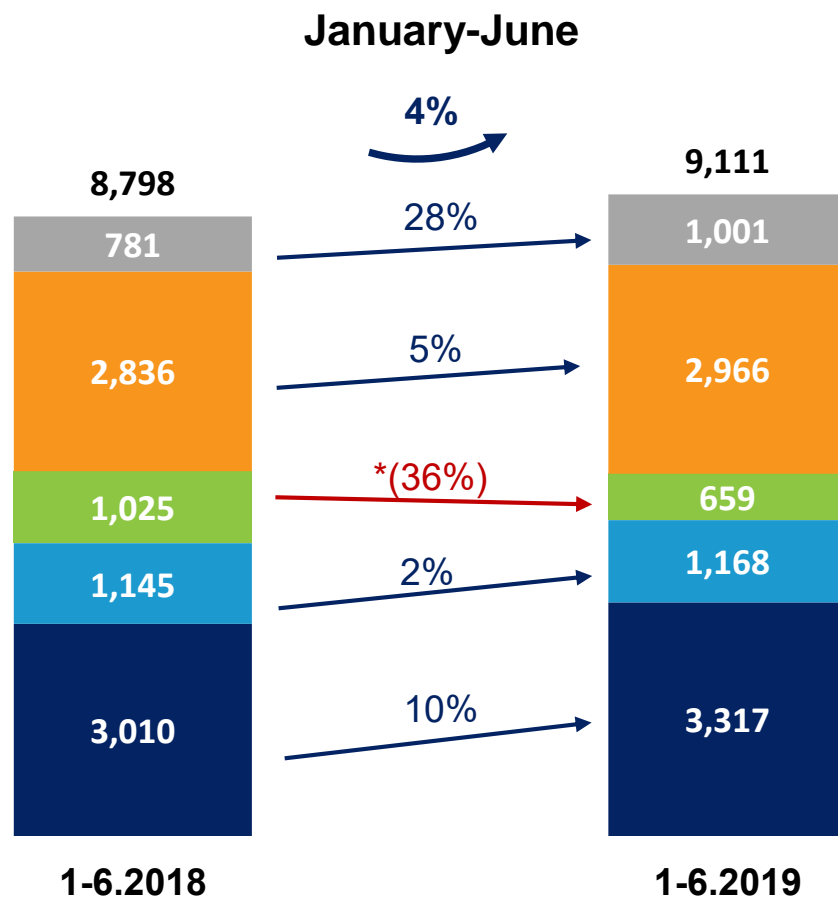
Health insurance
  Non-life insurance (including the impact of the Winograd committee)
  Life insurance





# Gross Premiums Earned, Contributions and Receipts with respect to investment contracts (NIS Millions)

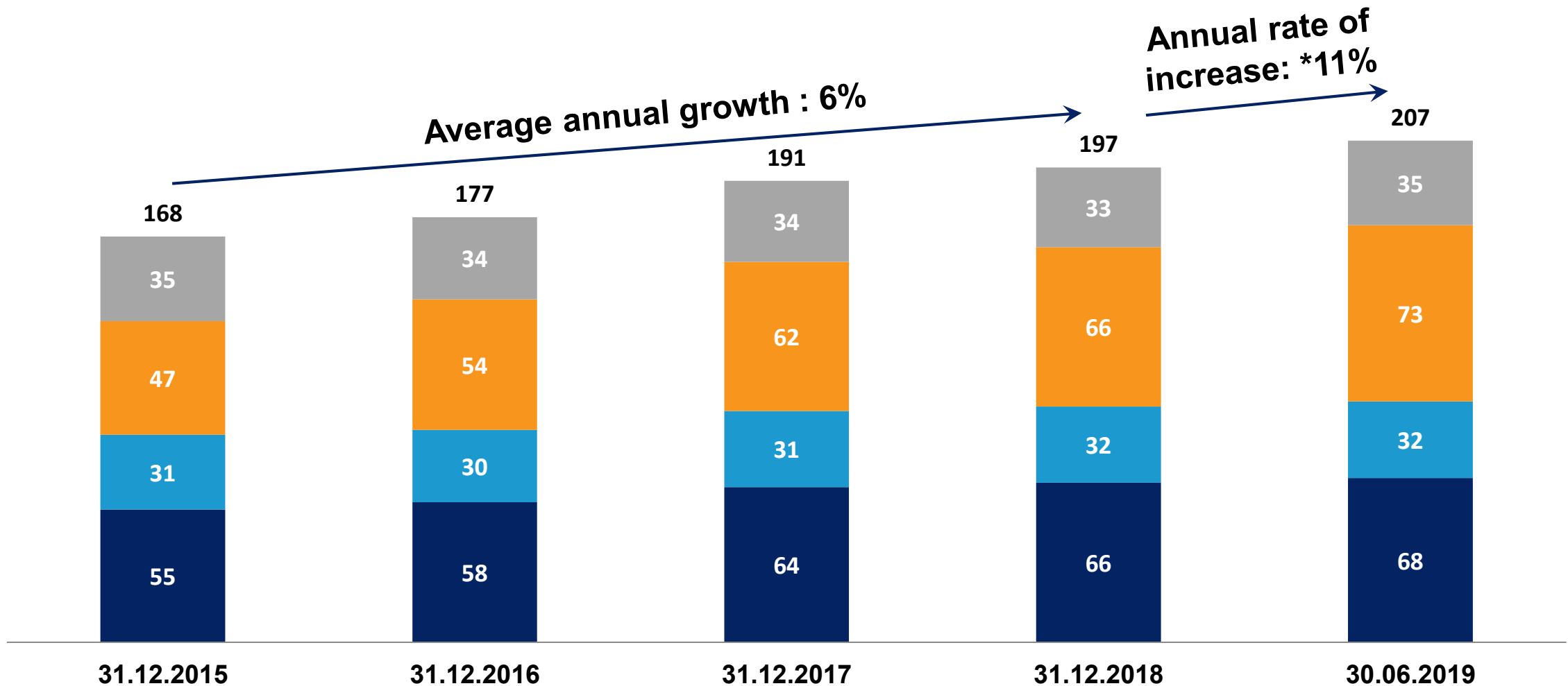
■ Provident 
 ■ Pension 
 ■ Health insurance 
 ■ Non-life insurance 
 ■ Life insurance



\*The decrease in premiums stems mainly from termination of engagements in collective long-term care insurance with Kupat Holim Maccabi and Leumit; in the reported period last year, the Company earned app. NIS 367 million and NIS 63 million, respectively, from those engagements.

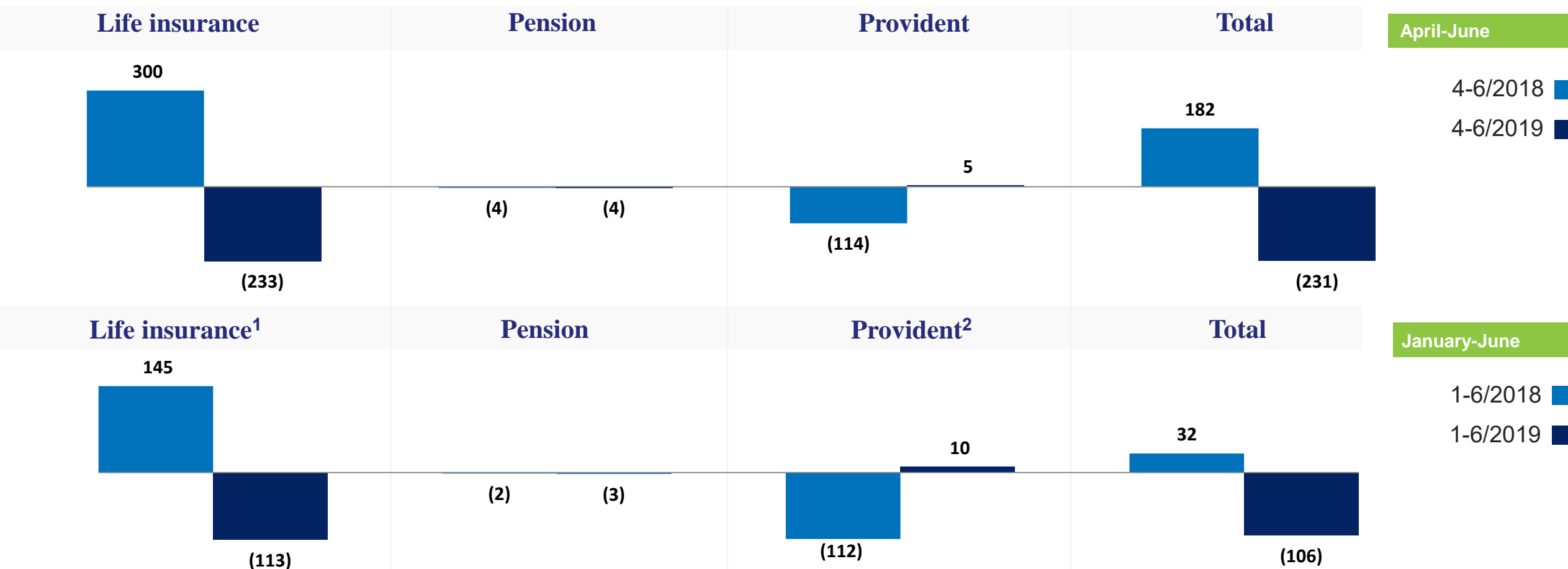
## Managed Assets by Portfolio (NIS Billions)

■ Provident 
 ■ Pension 
 ■ Nostro 
 ■ Investment-linked insurance contracts and investment contracts



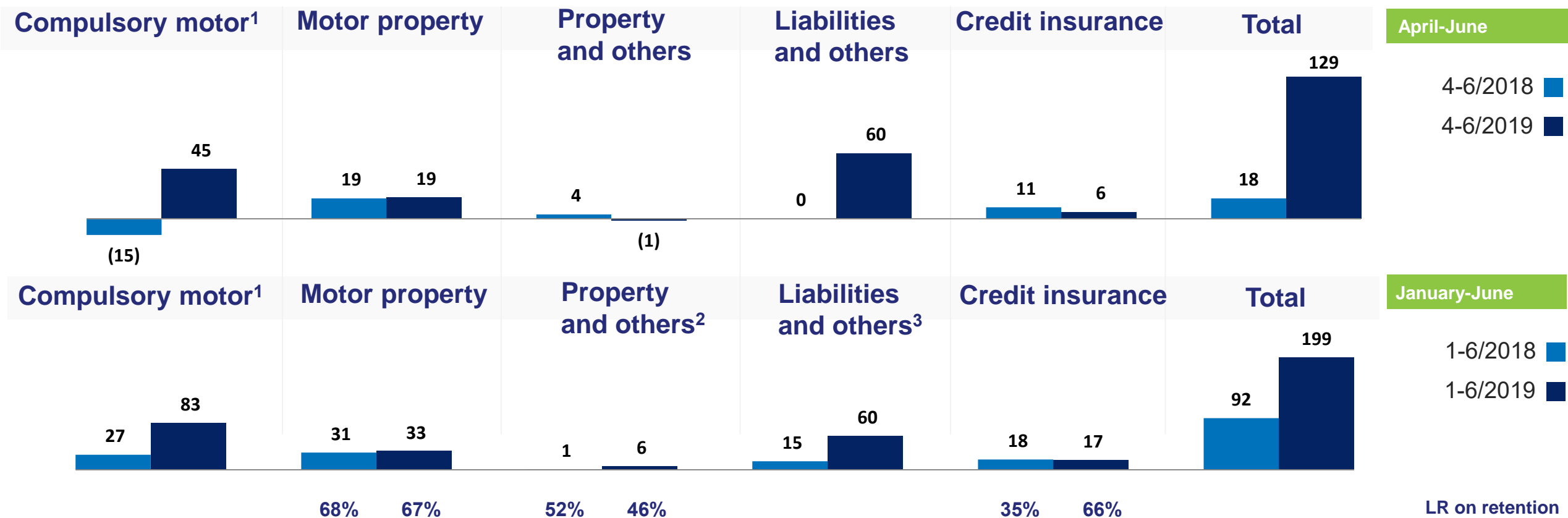
\*Based on an increase in the managed assets of 5.5% in the first half of 2019

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



1. The decrease in profit and the transition to loss in the reported period stems mainly from a NIS 221 million increase in provisions in the reported period due to the low-interest environment compared with release of provisions totaling NIS 276 million in the corresponding period last year. Furthermore, in the reported period the provision increased by app. NIS 305 million due to updating of pension factors that represent life expectancy, this increase was partially offset by NIS 156 million due to updating of actuarial researches on retirement age. This has not impacted the corresponding period last year.
2. The transition to profit in the reported period stems mainly from impairment of goodwill recorded in the reported period and quarter last year, with no impact on the current period.

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



1. In the reported period, the provision in respect of the Winograd Committee decreased by app. NIS 63 million compared with decrease of app. NIS 28 million in the corresponding period last year. Furthermore, investment income increased by an amount that exceeds the income required to cover the increase in insurance liabilities.

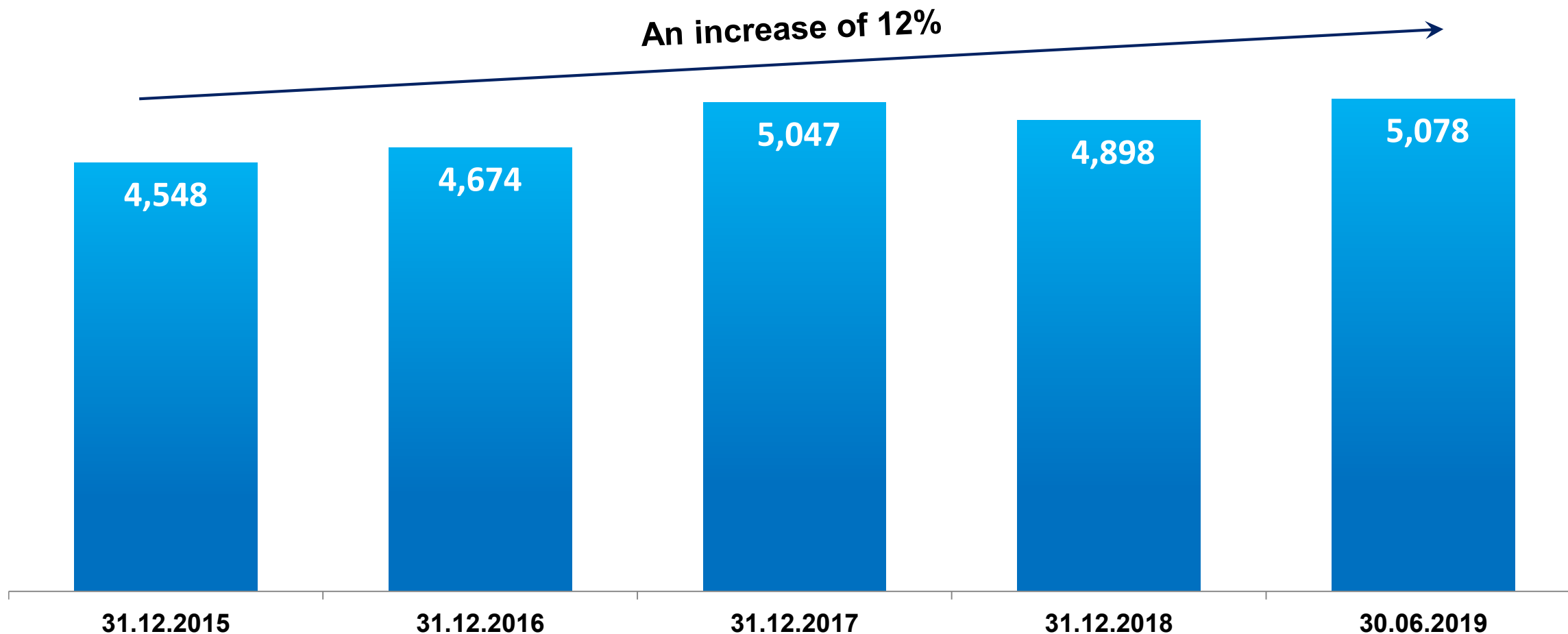
2. The improvement in profits in the reported period stems mainly from improvement in underwriting in the comprehensive apartment insurance branch, which was partially offset by deterioration in the students personal insurance sector due to claim-related developments.

3. In the reported period, the provision in respect of the Winograd Committee decreased by app. NIS 63 million compared with decrease of app. NIS 21 million in the corresponding period last year.

# Capital Attributable to Company Shareholders

(NIS Millions)

An increase of 12%



# Results of the Economic Solvency Ratio Calculation as of December 31, 2018 (NIS Millions)

Presented below is a summary of the results of the economic solvency ratio calculation for Clal Insurance as of December 31, 2018:

## Without taking into account the provisions during the distribution period and the stock scenario adjustment:

Equity for the purpose of the solvency capital requirement	9,413
Solvency capital requirement (SCR)	9,327
<b>Surplus</b>	<b>87</b>
<b>Solvency ratio</b>	<b>101%</b>

## Fulfillment of milestones while taking into account the provisions during the distribution period and the stock adjustment:

Equity for the purpose of the solvency capital requirement	9,119
Solvency capital requirement	5,999
<b>Surplus</b>	<b>3,120</b>



The Board of Directors of Clal Insurance has not yet set the Company's capital target, which is a pre-condition for dividend distribution.



Clal Insurance did not exhaust the potential to raise Tier-2 capital, which is recognized for capital requirements purposes. Assuming that the potential for capital raising is exhausted in accordance with the regulatory restrictions, as of 31.12.18, the solvency ratio will be app. 106%, regardless of the provisions for the distribution period.



During the first half of 2019, there were several developments that can potentially impact the Company's solvency ratio. On the one hand, the decrease in the risk-free curve (that continued after the date of the report), the publication of mortality tables and the increase in capital requirements in respect of share risk. On the other hand, the impact of the Winograd ruling, the income from investments and the updating of actuarial research of retirement age. At this stage the Company cannot estimate the overall impact of the aforesaid developments on its solvency ratio (except for the preliminary estimate as to the impact of the publication of the mortality tables and the Winograd ruling, see immediate report of August 12 2019). However, the Company estimates that the overall impact of the aforesaid developments shall trigger a decrease in the solvency ratio, while maintaining a significant surplus in excess of the regulatory capital required in the distribution provisions.



# Leading in Investment Returns – Selected Transactions

## Funding of water desalination facilities



### Hadera water desalination facility

Funding of water desalination facility at the scope of 127 million cubic meters



### Palmachim water desalination facility

Funding of water desalination facility at the scope of 90 million cubic meters

## Renewable energies



### Dorad

Significant participation in a syndication for the funding of a combined-cycle power plant with a capacity of 800 MW, powered using natural gas south of Ashkelon



### OPC Rotem

Significant participation in a syndication for the funding of a combined-cycle power plant with a capacity of 437 MW, powered using natural gas at the Rotem Plain.

## Gas sector



### Tamar transaction

Significant participation in a syndication for the funding of Isramco's share in the development of the Tamar project.



### Israel Natural Gas Lines

Significant investment in the bonds of the government company charged with distribution of natural gas in Israel

## Infrastructures



### Minharot Hacarmel

Clal is a shareholder and funder of a set of toll roads spread over two double tunnels under the Carmel Mountain in Haifa



### Road 6

Largest shareholder and principal funder of the Road 6 toll road

## Best Service Provider – Significant Improvement in Customer Service Metrics in All Lines of Business

- Clal is ranked first among all companies (including investment houses) in the quality of its services in the pension line of business.
- Clal is ranked first among the five largest insurance companies in the index for integration of digital tools, for all insurance branches.
- Clal is ranked first among all companies (including investment houses) in terms of shortest wait time when calling customer services in the pension savings sector. In the insurance sector, Clal is ranked first among the five largest companies.



# Leaders in the Innovation of Services and Products

## Pensia Mavticha

An innovative product that changes the rules of the game. The product's most prominent advantages include:

- ✓ Gradually reducing management fees – management fees are derived from the changes in the accumulated balance funded for pension; the larger that balance the lower the management fees.
- ✓ Predetermined management fees model in a pension fund; management fees are known in advance until reaching retirement.

## Clal Métrage

Clal Métrage is a new insurance plan that offers an excellent solution to those customers who are low mileage drivers. As part of the plan, those drivers can benefit from a further discount of up to 12.5% on top of existing discounts.

## Clal EXPRESS

An innovative user-friendly digital service, offering customers purchasing travel insurance immediate payment when their luggage is delayed or when a medical event takes place, using their mobile phone 24/7.

Company's customers also have 24/7 online access to a Hebrew speaking doctor from anywhere in the world.

## Clal VAR

Clal Insurance and Finance won the product-of-the-year award for innovation in respect of its Clal VAR product – a car insurance that includes an application and a camera for documenting the accident; Clal won the award under the insurance category for 2019.





# Statements of the CEO and Chairman

**Yoram Naveh,**  
**Chief Executive Officer, Clal Holdings**

“ The Company's results for the six-month period reflect its stability despite the provisions made in respect of the decrease in interest-free interest and the changes in the mortality tables. At the beginning of the year we declared our intention to make a comeback in the field of finance; as a result of our extensive activity in this field, the results for the six-months period already reflect a significant increase in our activities in the provident and financial saving lines of business.

In the reported six-month period, Clal Insurance and Finance continues to present a consistent improvement and highest returns in all saving channels compared to competing companies. The company currently has app. NIS 207 billion in managed assets – a record high. Nevertheless, there are challenging times ahead of us, and we are facing many changes in regulation, low interest environment and significant competition. We continue to operate vigorously to adapt the Company's activities to changing market conditions. ”

**Dani Naveh,**  
**Chairman, Clal Holdings**

“ The results for the six-month period reflect high investment profits and an increase in premium and contributions, mainly into savings and financial products. In addition, the Company's asset portfolio continues to grow. Clal Insurance and Finance shall continue to work for the benefit of its customers and stakeholders in all lines of business. ”



Thank You