



Clal Insurance Enterprises Holdings Ltd.

Financial Statements For 2019

Review for Analysts, March 2020



Limitation of Liability

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



This presentation is an unofficial translation from the Hebrew language and is intended for convenience purposes only.

The binding version of the presentation is in the Hebrew language only.

Who we are?



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



Assets under management: **NIS 220 billion** (As of the end of December 2019), an increase of 12% compared with the end of December 2018.



Total premiums, contributions and receipts with respect to investment contracts in January-December 2019: approximately **NIS 19.2 billion**. An increase of 4% compared with the corresponding period last year.



Clal Insurance Company rating:

Aa1.il Stable from Midroog
iIAA+\Negative from Standard & Poor's Maalot



Operates together with approximately 2,000 insurance agents



Employs approximately 4,500 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

Relaunch of the finance activity

Launch of Promising Protection – Winning Pension Combination

Launch of Online Apartment Insurance

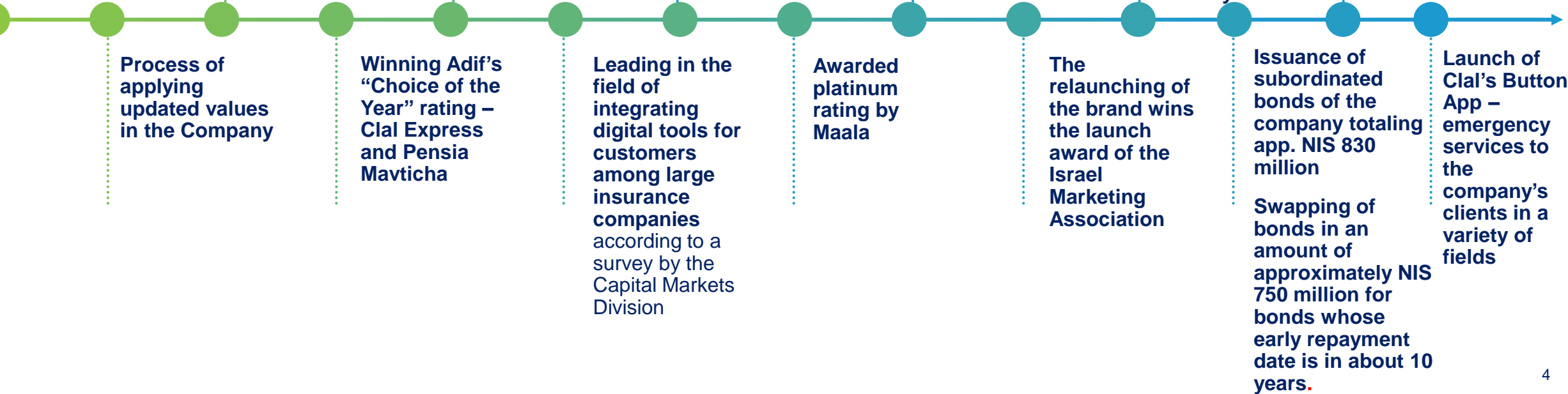
Ranked first in service in the field of pension and obtained the largest improvement according to the Capital Markets Division's survey

Million digital customers

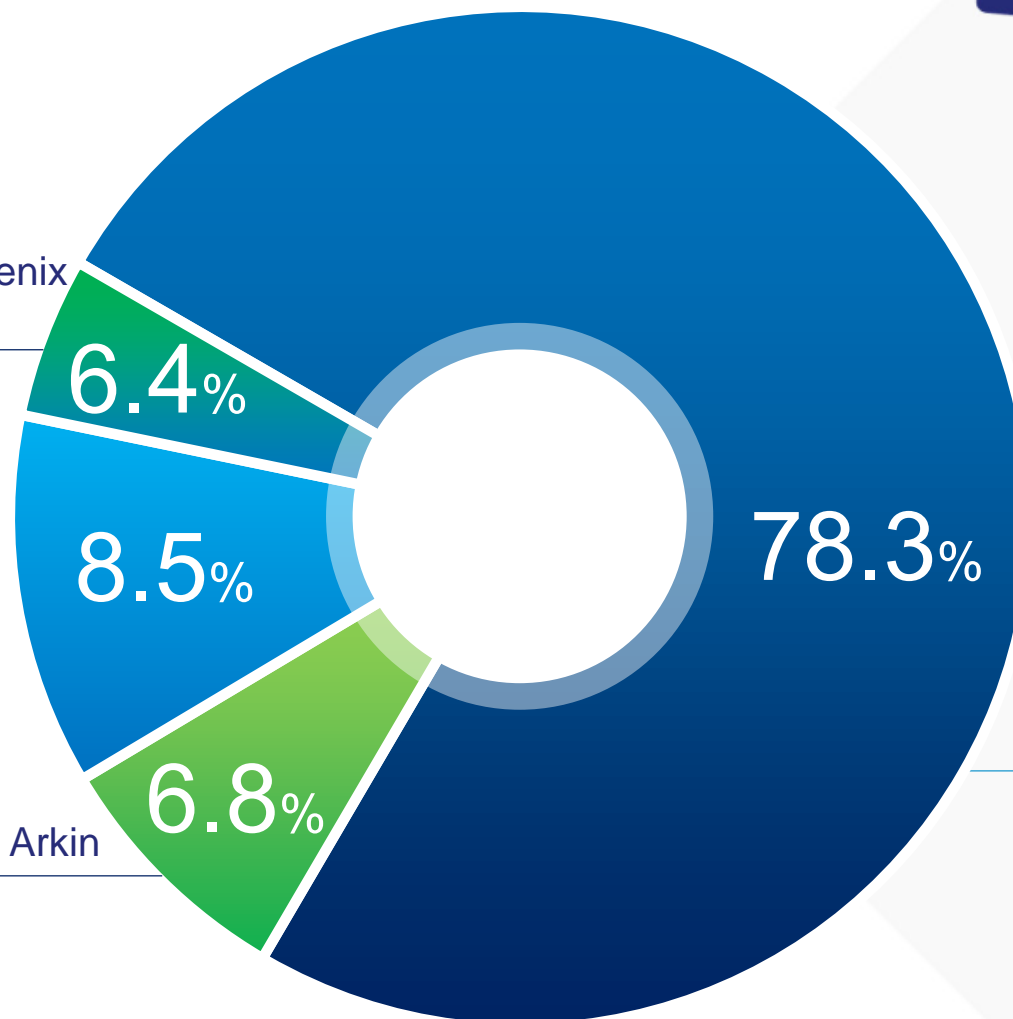
Ranked first in the field of finance in an agents' survey.

Issue of the company's share capital in the amount of approximately NIS 650 million

Ranked first among large general insurance companies in an agents' survey



Shareholders*



Shares which are held by Phoenix Holdings Ltd.

IDB Development group is holding approximately 8.5%** of the shares of Clal Insurance Enterprises Holdings

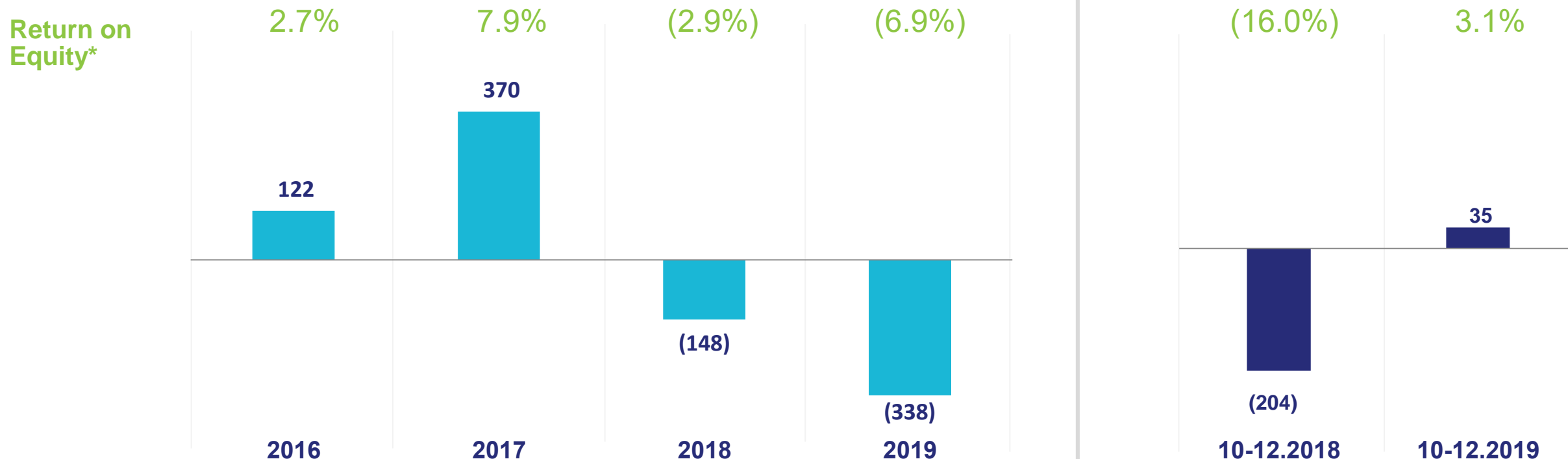
Shares which are held by Mori Arkin

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 7%.

* Proximate to the publication date of the report

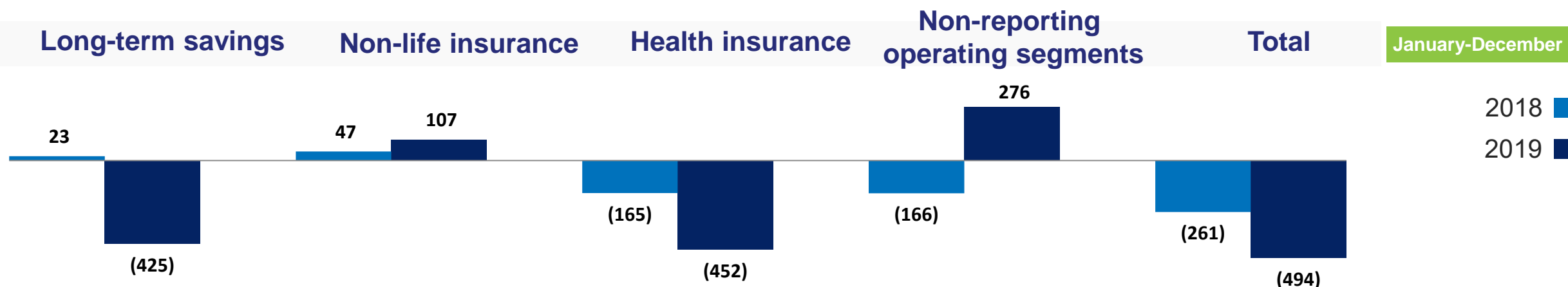
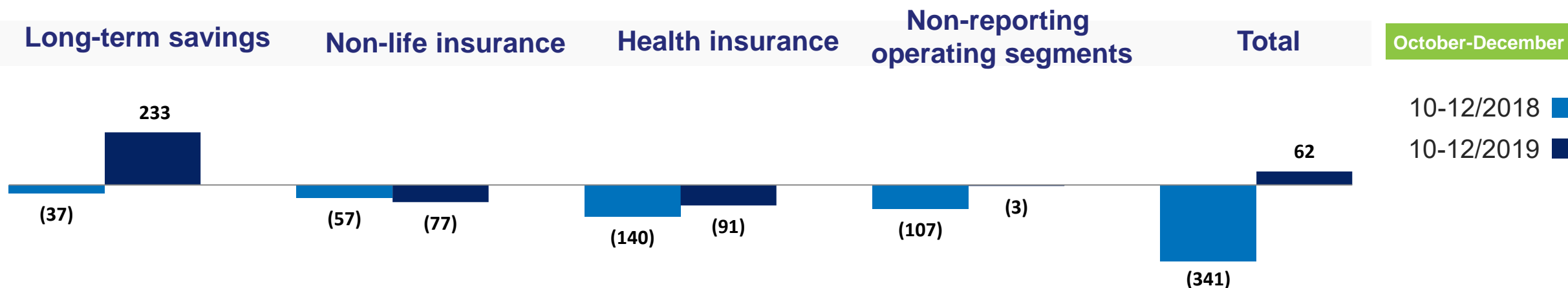
** Approximately 3.5% of the share capital of Clal Holdings is held for IDB Development through a trustee, Mr. Moshe Terry

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. The profit used for the calculation of the quarterly return on equity is calculated by multiplying by four the quarterly profit.

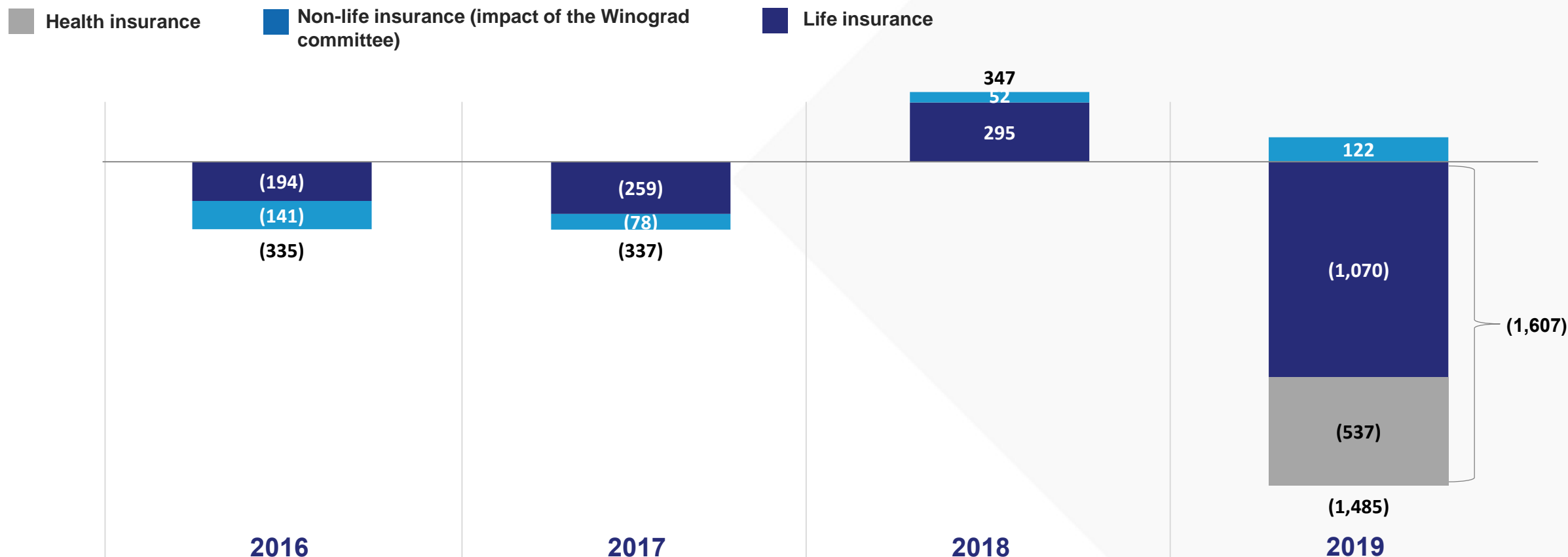
Comprehensive Income Before Tax by Segments* (NIS Millions)



* The loss in the period of the report was affected mainly by the low-interest environment, as well as by a change in mortality premises which were partly offset by a change of other actuary premises. The total net of such impacts led to an increase of the insurance reserves in an amount of approximately NIS 1,607 million in life insurance and long-term care insurance, compared to a decrease of reserves in an amount of approximately NIS 295 million in the corresponding period last year. In addition, in the period of the report the company made a swap of liabilities deeds to extend the average duration of its liabilities, and as a result early repayment costs in the amount of approximately NIS 65 million were recorded, which will mainly reduce future financing expenses.

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

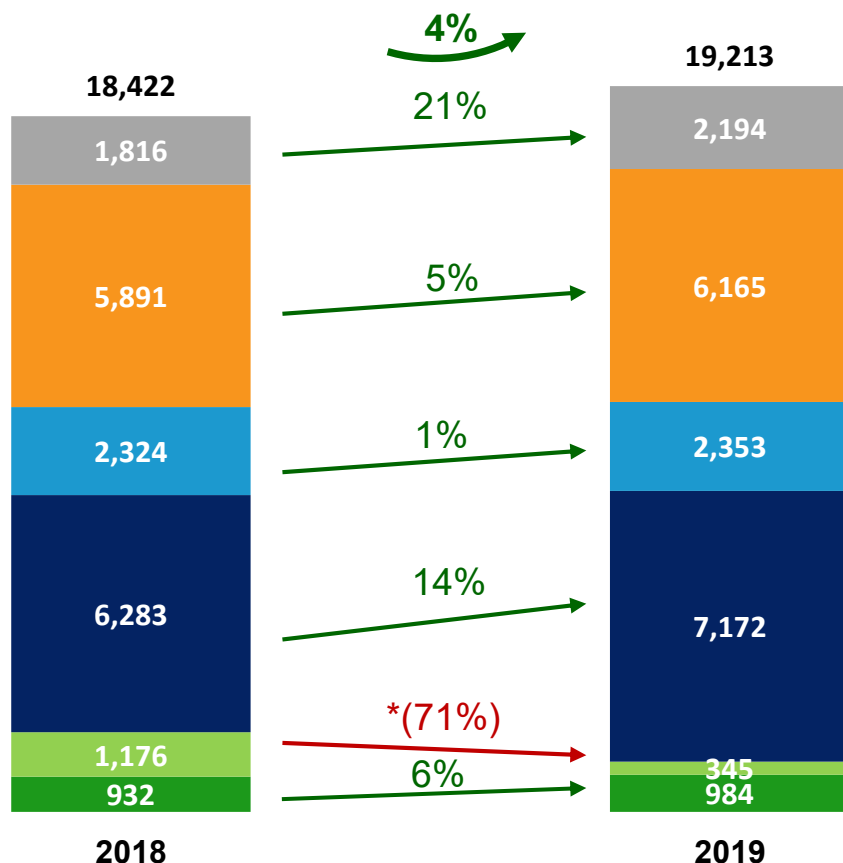
Impact of Actuarial Assumptions Update including the Impact of Mortality Tables, and the Low-Interest Rate Environment including LAT on Profit before Tax With Respect to Insurance Liabilities (NIS Millions)



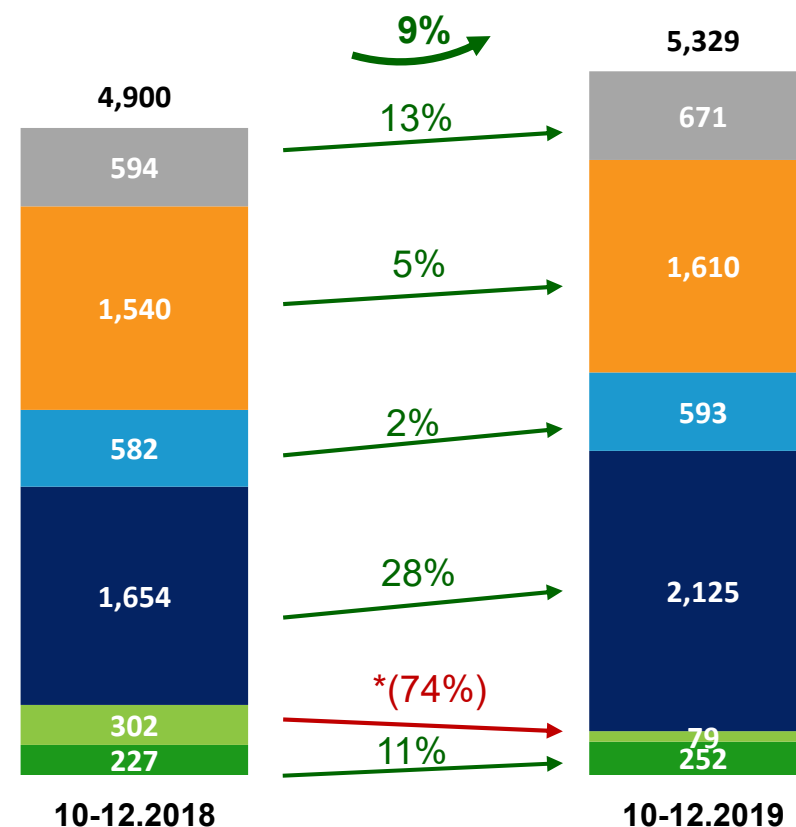
Gross Premiums Earned, Contributions and Receipts with respect to investment contracts (NIS Millions)

■ Provident
 ■ Pension
 ■ Health insurance - other
 ■ Long term care
 ■ Non-life insurance
 ■ Life insurance

January-December



October-December

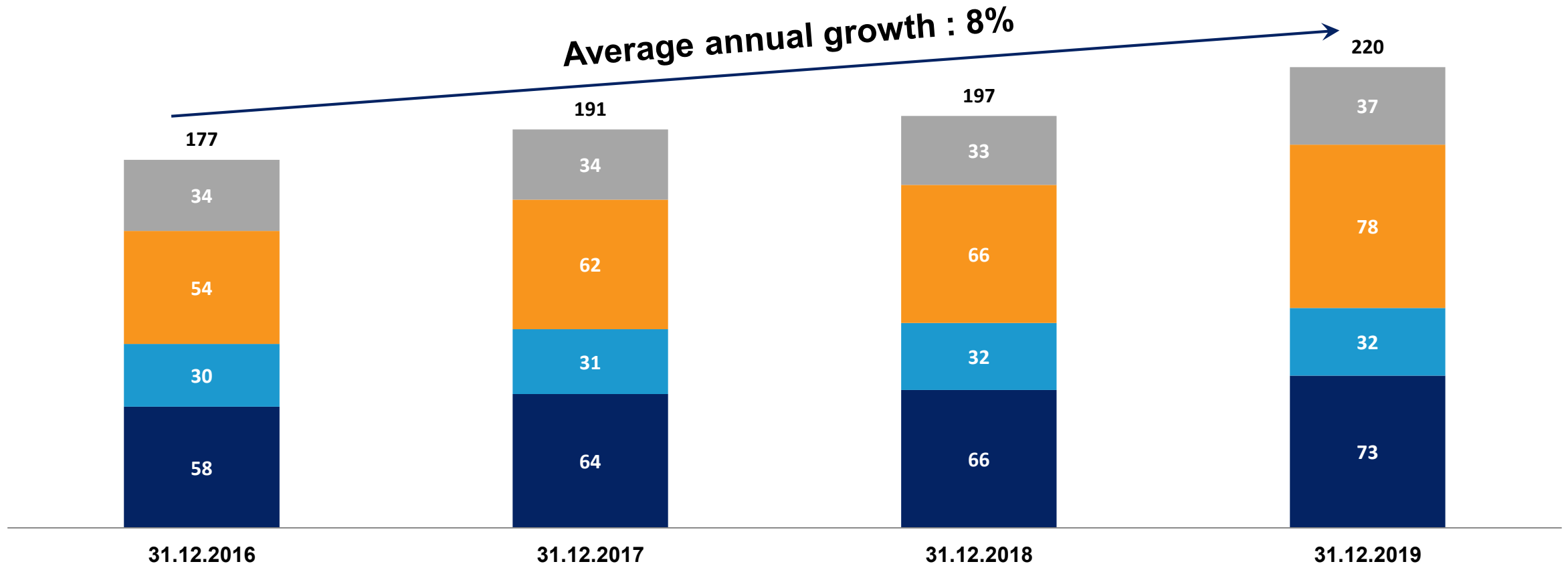


* The decrease in premiums stems mainly from termination of engagements in collective long-term care insurance with Kupat Holim Maccabi and Leumit; in the reported period last year, the Company earned app. NIS 745 million and NIS 128 million, respectively, from those engagements, compared to a total of NIS 33 million for Kupat Holim Leumit policies until the end of the engagement during the reporting period.

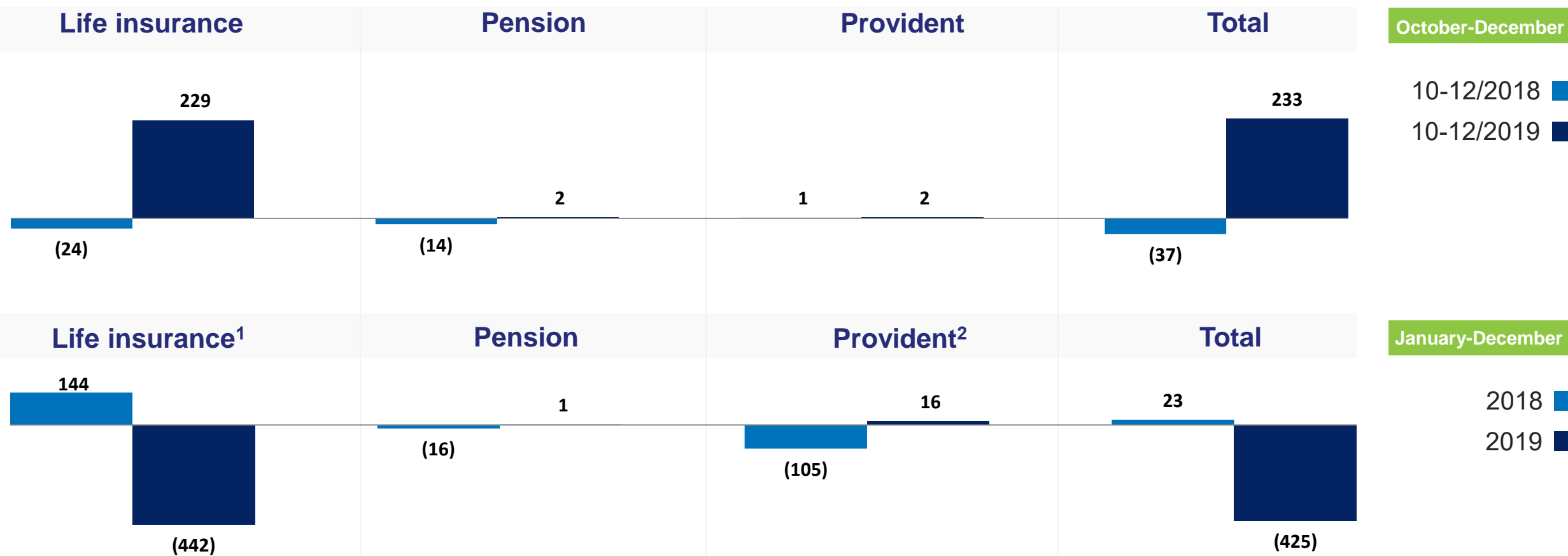
** The Health insurance and long term care premiums presented above are gross premiums

Managed Assets by Portfolio (NIS Billions)

Provident
 Pension
 Nostro
 Investment-linked insurance contracts and investment contracts

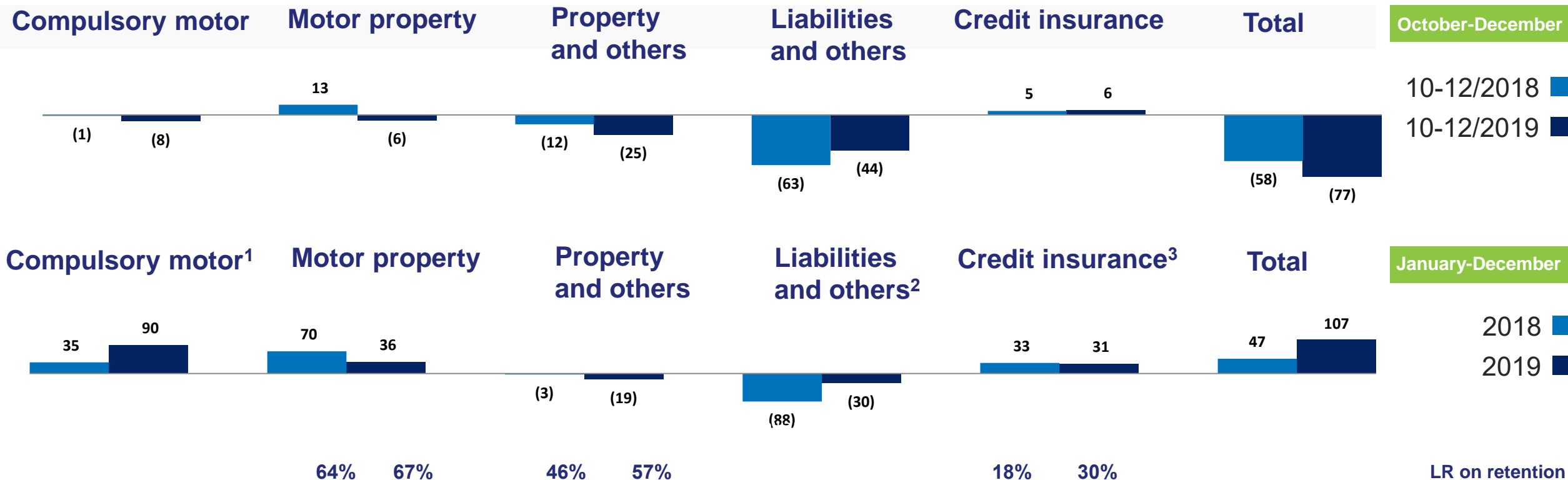


Long Term Savings | Comprehensive Income Before Tax (NIS Millions)



1. The decrease in profit and the transition to loss in the period of the report arises mainly from an increase of reserves during the period of the report due to the low-interest environment and a change in mortality premises, which were partly offset by the change of other premises. The total net of such impacts led to an increase of reserves in an amount of approximately NIS 1,070 million, compared to a release of reserves in an amount of approximately NIS 295 million in the corresponding period last year.
2. The transition to profit in the period of the report and in the current quarter arises mainly from an increase in revenues from management fees from accrual, due to a persistent increase in the managed assets and due to returns which were higher this year compared to the corresponding periods last year. In addition, the period of the report and the quarter recorded revenues from investments, compared to losses from investments in the corresponding periods last year.
3. The transition to profit in the period of the report arises mainly from a depreciation of goodwill recorded last year, which had no impact on the current period.

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



1. The increase in profit in the period of the report arises mainly from an increase in revenues from the investments in excess of the required revenues compared to last year. Furthermore, the period of the report recorded a decrease in contribution, due to the recommendation of the Winograd Commission, in an amount of approximately NIS 61 million, compared to a decrease in contribution in an amount of approximately NIS 32 million in the corresponding period of last year. These impacts were partly offset due to a worsening of claims which mainly manifested in the actuarial model in the period of the report, compared to last year.
2. The decrease in profit in the period of the report reflects the erosion of the average premium as a result of the competition in the field.
3. The decrease of the loss arises mainly from an increase of the revenues from investments in excess of the revenues required to cover the increase of the insurance liabilities arising from capitalization and linkage. Also recorded was a decrease in contribution due to the recommendation of the Winograd Commission in an amount of approximately NIS 62 millions, compared to a decrease in contribution in an amount of approximately NIS 20 million in the corresponding period of last year. These impacts were partly offset by a worsening of claims in the employers' liability subindustry, which manifested in the actuarial model, compared to the corresponding period of last year.
4. An increase was recorded in revenues from investments in excess of the required revenues, which were offset due to a worsening of claims in the period of the report compared to last year.

Events following the date of the Report

Following the coronavirus crisis, there has been a downturn in the scopes of economic activity worldwide, including in Israel. These changes have also had, and are still having, an adverse effect on the company's operations and profitability. Also published were regulatory provisions, which, if adopted in final form, will have a positive effect:

- Following the date of the report, a significant downturn was recorded in the capital markets worldwide and in Israel against the background of the spread of coronavirus. A downturn of the capital markets is detrimental to the value of the assets managed by the institutional entities in the group, both for the group itself (nostro) and for members and insureds. The company is also exposed to depreciations of non-negotiable investments which at this stage cannot be quantified and which are expected to affect the scope of the management fees which the company will collect from the assets managed by it. It should be noted that the returns are not final and that the company's results are also affected by the returns of the non-negotiable portfolio, by the group's other revenues and by expenses. Furthermore, due to the sharp volatility of the financial markets, the aforesaid impacts could significantly change, according to developments in the capital market.
- It should be noted that if the changes proposed in the LAT draft circular, according to which the financial reporting will be implemented retroactively, are adopted, the company makes the initial estimate, assuming that the balance of the liabilities for the due diligence of the life insurance reserve could be reduced, that the insurance reserves as of December 31, 2019 will decrease, and that accordingly, the equity will increase by an amount of approximately NIS 794 million before tax (a total of approximately NIS 520 million after tax), the bulk of which will be attributed to the period of the report.
- The publication of Clal Insurance's solvency ratio as of December 31, 2019, which was expected to be adversely affected by the reduced interest – though not to an extent which would prevent the company's ability to comply with the regulatory capital requirements – was postponed, at the Commissioner's decision, from May of 2020 to August of 2020. The company estimates that the solvency ratio is expected to improve compared to the ratio calculated under the current framework, provided that the provisions of the draft amendment to the economic solvency regime provisions published will be implemented.

For complete information on these and other incidents, see Note 1 of the company's financial statement on events following the balance.



Leading in Service – Launch of Clal's Button App

- ✓ The app allows insureds to receive **immediate response 24/7, in emergencies** – an accident, an incident abroad, apartment flooding, speaking to a doctor
- ✓ **Performing current actions such as** accessing the personal file, viewing data and performing actions, filing a claim and checking a claim's status
- ✓ **Current push notifications, as necessary**

Leading in innovation, services and products

Health Insurance

Proactive Medicine

A groundbreaking health service, in collaboration with Ichilov Hospital, provided by initiating contact with insureds who are statistically part of various medical risk groups

ClaI Express

Winner of “Product of the Year” in Adif’s “Choice of the Year”, providing immediate reimbursement of medical expenses, return of luggage and an online doctor in Hebrew 24/7 any time and anywhere

Non-life Insurance

Online Apartment Insurance

winner of “Product of the Year in Innovation” – A fun and interactive interface, including a White Label – a branded process with the agency’s logo and name

ClaI Metrage Expanding for Third Party

Drive less, pay less. Now for a third party as well, with winning rates and no age limit

Temporary Driver Online

Addition of a temporary cover for an additional driver, available for young and new drivers, anywhere, any time



Leading in innovation, services and products

Long Term Savings

360 Promising Protection

A winning pension combination guaranteeing peace of mind: Pensia Maviticha together with a disability pension shield, a risk in case of death and release from risk premium in the event of loss of work capacity

Double Clal for the Family

All the benefits for the family, now with double risk, doubling of the insurance amount at no additional cost in the event of the passing of both spouses within 12 months

Shoham Comprehensive

Release from payment of premium for life insurance in the event of death to repay a mortgage loan in the event of loss of work capacity



Statements of the CEO and Chairman

**Dani Naveh,
Chairman, Clal Holdings**

“As expected, the ongoing coronavirus crisis significantly affects the entire insurance industry. Clal Insurance and Finances entered the crisis after having significantly bolstered its capital and having prepared well for business continuity for the benefit of its clients and insurers. The company's employees and management should be highly commended for their dedicated hard work even in these difficult times.”

**Yoram Naveh,
CEO, Clal Holdings**

“The company's results in 2019 arise primarily from the strengthening of reserves due to the exposure to interests, in a total amount of approximately NIS 1.6 billion. In the interim, the company achieved excellent returns in the investments in its nostro and members assets throughout the entire year. Over the course of the year, Clal Insurance Group strengthened its capital by an amount of approximately NIS 1.5 billion using deferred liability notes (secondary capital) and the issue of shares. The company also wisely made use of the low interest and made a swap of deferred liability notes in an amount of approximately NIS 750 million, for liabilities notes whose date of repayment is in about 10 years. The final publication of the Capital Market Authority's draft circulars on the extension of the payment plan period regarding the economic solvency regime and regarding the liability adequacy test (LAT) is expected to have a significant effect on the company. According to an initial estimate, due to the effect of the LAT draft in and of itself, provided that it is adopted as final and applied retroactively, the insurance reserves as of December 31, 2019 were smaller, and accordingly the estimate is that its equity as of that date would have grown by an amount of approximately half a billion NIS, which would mostly be attributed to this report period. The strengthening of the capital, as aforesaid, as well as managerial and mechanized preparation, helped us attain business continuity during the coronavirus crisis being prepared in advance. The company adapted the required roster of personnel for this period, is monitoring the incident and its implications and is managing its business in taking heed of these developments. As the coronavirus spread in Israel, the capital markets worldwide and in Israel recorded a significant downturn. The prolongation and exacerbation of the coronavirus crisis worldwide and in Israel could even lead to substantial harm to the company's business if the crisis escalates to become a recession.”



Thank You