

November 28th, 2018

Harel Group ends Q3 2018 with a 75% increase in comprehensive profit amounting to NIS 287 million

The volume of gross earned premiums, benefit contributions and amounts received for investment contracts in Q3 2018 increased by 8% to NIS 7.7 billion

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**The assets managed (AUM) by Harel Group reached a record NIS 241.4 billion**

**Total earned premiums, benefit contributions and amounts received in respect of investment contracts increased by 8% to NIS.7.7 billion in Q3 2018**, compared with NIS 7.1 billion in the corresponding period last year.

**Total earned premiums, benefit contributions and amounts received in respect of investment contracts in the first nine months of 2018 increased by 16% to NIS.23.1 billion**, compared with NIS 20 billion in the corresponding period last year.

**Comprehensive profit in Q3 2018 increased by 75% to NIS 287 million**, compared with NIS 164 million in the corresponding quarter last year.

**Comprehensive profit in the first nine months of 2018 was NIS 537 million**, as against NIS 601 million in the corresponding period last year.

**Equity attributed to the Company's shareholders** was approximately NIS 6 billion at September 30, 2018.

In the first nine months of the year, Harel Investments announced a dividend distribution of NIS 107 million. In parallel the subsidiary, Harel Insurance, distributed a dividend of NIS 100 million in the first nine months of 2018.

**The Return on Equity** was 13% in the first nine months of 2018 and 20% in Q3 2018.

**The Group's AUM** in insurance, pension funds, provident funds, mutual funds and financial services increased to a record **NIS 241.4 billion** at September 30, 2018.

**Michel Siboni, CEO of Harel Insurance and Finance Group**, announced that "Harel continues to implement its strategy of integrating innovative technology and Big Data with personal relationships with the customer through its network of agents. The Group also continued to streamline its technology by transferring significant processes from manual to digital operations. The improved technology provides customers with user-friendly, faster (in some cases immediate) service, offering customers and agents a "self-service" option for activity such as: the purchase of products, filing of claims, and obtaining information on line. The Group also continues to invest resources in developments that enable health and motor insurance claims to be filed digitally. In 2018, many of the processes performed in the Group, are performed entirely through digital processes (without human intervention) or are partially digitalized. This is a revolution in customer service and for insurance agents in Israel".

Siboni added that: "To provide our customers with advanced, top-notch service, Harel has launched an additional channel of communications for motor insurance by means of a WhatsApp application which provides fast, simple communications through the use of technology which is readily

available in Israel and around the world. Harel chose IBM's Watson chatbot technology, the world's most advanced AI technology, for operating this service. This service positions the Group at the forefront of technology, as the first company in Israel and among the first in the world that facilitates communications using this technology. This is a significant milestone and it will enable Harel to provide its customers with advanced, accessible and easy-to-use service".

## Long-term savings

**Comprehensive profit before tax in long-term savings activity** (life assurance, pensions, provident and education funds) **increased by 346% to NIS 205 million in Q3 2018**, compared with NIS 46 million in the corresponding quarter last year.

**Comprehensive profit before tax in long-term savings activity** (life assurance, pensions, provident and education funds) **increased by 8% to NIS 425 million in the first nine months of 2018**, compared with NIS 392 million in the corresponding quarter last year.

**Total earned premiums and benefit contributions in long-term savings activity increased by 13% to NIS 4.5 billion in Q3 2018**, compared with NIS 4 billion in the corresponding quarter last year.

**Total earned premiums and benefit contributions in long-term savings activity increased by 14% to NIS 12.8 billion in the first nine months of 2018**, compared with NIS 11.2 billion in the corresponding period last year.

## Life assurance

**Comprehensive profit before tax in life assurance was NIS 170 million in Q3 2018**, compared with NIS 15 million in the corresponding quarter last year.

**Comprehensive profit before tax in life assurance increased by 3% to NIS 330 million in the first nine months of 2018**, compared with NIS 319 million in the corresponding period last year.

**Total earned premiums earned in life assurance increased by 15% to NIS 1.5 billion in Q3 2018**, compared with NIS 1.3 billion in the corresponding period last year.

**Total earned premiums earned in life assurance increased by 8% to NIS 4.1 billion in the first nine months of 2018**, compared with NIS 3.8 billion in the corresponding period last year.

## Pension funds

**Comprehensive profit before tax from pension fund management increased by 5% to NIS 23 million in Q3 2018**, compared with NIS 22 million in the corresponding quarter last year.

**Comprehensive profit before tax from pension fund management increased by 30% to NIS 61 million in the first nine months of 2018**, compared with NIS 47 million in the corresponding quarter last year.

**Benefit contributions collected by the Group's pension funds increased by 16% to NIS 2.2 billion in Q3 2018**, compared with NIS 1.9 billion in the corresponding quarter last year.

**Benefit contributions collected by the Group's pension funds increased by 15% to NIS 6.1 billion in the first nine months of 2018**, compared with NIS 5.3 billion in the corresponding period last year.

**The volume of assets managed by the pension funds increased by 20% to NIS 62.6 billion at September 30, 2018**, compared with NIS 52 billion in the corresponding period last year.

## Provident funds & education funds

**Comprehensive profit before tax in provident funds and education funds increased by 33% to NIS 12 million in Q3 2018**, compared with NIS 9 million in the corresponding quarter last year.

**Comprehensive profit before tax from provident funds and education funds increased by 31% to NIS 34 million in the first nine months of 2018**, compared with NIS 26 million in the corresponding period last year.

**Benefit contributions collected by the Group's provident funds and education funds increased by 5% to NIS 802 million in Q3 2018**, compared with NIS 766 million in the corresponding quarter last year.

**Benefit contributions collected by the provident funds and education funds increased by 18% to NIS 2.6 billion in the first nine months of 2018**, compared with NIS 2.2 billion in the corresponding period last year. **The volume of assets managed by the provident funds and education funds increased by 16% to NIS 40.2 billion at September 30, 2018**, compared with NIS 34.8 billion in the corresponding period last year.

## Health insurance

**Comprehensive profit before tax in the health insurance segment increased by 11% to NIS 82 million in Q3 2018**, compared with NIS 74 million in the corresponding quarter last year.

**Comprehensive profit before tax in the health insurance segment was NIS 97 million in the first nine months of 2018**, as against NIS 106 million in the corresponding period last year.

**Total premiums earned in the health insurance segment increased by 9% to NIS 1.2 billion in Q3 2018**, compared with NIS 1.1 billion in the corresponding quarter last year.

**Total premiums earned in the health insurance segment increased by 6% to NIS 3.5 billion in the first nine months of 2018**, compared with NIS 3.3 billion in the corresponding period last year.

Results for the current quarter were affected by improved underwriting performance in the group long-term care sector due to a decrease in the number of new claims in respect of previous years (claims for the period up to December 31, 2017), and to improved underwriting in the group health insurance sector due to a decrease in the number of claims.

## Non-life insurance

**Comprehensive profit before tax in non-life insurance increased by 51% to NIS 71 million in Q3 2018**, compared with NIS 47 million in the corresponding quarter last year.

**Comprehensive profit before tax in non-life insurance was NIS 115 million in the first nine months of 2018**, as against NIS 129 million in the corresponding period last year.

**Comprehensive profit before tax in motor property insurance was NIS 28 million in Q3 2018**, compared with NIS 13 million in the corresponding quarter last year.

**Comprehensive profit before tax in motor property insurance was NIS 77 million in the first nine months of 2018**, compared with NIS 31 million in the corresponding period last year.

**Gross premiums earned increased by 8% to NIS 861 million in Q3 2018**, compared with NIS 799 million in the corresponding quarter last year.

**Gross earned premiums increased by 9% to NIS 2.5 billion in the first nine months of 2018**, compared with NIS 2.3 billion in the corresponding period last year.

## Harel Finance

**Harel Finance continues to consolidate its position as one of the four dominant companies in its operating segments.** In view of Amendment no. 28, Harel ETNs merged with Harel Index Funds which manages mutual funds, and additionally, a merger between Harel Index Funds and Harel Pia Mutual Funds was approved. The Company believes that the merger of the companies will provide the merged company with operating advantages and it will also strengthen and position the merged company as the fourth largest manager of mutual fund assets in Israel. In the third quarter of the year, Harel Finance increased the volume of assets that it manages (AUM) to NIS 49.6 billion at September 30, 2018. This is an increase of NIS 5.2 billion compared with the corresponding period last year.

**Harel Finance recorded comprehensive profit before tax of NIS 9 million in Q3 2018**, similar to the corresponding quarter last year.

**In the first nine months of 2018, Harel Finance recorded comprehensive profit before tax of NIS 29 million**, compared with NIS 26 million in the corresponding period last year.

**Revenues in the capital market and financial services segment were NIS 54 million in Q3 2018**, compared with NIS 50 million in the corresponding quarter last year.

**Revenues in the capital market and financial services segment amounted to NIS 161 million in the first nine months of 2018, compared with NIS 151 million in the corresponding period last year. This increase is due to the growth of AUM.**

## Equity

**The capital surplus of Harel Insurance** as at December 31, 2017, on a consolidated basis and before the transitional provisions (in terms of 100% SCR), is NIS 1.3 billion. The change in the capital surplus between the periods is attributable, in part, to the distribution of dividends in September 2017 and March 2018, to a decline in the interest rate curve and to changes in the mix and scope of the portfolio. Taking the transitional provisions into account, Harel Insurance has a capital surplus of approximately NIS 4.8 billion. This capital surplus takes into account relief and changes in the directives pertaining, among other things, to the rate of compliance with the required capital in the scheduling period ending December 31, 2024. It should be emphasized that the model in its current format is extremely sensitive to changes in market and other variables.