May 30th, 2019

Harel Insurance and Finance Group ends Q1 2019 with quarterly profit of NIS 340 million

Return on Equity was 20.6%, compared with 6% in the corresponding quarter last year

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The assets managed (AUM) by Harel Group were a record NIS 250.3 billion

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Harel Insurance Investments and Financial Services Ltd. has published its financial statements for Q1 2019:

Comprehensive profit in Q1 2019 was **NIS 340 million**, compared with NIS 80 million for the corresponding quarter last year.

Return on Equity was 20.6%, compared with 6% in the corresponding quarter last year, and 9% annual Return on Equity for the whole of 2018**.**

For the first time, AUM held by Harel Group topped a quarter of a trillion NIS: at March 31, 2019, the Group's **AUM was NIS 250.3 billion, a 6% increase** since December 31, 2018.

Equity attributed to the Company's shareholders was NIS 6.25 billion at March 31, 2019.

Total earned premiums, gross, and benefit contributions amounted to NIS 6.7 billion, compared with NIS 6.2 billion for the corresponding period last year.

Michel Siboni, CEO of Harel Insurance & Finance announced that: "The financial results for the first quarter of the year point to continuing high growth in all the Group's operating segments. Harel continues to invest extensively in the integration of cutting-edge technologies for the benefit of its customers and agents, and to strengthen its position in the various markets. Our financial performance is a reflection of improved profitability in the Group's operating segments, thanks to operational and technology measures that we are implementing, and also to the positive yields recorded in the capital market in this quarter.

Long-term savings

Comprehensive profit before tax in long-term savings activity (life assurance, pensions, provident and education funds) was NIS 148 million in Q1 2019, compared with NIS 16 million in the corresponding quarter last year. This increased profit can be attributed to an increase in the collection of variable management fees due to the higher real yields attained by the Company, and to an increase in the financial margin which is attributable to the investments held to cover yield-guaranteed policies. Additionally, the increased comprehensive income in the pension, provident and education funds, is attributable to an increase in deposits and AUM, after offsetting the effect of the erosion in the management fees rate.
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Total earned premiums, gross, and benefit contributions in long-term savings activity increased by 10% to NIS 4.5 billion in Q1 2019, compared with NIS 4.1 billion in the corresponding quarter last year.

Life assurance

Management fee revenues in life assurance amounted to NIS 246 million, compared with NIS 93 million in the corresponding quarter last year. In practice, after supplementing the deficit in respect of losses of NIS 75 million created in 2018, revenues of NIS 171 million were recorded.

Comprehensive profit before tax in life assurance was NIS 113 million in Q1 2019, compared with a comprehensive loss of NIS 12 million in the corresponding quarter last year. In the Reporting Period an increase of NIS 59 million was recorded in the insurance liabilities, due to a decline in the risk-free interest rate curve used to assess the adequacy of the reserves (LAT). In the corresponding period last year, an increase of NIS 59 million was recorded in the insurance liabilities, due to a decline in the fair value of the non-marketable assets.

Gross earned premiums in life assurance increased by 15% to NIS 1.5 billion in Q1 2019, compared with NIS 1.3 billion in the corresponding quarter last year.

Pension funds

Comprehensive profit before tax from pension fund management increased by 11% to NIS 20 million in Q1 2019, compared with NIS 18 million in the corresponding period last year. The increase in comprehensive profit was mainly affected by an increase in deposits and AUM, after offsetting the effect of the erosion in the management fees rate.

Benefit contributions collected by the Group's pension funds increased by 11% to NIS 2.1 billion in the Reporting Period, compared with NIS 1.9 billion in the corresponding period last year.

The volume of assets managed by the Group's pension funds increased by 16% to NIS 65.8 billion at March 31, 2019, compared with NIS 56.6 billion in the corresponding period last year.

Provident funds and education funds

Comprehensive profit before tax in provident funds and education funds **increased by 50% to** NIS 15 million **in Q1 2019**, compared with NIS 10 million in the corresponding quarter last year.

Benefit contributions collected by the provident funds and education funds decreased by 6% to NIS 859 million in Q1 2019, as against NIS 916 million in the corresponding period last year.

The volume of assets managed by the Group's provident funds and education funds increased by 14% to NIS 42.8 billion at March 31, 2019, compared with NIS 37.4 billion in the corresponding period last year.

Health insurance

Comprehensive profit before tax in the health insurance segment was NIS 107 million in Q1 2019, compared with NIS 22 million in the corresponding quarter last year. The increase in comprehensive profit was affected by yields in the capital market which were higher than in the corresponding period last year. In contrast, results in the Reporting Period were affected by a NIS 13 million increase in the insurance liabilities due to a decline in the interest rate curve. In view of the discontinuation of group long-term care insurance on December 31, 2017, the losses arising from previous periods have declined. The Company believes that these losses are expected to continue to diminish significantly.

Gross earned premiums in the health insurance segment increased by 9% to NIS 1.2 billion in Q1 2019, compared with NIS 1.1 billion in the corresponding quarter last year.

Non-life insurance

Comprehensive profit before tax in non-life insurance increased by 26% to NIS 82 million in Q1 2019, compared with NIS 65 million in the corresponding period last year. The increase in comprehensive profit was affected by yields in the capital market which were significantly higher than in the corresponding period last year. In contrast, results in the Reporting Period were affected by a NIS 99 million increase in the insurance liabilities due to a decline in the interest rate curve.

Gross premiums earned in non-life insurance decreased by 0.5% to NIS 825 million in Q1 2019, as against NIS 829 million in the corresponding quarter last year.

Harel Finance

Comprehensive profit before tax in the capital market and financial services segment was NIS 5 million in Q1 2019, as against NIS 9 million in the corresponding quarter last year.

Revenues in the capital market and financial services segment were NIS 48 million in Q1 2019, as against NIS 52 million in the corresponding quarter last year. This is mainly due to the entering into force of the reform of the ETNs (Amendment no. 28) in which the ETNs became ETFs.

AUM in the capital market and financial services managed by Harel Finance Investment House increased to NIS 49.9 billion at March 31, 2019, compared with NIS 47.4 billion at March 31, 2018 and NIS 46.4 billion at December 31, 2018. At the date of publication of the financial statements, Harel Finance has AUM of NIS 51.7 billion. The increase in the volume of managed assets is attributable both to rising prices in the markets and to the fact that Harel Mutual Funds dominated mutual fund raisings in the first quarter of the year, raising a net amount of NIS 2 billion.

Equity

The capital surplus of Harel Insurance at December 31, 2017, on a consolidated basis and before the transitional provisions (in terms of 100% SCR), is NIS 1.3 billion. 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 transitional period ending December 31, 2024. It should be emphasized that in its current format, the model is extremely sensitive to changes in market and other variables.