

August 29, 2019

## **Comprehensive Profit of Harel Insurance and Finance Group grows 174% in First Half of 2019 vs. Comprehensive Profit in Corresponding Period Last Year, to NIS 686 Million**

**Comprehensive profit in Q2 2019 doubled to approximately NIS 346 million**

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**Return on Equity was 22% vs. return of approximately 9% during the corresponding quarter last year**

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**Record volume of assets managed by the Harel Group amounting to NIS 260 billion**

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**In July 2019, dividends totaling NIS 107 million were distributed. Since the start of the year, a dividend in the amount of NIS 236 million was distributed; Over the past 10 years, Harel distributed to its shareholders dividends totaling approximately NIS 2.3 billion**

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Harel Insurance Investments and Financial Services Ltd. has published its financial statements for Q2 2019:

**Comprehensive profit** in the first half of 2019 **amounted to NIS 686 million**, compared with a comprehensive profit of approximately NIS 250 million in the corresponding period last year, a 174% increase. Comprehensive profit neutralized by the extraordinary effects in the half totaled approximately NIS 700 million, against NIS 216 million in the corresponding period last year.

**Comprehensive profit** in Q2 2019 **was approximately NIS 346 million**, compared with a comprehensive profit of approximately NIS 170 million in the corresponding quarter last year, a 104% increase.

**Return on capital** in the first half of 2019 was 22%, compared with a return of 9% in the corresponding period last year.

**Total managed assets** for the Group as of June 30<sup>th</sup>, 2019, peaked at approximately **NIS 260.4 billion**, an 11% increase since December 31, 2018.

**Equity attributed to Company shareholders** as of June 30, 2019 amounted to approximately NIS 6.47 billion.

**Total earned premiums gross and benefit contribution** in the first half of 2019 amounted to **NIS 13.2 billion**, compared with NIS 12.5 billion in the corresponding period last year.

**Total earned premiums gross and benefit contribution** in the Q2 2019 amounted to **NIS 6.6 billion**, compared with NIS 6.3 billion in the corresponding quarter last year.

In July 2019 (after the report period), the decision was made to distribute an additional dividend in the amount of NIS 107 million, bringing the total annual dividend distributed in 2019 to NIS 236 million. Over the past decade, Harel Investments distributed to its shareholders dividends in the cumulative amount of approximately NIS 2.3 billion.

The Company is also planning to make a structural change in which Harel Insurance's holdings in Harel Pension and Provident would be transferred in full to the Company. The move is expected, inter alia, to improve the Company's financial soundness. Subject to receiving all of the necessary approvals including Tax Authority approval, the structural change as specified is expected to become valid on January 1, 2020.

**Michel Siboni, CEO of Harel Insurance & Finance** announced that: "The financial results for the Harel Group reflects the Group's strength, growth in each of its core areas of operation and its relative advantages in every one of the areas". Siboni further stated that the Harel Group achieved a significant return on equity of approximately 22% in the half and in the quarter, and "we distributed dividends this year to shareholders totaling NIS 236 million and in the past ten years, a total of approximately NIS 2.3 billion". According to Siboni, "The dividend distribution reflects, in a long-term perspective, the growth and financial soundness that is consistently demonstrated by the Group."

### Long-term savings

**Comprehensive profit before tax in a long-term savings activity (life assurance, pension, provident and education funds)** in the first half of 2019 amounted to approximately NIS 87 million, compared with a comprehensive profit before tax of approximately NIS 220 million during the corresponding period last year.

**Comprehensive loss before tax in a long-term savings activity (life assurance, pension, provident and education funds)** in Q2 2019 totaled approximately NIS 61 million, compared with a comprehensive profit before tax of approximately NIS 204 million in the corresponding quarter last year. The decrease in profit is primarily attributed to a decrease in the interest rate curve that resulted in increased insurance liabilities in comparison with an increase in the interest rate curve in the corresponding period last year that resulted in a decrease in insurance liabilities. In addition, results in the first half and in Q2 2019 were affected by implementation of the draft circular on measurement of liabilities for mortality tables. As a result of the implementation of the draft circular, Harel Insurance increased insurance liabilities in the life assurance and long-term savings sector by NIS 91 million, and reduced comprehensive profits before tax by said amount.

**Total earned premiums, gross and benefit contributions in long-term savings activity** in the first half of 2019 amounted to approximately NIS 8.9 billion, compared with NIS 8.3 billion in the corresponding period last year, **a 7% increase.**

**Total earned premiums, gross and benefit contributions in long-term savings activity** in Q2 2019 amounted to approximately NIS 4.4 billion, compared with the approximate NIS 4.2 billion in the corresponding period last year, **a 5% increase.**

## Life assurance

**Management fee revenues in life assurance** amounted in the first half of 2019 to approximately **NIS 299 million, compared with NIS 187 million in the corresponding quarter last year.** The changing management fees in the first half of 2019 in the amount of NIS 92 million are after supplementing a deficit of approximately NIS 75 million for investment losses that occurred in 2018 in the profit-sharing policy portfolios.

**Comprehensive profit before life insurance tax** amounted in the first half of 2019 to approximately NIS 20 million, compared with a comprehensive profit before tax of approximately NIS 160 million during the corresponding period last year.

**Comprehensive profit before life insurance tax** amounted in Q2 2019 to approximately NIS 93 million, compared with a comprehensive profit before tax of approximately NIS 172 million in the corresponding period last year. The decrease is primarily attributed to a decrease in the interest rate curve that resulted in an increase in insurance liabilities vs. an increase in the interest rate curve during the corresponding period last year that resulted in a decrease in insurance liabilities.

**Total earned premiums gross in life assurance** in the first half of 2019 amounted to approximately NIS 3.0 billion, compared with the approximately NIS 2.6 billion in the corresponding period last year, **a 15% increase.**

**Total earned premiums gross in life assurance** in Q2 2019 amounted to approximately NIS 1.5 billion, compared with the approximately NIS 1.3 billion in the corresponding quarter last year, **a 15% increase.**

## Pension funds

**Comprehensive profit before tax from pension fund management** amounted in the first half of 2019 to approximately NIS 37 million, compared with a comprehensive profit before tax of approximately NIS 38 million in the corresponding period last year.

**Comprehensive profit before tax from pension fund management** amounted in Q2 2019 to approximately NIS 17 million, compared with a comprehensive profit before tax of approximately NIS 20 million the corresponding quarter last year, a decrease of 15%. The decrease on comprehensive profit is primarily attributed to an increase in costs invested in customer service help desks to improve customer service in the company.

**Benefit contribution collected by the pension funds** of the Group in the first half of 2019 amounted to approximately NIS 4.2 billion, compared with approximately NIS 3.9 billion during the corresponding period last year, **an increase of approximately 8%.**

**Benefit contribution collected by the pension funds** of the Group in Q2 2019 amounted to approximately NIS 2.2 billion, compared with approximately NIS 2.0 billion during the corresponding quarter last year, **an increase of approximately 10%.**

**The volume of assets managed by the pension funds** of the Group as of June 30, 2019 amounted to approximately NIS 69.0 billion, compared to the approximately NIS 59.1 billion in the corresponding period last year, **an increase of approximately 17%**.

## Provident funds and education funds

**Comprehensive profit before tax in provident and education funds** in the first half of 2019 amounted to approximately NIS 30 million, compared to a comprehensive profit before tax of approximately NIS 22 million in the corresponding period last year, **an increase of approximately 36%**.

**Comprehensive profit before tax in provident and education funds** in Q2 2019 amounted to NIS 15 million, compared with a comprehensive profit before tax of approximately NIS 12 million in the corresponding quarter last year, **an increase of approximately 25%**.

**Benefit contributions that were collected by the provident and education funds** in the first half of 2019 amounted to approximately NIS 1.7 billion, compared with approximately NIS 1.8 billion in the corresponding period last year.

**Benefit contributions that were collected by the provident and education funds** in Q2 2019 amounted to approximately NIS 786 million, compared with approximately NIS 867 million in the corresponding quarter last year.

**The volume of assets managed by the provident and education funds** of the Group as of June 30, 2019 amounted to approximately NIS 43.6 billion, compared to the approximately NIS 38.6 billion in the corresponding period last year, **an increase of approximately 13%**.

## Health insurance

**Comprehensive profit before tax in the health insurance segment** in the first half of 2019 amounted to approximately NIS 154 million, compared to a comprehensive profit before tax of approximately NIS 15 million in the corresponding period last year.

**Comprehensive profit before tax in the health insurance segment** in Q2 2019 amounted to NIS 47 million, compared with a comprehensive loss before tax of approximately NIS 7 million in the corresponding quarter last year. In contrast, results in the reporting period were affected by a NIS 13 million increase in 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 diminish significantly.

**Gross earned premiums in the health insurance segment** amounted in the first half of 2019 to approximately NIS 2.4 billion, compared with NIS 2.3 billion in the corresponding period last year, **an increase of approximately 4%**.

**Gross earned premiums in the health insurance segment** amounted in Q2 2019 to approximately NIS 1.2 billion, similar to the corresponding quarter last year.

## Non-life insurance

**Comprehensive profit before tax in non-life insurance** in the first half of 2019 amounted to approximately NIS 482 million, compared with a comprehensive profit before tax of approximately NIS 44 million in the corresponding period last year.

**Comprehensive profit before tax in non-life insurance** In Q2 2019 amounted to approximately NIS 400 million, compared with a comprehensive loss before tax of NIS 21 million in the corresponding

quarter last year. The results in the reporting period were affected by a Supreme Court decision regarding capitalization interest on compensation for bodily injury in tort. As a result of the decision, a decrease was recorded in Q2 2019 in insurance liabilities in the amount of NIS 260 million (of which NIS 158 million in the mandatory vehicle segment and NIS 102 million in the liability and other segments). Results in the Q2 reporting period were also affected by capital market returns, which were higher than the returns in the corresponding period last year. On the other hand, the results in the reporting period were affected by the increase in insurance liability as a result of a decrease in the interest rate curve of approximately NIS 63 million (of which NIS 18 million in the mandatory vehicle segment and NIS 45 million in the liability and other segments).

**Gross earned premiums in non-life insurance** in the first half of 2019 amounted to approximately NIS 1.7 billion, similar to the corresponding period last year.

**Gross earned premiums in non-life insurance** in Q2 2019 amounted to approximately NIS 847 million, compared with approximately NIS 842 million in the corresponding period last year, **an increase of approximately 0.6%.**

## Harel Finance

In accordance with prior projections, due to the repercussions of the validation of the reforms in ETF ("Amendment 28") that became ETF for mutual funds in several beats, commencing on October 3, 2018, a decrease in revenue and comprehensive profit before tax in the capital market and financial services segment.

**Comprehensive profit before tax in the capital market and financial services segment** in the first half of 2019 amounted to approximately NIS 14 million, compared with a comprehensive profit before tax of approximately NIS 20 million in the corresponding period last year, a decrease of 30%.

**Comprehensive profit before tax in the capital market and financial services segment** in Q2 2019 amounted to approximately NIS 9 million, compared with a comprehensive profit before tax of approximately NIS 11 million in the corresponding quarter last year, a decrease of 18%.

**Revenue in the capital market and financial services segment** in the first half of 2019 amounted to approximately NIS 97 million, compared with NIS 107 million in the corresponding period last year.

**Revenue in the capital market and financial services segment** in Q2 2019 amounted to approximately NIS 49 million, compared with NIS 55 million in the corresponding quarter last year.

The decrease in comprehensive profit and revenue is primarily attributed to the transformation of ETF for trust funds from October 3, 2018, but was offset during the first half of 2019 due to continued improvement in results of Harel Finance, due to leadership in raising in trust funds, and based on an improvement in trust fund activity (neutralized by the impact of Amendment 28) and improvement in portfolio management activity.

**Volume of assets management in the capital market and financial services segment, by Harel Finance Investment House**, increased by approximately NIS 6.3 billion since the start of the year and on June 30, 2019 amounted to approximately NIS 52.7 billion, compared with approximately NIS 48.2 billion on June 30, 2018 compared with NIS 46.4 billion on December 31, 2018 (an increase of 14% from the start of the year). As of the date of publication of the financial statements, Harel Finance has AUM of approximately NIS 55 billion. The increase in the volume of managed assets is attributable to both rising prices in the markets and to the fact that Harel Mutual Funds dominated mutual fund raisings in the first half of the year, raising a net amount of over NIS 3.4 billion.

## Equity

**Equity attributed to company shareholders** as of June 30, 2019, is approximately NIS 6.47 billion, **an increase of approximately 9%** since December 31, 2018.

**The capital surplus of Harel Insurance** on December 31, 2018, on a consolidated basis and before the transitional provisions (in terms of 100% SCR) is NIS 1.9 billion. Taking the transitional provisions into account, Harel Insurance has a capital surplus of approximately NIS 4.9 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 on December 31, 2024. It should be emphasized that in its current format, the model is extremely sensitive to changes in the market and other variables.