

March 21, 2021

Harel Insurance and Finance Group's profit soared by 26% in Q4 2020 to NIS 427 million; annual profit for 2020 was NIS 834 million

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**Harel is consolidating its position and enhancing its activity in the non-insurance sectors as well, with the purpose of providing it with a regular flow of income which is not dependent on the Group's central insurance activity**

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Michel Siboni, CEO of the Group: "Harel's excellent results in one of the most challenging years the Company has ever known, is also confirmation of its strength and ability to stand firm in the face of a global crisis"

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**Harel recorded significantly higher sales of motor and homeowners insurance, at the same time increasing the Company's market share in these sectors, as well as in life and health risks compared, with the corresponding periods last year. This success is attributable to the ability to offer customers more attractive and accurate value propositions**

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The Company is distributing a dividend of NIS 150 million, in addition to a dividend of NIS 107 million that was distributed in February 2021. The distribution is consistent with the dividend policy which the Company announced a month ago

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**Harel Group's AUM was a record NIS 291 billion at December 31, 2020**

**Harel Insurance Investments and Financial Services Ltd. publishes its financial statements for 2020:**

**Comprehensive profit after tax increased by 26% to NIS 427 million in Q4 2020, compared with NIS 338 million in the corresponding quarter in 2019.**

**Comprehensive profit after tax was 834 million in 2020, as against NIS 978 million in 2019.**

**Return on equity (in annual terms) in Q4 2020 was 23%, compared with RoE of 20% in the corresponding quarter in 2019. Return on equity in 2020 was 11%, as against RoE of 15% in 2019.**

**The Group's AUM increased by 3% to NIS 291 billion at December 31, 2020, compared with NIS 283 billion at the corresponding date in 2019.**

**Total earned premiums, gross, and benefit contributions in Q4 2020, increased by 4% to NIS 7.4 billion, compared with NIS 7.1 billion in the corresponding quarter in 2019.**

**Total earned premiums, gross, and benefit contributions in 2020 amounted to NIS 27.4 billion in 2020, similar to the figure in 2019.**

**Equity attributed to the Company's shareholders was NIS 7.74 billion at December 31, 2020.**

**In a statement, Michel Siboni, CEO of Harel Insurance Group, said:** “We concluded 2020 with comprehensive profit of NIS 834 million, despite the impact of COVID-19 on the economy, which, among other things, led to lower yields in the capital market than last year. This result was achieved thanks to significantly higher sales of health, motor and homeowners insurance products, which was made possible due to the use of digital tools for remote sales, and also to a change in the structure of costs and streamlining processes that helped reduce expenses. Harel’s excellent results in one of the most challenging years the Company has ever known, is also confirmation of its strength and ability to stand firm in the face of a global crisis.

The Group’s strategy includes the development of non-insurance activity alongside stable insurance activity. In its non-insurance activity, the Group concentrates under the public company Harel Investments, activities that generate a fixed, stable flow of income for the public company. This activity generates a fixed flow of dividends for the Company’s shareholders, consistent with the dividend policy formulated by the Company last month.

The Company’s insurance activity includes a strategy of growth which involves expanding the basket of products for its 3.3 million customers and also expanding sales to new customers. This is done by utilizing digital tools and data which facilitate operating efficiency as well as improved underwriting and offering customers improved value propositions. The Company also invests in innovation and assimilates cutting-edge technologies and systems, such as the Salesforce digital marketing and call-center management systems.

We enter 2021 with the assimilation of a digital transformation which provides us with an advantage and several new growth engines for coming years”.

## **Long-term savings**

**Comprehensive profit before tax in long-term savings activity (life assurance, pensions, provident and education funds) increased by 5% to NIS 220 million in Q4 2020, compared with NIS 210 million in the corresponding quarter in 2019.**

**Comprehensive profit before tax in long-term savings activity (life assurance, pensions, provident and education funds) was NIS 542 million in all of 2020, as against NIS 553 million in 2019.**

**Total earned premiums, gross, and benefit contributions in long-term savings activity increased by 6% to NIS 5.1 billion in Q4 2020, compared with NIS 4.8 billion in the corresponding quarter in 2019. Total earned premiums, gross, and benefit contributions in long-term savings activity amounted to NIS.18.5 billion in 2020, as against NIS 18.7 billion in 2019.**

**Notwithstanding the COVID-19 crisis, the sale of new policies in the savings sectors was only down slightly compared with the volume of sales typical of these sectors in the corresponding period in previous years. This despite the fact that a large number of employees in the economy were placed on unpaid leave and fewer new workers were hired.**

**The Company collected NIS 1.23 million in fixed management fees, similar to last year and this is one of the strong points which reinforce the Group's stability. We emphasize that these results were achieved despite the lower capital market yields during part of the year, and despite the higher redemptions in the mutual funds, provident funds and investment policies in the first months of the year.**

## Health insurance

**Comprehensive profit before tax in the health insurance segment in Q4 2020 was NIS 39 million, as against NIS 64 million in the corresponding quarter in 2019.**

**Comprehensive profit before tax in the health insurance segment was NIS 77 million in 2020, compared with a comprehensive loss before tax of NIS 262 million in 2019.**

The results were achieved mainly thanks to improved underwriting in the different activities and also due to the assimilation of streamlining measures which created value, and an increase in the number of groups (collectives) which generated fair profit.

**Gross earned premiums in the health insurance segment amounted to NIS 1.3 billion in Q4 2020, similar to the corresponding quarter in 2019.**

**Gross earned premiums in the health insurance segment increased by 2% to NIS 5.0 billion in 2020, compared with NIS 4.9 billion in 2019.**

## Non-life insurance

**Comprehensive profit before tax in non-life insurance increased by 100% to NIS 92 million in Q4 2020, compared with NIS 46 million in the corresponding quarter in 2019.**

Results in the fourth quarter were affected by yields in the capital market which were higher than in the fourth quarter last year.

**Comprehensive profit before tax in non-life insurance was NIS 343 million in 2020, as against NIS 558 million in 2019.**

Results in the Reporting Period were affected by yields in the capital market which were lower than in the corresponding period last year.

Additionally, results in the Reporting Period were affected by changes in the risk-free interest rate curve and by changes in the difference between the fair value and book value of the non-marketable assets. The effect of these changes was partially offset by the application of a circular on revised liquidity premium rates which are added to the risk-free interest rate curve which entered into force in Q2 2020. The overall effect of these changes was to reduce the insurance liabilities by NIS 45 million before tax. Additionally, results in the Reporting Period were affected by the Supreme Court ruling regarding the discounting interest rate to apply to the National Insurance Institute in subrogation claims, which reduced the insurance liabilities by NIS 80 million before tax.

**Total earned premiums, gross, in Q4 2020** amounted to NIS 0.9 billion, similar to the corresponding quarter in 2019.

**Total earned premiums, gross, in 2020** amounted to NIS 3.4 billion, similar to 2020

**Despite price erosion in the non-life insurance market, in 2020 Harel managed to significantly increase sales in the motor insurance, homeowners and business premises sectors and also to increase the Company's market share of motor insurance. The growth of the motor sector was accompanied by a decrease in the volume of group (collective) sales (decrease in the volume of sales to loss-making groups), and an increase in all the motor insurance sectors, where the most significant increase was recorded in the**

sale of Harel Switch, which includes a variable payment component based on vehicle usage. Sales in the motor sectors increased, in part, thanks to the combination of more accurate pricing and underwriting which allowed for better customization of insurance proposals, together with Harel's strong reputation.

## Harel Finance

**Harel Finance continues to consolidate its position as one of the most dominant companies in its areas of activity.**

**Harel Finance presented comprehensive profit before tax of NIS 7 million in Q4 2020**, as against NIS 9 million in the corresponding quarter of 2019.

**The comprehensive profit before tax presented by Harel Finance increased by 38% to NIS 40 million in 2020**, compared with NIS 29 million in 2019.

**Revenues in the capital market and financial services segment amounted to NIS 52 million in Q4 2020** as against NIS 57 million in the corresponding quarter in 2019.

**Revenues in the capital market and financial services segment increased by 6% to NIS 220 million in 2020**, compared with NIS 207 million in the 2019.

**AUM in the capital market and financial services segment held by Harel Finance Investment House amounted to NIS 52.1 billion at December 31, 2020**, as against NIS 59 billion on the corresponding date in 2019. The decrease in the volume of AUM is attributable to sharply falling share prices and high redemptions in the COVID-19 period, which moderated in light of capital raisings and share price increases from the second quarter of 2020.

## Equity

**Equity** attributed to the Company's shareholders was NIS **7.74** billion at December 31, 2020.

Based on the transitional provisions, the **capital surplus of Harel Insurance at December 31, 2019**, is NIS 6.3 billion - the highest amount among the insurance companies at that date. In accordance with the directives, the economic solvency ratio at December 31, 2019, was published on October 28, 2020.

**The capital surplus of Harel Insurance as at December 31, 2019**, on a consolidated basis and before the transitional provisions (in terms of 100% SCR), is NIS 1.4 billion.

Notably, the model in its current format is extremely sensitive to changes in market and other variables, such as changes in the interest rate, changes in investment profits, revised actuarial assumptions and changes relating to the activity of Harel Insurance.

**On February 28, 2021, the Company's Board of Directors approved a dividend distribution policy whereby the Company will distribute a dividend of at least 30% of the comprehensive income** according to its annual consolidated financial statements. Additionally, the board of directors of Harel Insurance approved a dividend distribution policy according to which the Company will distribute a dividend of at least 35% of the comprehensive income according to the annual consolidated financial statements of Harel Insurance, and this as long as Harel Insurance is in compliance with the targets for solvency based on Solvency II (minimum solvency was set at 135%

taking into account the transitional provisions, and 105% excluding the transitional provisions in the transitional period).

On January 27, the Company's Board of Directors approved the distribution of a cash dividend in the amount of NIS 107 million. The dividend was paid on February 11, 2021.

Furthermore, in parallel with the approval of the financial reports, the Company's Board of Directors approved the distribution of a cash dividend in the amount of NIS 150 million.