SUMMARY OF FINANCIAL RESULTS

FOR THE PERIOD Q1.20



JUNE 10, 2020











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Statements concerning the Company's future business, financial position and results of operations are subject to risks and uncertainties, which may cause actual results to differ materially from those forecasted. Such forward-looking information includes, but is not limited to, product demand, pricing, changing economic conditions, product and technology development risks, the effect of the Company's accounting policies as well as certain other risk factors which are specified from time to time in the Company's reports to the Securities Authority.







LARGEST INSURANCE COMPANY IN ISRAEL*





* In terms of gross premiums earned, contributions and amounts received for investment contracts ** The rating refers to Harel Insurance, a wholly owned subsidiary of the Company

Data correct to March 31, 2020

(NIS BILLION)

about



Total earned premiums, gross, contributions and amounts received for investment contracts

Solvency II - surplus at June 30, 2019

about

about 6.35

Equity attributed to shareholders

Assets Under Management (AUM) at June 8, 2020



3

2019 6,255 2018 5,614 2017 5,078 Q1.20 1,714 1,247 986 **1**ST IN GROSS PREMIUMS EARNED, **CONTRIBUTIONS AND Q1.19** 1,548 1,195 953 **AMOUNTS RECEIVED FOR INVESTMENT** Life assurance **CONTRACTS** Health insurance Non-life insurance* Pension fund contributions (NIS MILLION)





- Provident fund contributions
- Amounts received for investment contracts



158% INCREASE IN AUM AND NOSTRO ASSETS SINCE BEGINNING OF THE DECADE

(NIS BILLION)





*The data include financial assets issued by the Group that are managed in portfolios



COMPREHENSIVE INCOME (LOSS) AFTER TAX AND ROE (IN ANNUAL TERMS) (NIS MILLION)



*Based on the circular published on March 29, 2020, in connection with the adequacy of the reserves, the grouping level was changed so that the LAT can be calculated for the entire life assurance segment together. The provisions of the circular entered into force in Q1 2020 by way of retrospective application. The implication of the change is that the Company has no LAT reserve in the life assurance segment. The data in the above are presented after application of the circular.

COMPREHENSIVE INCOME (LOSS) AFTER TAX*





OPERATING SEGMENTS

COMPREHENSIVE INCOME (LOSS) BEFORE TAX (NIS MILLION)



* Including results for the insurance companies overseas segment





LIFE ASSURANCE AND LONG-TERM SAVINGS SEGMENT

COMPREHENSIVE INCOME (LOSS) BEFORE TAX (NIS MILLION)





(99)





NON-LIFE INSURANCE SEGMENT

COMPREHENSIVE INCOME (LOSS) BEFORE TAX (NIS MILLION)



* The non-life insurance segment does not include results for the insurance companies overseas segment





FINANCIAL SERVICES SEGMENT

(NIS MILLION)



REVENUES **COMPREHENSIVE INCOME BEFORE TAX**



The total comprehensive income before tax Includes a write-down of the value of the portfolio management activity by NIS 5 million



EQUITY AND DIVIDEND





82%							
5,095	5,402	5,824	6,166	6,920	6,365		
2015	2016	2017	2018	2019	Q1.20		
235	171	461	214	236	-	2,11	
6	6	10	4	4	-		





HAREL INSURANCE CAPITAL **REQUIREMENTS – SOLVENCY**

(NIS BILLION)

- On April 23, 2020, the Commissioner published a second draft amendment to the Consolidated Circular on the implementation of an economic solvency regime for insurance companies based on Solvency II" ("the Additional Draft"). According to the Additional Draft, the transitional provisions will be adapted to the format set out in the European Directive, with an option to gradually increase the reserves in respect of long-term insurance products that were sold in the past, until 2032. The Additional Draft also includes updates to the provisions of the Circular based on changes that were made in Europe and are relevant to the Israeli market. Additionally, on April 16, the Commissioner published a draft setting out the principles for calculating the deduction during the transitional period according to the transitional instructions adjusted to the European Directive. The above drafts is still being discussed with the regulators and the final format of the changes is, as yet, unknown.
- 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 Company's activity. According to the Company's initial estimate of these changes, up to and after the date of the annual calculation there is no significant impact on the Company's solvency ratio, but at this stage, the Company is unable to estimate the full effect, given that it has yet to complete the calculation for the solvency report as at December 31. The solvency report and submittal of the Solvency reporting files to the Commissioner as at December 31, 2019, will be published, in accordance with the directives, by August 31, 2020.





* at June 30, 2019 the requirement is 70% of the SCR

SURPLUS CAPITAL **REQUIRED CAPITAL**







MATERIAL EVENTS IN THE REPORTING PERIOD -OUTBREAK AND SPREAD OF THE CORONA VIRUS WORLDWIDE IN Q1 2020





In view of the concern for the health and wellbeing of our employees, with the onset of the COVID - 19 crisis the Group's management took measures to reduce the risk for the Group's employees. The Group made a number of decisions to limit work in the Company's offices, in accordance with the instructions and recommendations published by the Ministry of Health at that time, while adapting and deploying work methods to working from home, and taking stringent care to continue to provide normal, ongoing service to the Group's customers and agents.

In accordance with the regulations that require the Group to be prepared for business continuity scenarios, and thanks to the Group's strong awareness of the importance of serving its customers, and the Group's investment in technology and digital processes over the last three years, the Group has in place solutions for providing normal, continuous service for its customers even in times of emergency and it was prepared for ongoing business activity in an adjusted format throughout the crisis period.

In May 2020, as some of the restrictions on movement, large gatherings and manpower in the work place were lifted, most of the Company's employees returned to regular activity in the Company's offices, taking care to uphold the social distancing rules aimed at preventing COVID - 19 contagion.

The outbreak of the virus and the protective measures detailed above caused significant economic damage resulting in negative trends in both the global and Israeli economy. The Company believes that the COVID - 19 crisis is an evolving event and there is no certainty regarding its date of termination and extent of its impact on the Group's assets and performance.

Below we provide details of the key effects of the COVID - 19 crisis on the Group:

Investments and yields in the capital market

In the wake of the COVID - 19 crisis, in the first quarter of 2020 share prices plummeted in the capital markets worldwide and in Israel, foreign exchange rates fluctuated wildly and yields on corporate bonds rose due to the increase in the level of risk and uncertainty.

Following these falling prices, in Q1 2020 the Company recognized pre-tax investment losses in the Nostro of NIS 820 million. Notably, in the period after the reporting date and up to immediately prior to the date of publication of the financial statements, prices rose on the capital markets, completely offsetting the Nostro investment losses.

Additionally, the value of the Group's AUM declined by 25% compared with the end of 2019. Notably, in the period after the reporting date and up to immediately prior to the date of publication of the financial reports, prices on the capital markets rose which significantly offset the decrease in the value of the AUM held by the Group from NIS 25 billion, as noted above, to NIS 8 billion.





Furthermore, pursuant to the mechanism for collecting management fees prescribed in the legislative arrangement, insurance companies will not collect variable management fees in respect of yield-dependent policies sold between 1991 and 2003, until investment profits are attained in respect of the assets held to cover yield-dependent liabilities, which are sufficient to cover the accrued investment losses. According to the mechanism described above, due to real negative yields on profit sharing policies that were sold between 1991 and 2003, Harel Insurance did not record variable management fees from the beginning of 2020, but only recorded fixed management fees. Harel Insurance will not be able to collect variable management fees until a real positive yield is attained to cover the investment losses accumulated to the policyholders' debit. At March 2020, 31, the estimate for the non-collection of management fees due to the negative yield until a cumulative positive yield is attained was NIS 290 million before tax. Notably, in the period after the reporting date and up to immediately prior to the date of publication of the financial statements, following price increases in the capital market, the estimate for management fees that will not be collected was reduced from NIS 290 million, as noted above, to NIS 78 million before tax.

It is emphasized that the foregoing regarding developments after the date of the report is based on the information in the Company's possession close to the date of publication of the financial statements, and that these data are partial and do not include other components of investment income (losses) and the effect of the Group's other activity on its equity and assets.

Repercussions for the Group's business

As a result of the COVID - 19 crisis, in Q1 2020, there was an increase of redemptions of savings products, provident funds and education funds, insurance contracts and investment contracts. Notably, in the period after the reporting date and immediately prior to the date of publication of the financial statements, the volume of redemptions moderated and they returned to their normal pre-crisis levels.

Additionally, in Q1 2020, the demand to make changes in investment tracks for amounts managed in provident funds and education funds and also in the pension funds increased significantly, with the trend being a shift to low-risk channels. In the period after the reporting date and up to immediately prior to the date of publication of the financial statements, the trend changed back to general / share-based channels.

In the mutual funds sector, in Q1 2020 there was a large increase in the volume of redemptions. Notably, in the period after the reporting date and immediately prior to the date of publication of the financial statements, the volume of mutual fund redemptions moderated and new amounts were raised.

In light of the strong volatility and lack of liquidity in the domestic capital market, in March 2020 and after the reporting date, requests were received to perform forced conversion of bonds that were issued by a second-tier subsidiary of Harel Finance.

Regarding the reinsurers with which the Group has agreements, to the best of the Company's knowledge their position has not worsened.





Effect on the Group's sales

In the wake of the COVID - 19 crisis, the sale of new policies in the long-term savings sectors declined significantly compared with the volume of sales that are typical of these sectors in corresponding periods in previous years.

Additionally, in this period, the sale of new policies in the health and life sectors decreased somewhat, although it subsequently recovered rapidly returning to the volumes of sales typical of corresponding periods, in part as a result of integrating technology instruments for remote sales.

Sales in the motor insurance, homeowners and business sectors were not affected during this period, and their sales even increased. The most significant increase was recorded in the sale of the motor insurance product Harel Switch, which includes a variable payment component based on vehicle usage.

Due to the almost total cessation of overseas travel, at the date of publication of the report, the Company is not selling travel insurance policies. Notably, the discontinuation of the sale of these policies does not materially affect the Company's results. At this stage, the Company is unable to estimate the scope of the impact of the COVID - 19 crisis on future sales.

Adjustments in wages and manpower in the Group

During the period in which restrictions on movement and large gatherings were imposed, most of the Company's employees worked via remote access to the Company's systems, 'however due to the situation and its impact on the Group's operations, in March 2020 the Company placed 900 employees on unpaid leave and other staff members were placed on vacation at the expense of their accumulated vacation days until after the Passover holiday. The Company provided all employees who were placed on unpaid leave with a one-time bonus of NIS 5,000 in order to tide them over the Passover holiday period.

Subsequently, on April 23, 2020, the Company decided to take a series of measures on matters relating to wages and manpower in the Group, as follows: 700 of the 900 employees who were placed on unpaid leave in March 2020, returned to work at the beginning of May 2020. The employment of 200 Company employees, accounting for 4% of the Group's 5,000 employees, was terminated.

To enable the Company's employees who had been placed on unpaid leave to return to work, the Company decided upon a series of measures as follows: (1) wage cuts for a year - 20% cut in the salary of the controlling shareholders, 10% cut in the CEO's salary, 7% cut in the wages of the Company's senior executives, 7% cut in the salary paid to the directors of the Company and Harel Insurance, and this further to a request by the directors to participate in the plan and contribute their share, and following the approval of the Compensation Committee and Board of Directors; (2) cancellation of wage supplements - in 2021 and 2022 there will be no wage supplements for the Company's managers and employees; (3) in the coming year (until May 2021), four-days vacation will be deducted from the annual vacation of all employees whose salary is higher the average wage in the economy. Two-days vacation will be deducted in the coming year from all employees whose salary is below the average wage in the economy; (4) the Company's service





providers - adjustments and cutbacks will be made in the Company's expenses to its service providers; (5) a loan fund for employees - the Company established a fund for providing loans to the Company's employees who are in financial difficulty and whose employment in the Company was terminated.

The purpose of these company-wide measures that were decided upon, which include a loss for the executives and controlling shareholders, which in the Company's opinion is reasonable and proportional, is to increase, wherever possible, the number of employees who returned to work from unpaid leave. The Company views its employees as a key asset and it believes that at this time it is under particular obligation to attempt to preserve the livelihood of as many of its employees as possible.

Other effects on the Group's results

The Group assessed the value of non-marketable assets for which there were clear indications of material impairment, while applying proper professional discretion. The assessment of impairment included, inter alia, reviewing the Group's real-estate assets in Israel, including relying on professional opinions received from external appraisers concerning the discounting rate and the work assumptions on which the valuations were based. Additionally, an assessment of other financial investments was performed, including investment funds and real-estate abroad, based on the most up-to-date information available to the Company, including comments received from the asset and fund managers regarding indications of impairment. Following this assessment, the Company recorded an impairment of NIS 80 million before tax for non-marketable assets in the Nostro and NIS 160 million before tax for profit-sharing policies in the Reporting Period.

Additionally, the Group examined the need to update its assessment of the impairment of intangible assets, including goodwill. A revision of the assessment of the impairment before a year has passed since the previous assessment is necessary for those activities in which there are indications of impairment due to the repercussions of the COVID - 19 crisis. After examining these indications and reviewing the recoverable amounts, as necessary, it was found that the recoverable amount of the pension, provident and education activity, mutual funds and mortgage insurance activity is higher than their book value and the impairment is unnecessary. Regarding the portfolio management activity, based on a valuation prepared by an external appraiser as at March 31, 2020, the Company reduced the value of this activity by NIS 5 million before tax.

Regarding the fixed asset balances and Deferred Acquisition Costs (DAC), the assessment performed by the Group showed that there are no indications of impairment, as noted above.

Liquidity and sources of finance

While assessing the liquidity risk, it was found that the COVID - 19 crisis did not significantly affect the Company's liquidity, financial robustness and the sources of financing available to it.









HARELIS LEADING A DIGITAL REVOLUTION IN THE INSURANCE WORLD



DEVELOPMENT OF INNOVATIVE PRODUCTS THAT DIFFERENTIATE HAREL





EXTRA INSURANCE FOR COUPLES

March 2019

eitra יגני eitra

ביטוח חיים זוגי לאנשים שאכפת להם

דאגה והגנה למשפחה extra כיסוי ביטוחי ללא תוספת מחיר extra extra אפשרות להגדלת סכומי הביטוח ללא חיתום

- Entitlement to double the sum insured if the partner dies, without changing the premium
 Entitlement to increase the sum insured without medical
- underwriting when a child is born



SWITCH MOTOR INSURANCE



ביטוח רכב הראל סוויץ נוסעים מעט משלמים מע ושים סוויץ׳ לאפליקציו זפליקציה חדשנית שתנהל את כ ה שקשור לביטוח הרכב של

הראל

עושים סוויץ' לחסכון כמה שנוסעים ככה משלמינ חיוב סוויץ' יעשה בהתאם לו שליטה בחיוב החודשי, שירוח ך, ליווי בזמן חירום ועוד.

April 2019

• An attractively priced digital product for low-mileage drivers





HEALTH **EXTRA** UPGRADE



המאפשר בחירה בין כיסוי מלא לאחר מיצוי זכויות בשב"ן לבין תשלום השתתפות עצמית ובנוסף, רק בהראל שירות ייעודי ומקצועי למסלול זה - לך ולמבוטחיך

- כי הראל בריאות זה מחויבות חדשנות מקצוענות

ביטוחי הבריאות של הראל, הרבה יותר מכיסוי ביטוחי.

- Cover for surgery with a reduced premium
- Allows you to choose between full coverage after utilizing your SHS rights and payment of a deductible
- Option to move to basic surgery cover without medical underwriting
- Upgrade service and information center



IMPROVED CRITICAL ILLNESS INSURANCE

June 2019



• Extended cover for additional illnesses and insured events, without any change in the premium



PREMIUM EXECUTIVE

An insurance policy with ongoing deposits and an option to purchase insurance coverages, without any management fees on the deposits and where management fees on accrual decline in line with development of the accrual in the plan





Additional insurance coverage package on the pension fund, includes:

- Lump sum in the event of death provides a combination of survivors pension from the pension fund and a lump sum payment from the life assurance (risk) policy
- Insurance umbrella cover for work disability (P.H.I.) due to an accident or illness







PREMIUM TREATMENTS



New technologies and diverse treatments rider:

- Technologies that treat oncology-related illnesses
- Pressure chamber treatment
- Technologies for treatment of pain





INCREASED AUTOMATION IN THE AGENTS' WORK PROCESSES

Products available for sale through digital channels, almost all of them also through to automatic production









OPERATIONAL STREAMLINING AND IMPROVED CUSTOMER SERVICE DIGITIZATION OF CLAIMS





FILING AMBULATORY CLAIMS

GREEN TRACK: ADDITION OF SUPPLEMENTARY MEDICINE

49% WERE APPRO AUTOMATICA

החזר /

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הראל



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ONE-CLICK MOTOR AND HOMEOWNERS CLAIMS

Fully digital process (filing + settlement) for agents and customers MOTOR A HOMEOWI CLAIMS Q1.20



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פוליסות ביטוח נסיעות לחו"ל









Submitting a request for a down payment, receiving payment by Bit and providing the receipts after the treatment





CLAIMS

Surveys of the satisfaction of insureds and agents from approval one "click" claim settlement

6.5 OUT OF 7











THANKYOU

