

August 26<sup>th</sup>, 2018

## **Harel Group ends the first half of 2018 with comprehensive profit of NIS 250 million**

**The volume of gross earned premiums, benefit contributions received and amounts received for investment contracts in the first half of 2018 increased by 19% compared with the corresponding period last year amounting to NIS 15.4 billion**

~~~

**The assets managed (AUM) by Harel Group reached a record NIS 232 billion**

**Harel Insurance Investments and Financial Services has published its financial statements for Q2 2018:**

**Earned premiums, benefit contributions and amounts received in respect of investment contracts in the first half of 2018 increased by 19%** to NIS 15.4 billion, compared with NIS 12.9 billion in the corresponding period last year.

**Earned premiums, benefit contributions and amounts received in respect of investment contracts in Q2 2018 increased by 18%** to NIS 7.7 billion, compared with NIS 6.5 billion in the corresponding period last year.

**Comprehensive profit in the first half of 2018** was NIS 250 million, compared with NIS 437 million for the corresponding period last year.

**Comprehensive profit in Q2 2018** was NIS 170 million, compared with NIS 183 million in the corresponding quarter last year.

**Equity attributed to the Company's shareholders** was NIS 5.7 billion at June 30, 2018.

In the first half of 2018, Harel Investments distributed a dividend in the amount of NIS 107 million. In parallel, Harel Insurance distributed a dividend of NIS 100 million in the first half of 2018.

**The return on equity was 9% in annual terms** in the first half of 2018, and was 12% in Q2 2018.

The Group's **AUM** in insurance, pension funds, provident funds, mutual funds and financial services increased to a record **NIS 232 billion** at June 30, 2018.

**Michel Siboni, CEO of Harel Insurance and Finance Group commented:** "The Group's AUM peaked even as yields in the capital market were low, and this in view of the continuing growth in the volume of premiums, deposits in pension products and raisings in the finance sector. Harel continues to implement our new strategy which integrates digital operations, Big Data and personal relationships between agents and customers in all the Group's operations with the goal of achieving improved pricing, sales capability and service in all sectors".

### Long-term savings

**Comprehensive profit in long-term savings activity** (life assurance, pensions, provident and education funds) was NIS 220 million in the **first half of 2018**, as against NIS 347 million in the corresponding period last year, due to lower yields in the capital market in the Reporting Period compared with the corresponding period last year.

**Comprehensive profit in long-term savings activity** (life assurance, pensions, provident and education funds) was NIS 204 million in **Q2 2018**, compared with comprehensive profit of NIS 138 million in the corresponding quarter last year.

**Total earned premiums, benefit contributions and amounts received in respect of investment contracts in long-term savings activity increased by 24%** to NIS 11.2 billion in the **first half of 2018**, compared with NIS 9 billion in the corresponding period last year.

**Total earned premiums and benefit contributions** in long-term savings activity increased by 22% to NIS 5.5 billion in **Q2 2018**, compared with NIS 4.5 billion in the corresponding quarter last year.

## Life assurance

**Comprehensive profit in life assurance** was NIS 160 million in the **first half of 2018**, as against NIS 305 million in the corresponding period last year. This was due to lower yields in the capital market in the Reporting Period than in the corresponding period last year.

**Comprehensive profit in life assurance** increased by 44.5% to NIS 172 million in **Q2 2018**, compared with NIS 119 million in the corresponding quarter last year.

**Total earned premiums earned in life assurance increased by 10%** to NIS 2.75 billion in the **first half of 2018**, compared with NIS 2.5 billion in the corresponding period last year.

**Total earned premiums in life assurance increased by 2%** to NIS 1.29 billion in Q2 2018, compared with NIS 1.26 billion in the corresponding period last year.

## Pension funds

**Comprehensive profit from pension fund management increased by 52%** to NIS 38 million in the **first half of 2018**, compared with NIS 25 million in the corresponding period last year.

**Comprehensive profit from pension fund management increased by 67%** to NIS 20 million in **Q2 2018**, compared with NIS 12 million in the corresponding quarter last year.

**Benefit contributions collected by the Group's pension funds increased by 15%** to NIS 3.9 billion in the **first half of 2018**, compared with NIS 3.4 billion in the corresponding period last year.

**Benefit contributions collected by the Group's pension funds increased by 14%** to NIS 2 billion in **Q2 2018**, compared with NIS 1.75 billion in the corresponding period last year.

**The volume of assets managed by the pension funds increased by 20%** to **NIS 59.1 billion at June 30, 2018**, compared with NIS 49.1 billion in the corresponding period last year.

## Provident funds and education funds

**Comprehensive profit from provident funds and education funds increased by 29%** to NIS 22 million in the **first half of 2018**, compared with NIS 17 million in the corresponding period last year.

**Comprehensive profit from provident funds and education funds increased by 71%** to NIS 12 million in **Q2 2018**, compared with NIS 7 million in the corresponding quarter last year.

**The benefit contributions collected by the provident funds and education funds increased by 28%** to NIS 1.78 billion in the **first half of 2018**, compared with NIS 1.39 billion in the corresponding period last year.

**The benefit contributions collected by the provident funds and education funds increased by 21%** to NIS 866 million in **Q2 2018**, compared with NIS 713 million in the corresponding quarter last year.

**Assets under management held by the Group's provident funds and education funds increased by 15%** to NIS 38.6 billion at June 30, 2018, compared with NIS 33.5 billion in the corresponding period last year.

## Health insurance

**Comprehensive profit in the health insurance segment** was NIS 15 million in the **first half of 2018**, as against NIS 32 million in the corresponding period last year.

**There was a comprehensive loss of NIS 7 million in the health insurance segment in Q2 2018**, compared with comprehensive income of NIS 9 million in the corresponding quarter last year.

Results in the Reporting Period were affected by yields in the capital market that were lower than in the corresponding period last year. Additionally, claims in the group long-term care sector attributed to previous years increased (claims for the period up to December 31, 2017). The Company believes that in view of the discontinuation of group long-term

insurance at the end of 2017, these losses, arising from previous periods, will moderate significantly in the forthcoming reporting periods.

**Total premiums earned in the health insurance segment increased by 4%** to NIS 2.26 billion in the **first half of 2018**, compared with NIS 2.17 billion in the corresponding period last year.

**Total premiums earned in the health insurance segment increased by 6%** to NIS 1.16 billion in **Q2 2018**, compared with NIS 1.09 billion in the corresponding quarter last year.

## Non-life insurance

**Comprehensive profit in non-life insurance** was NIS 44 million in **Q2 2018**, as against NIS 82 million in the corresponding period last year.

**There was a comprehensive loss of NIS 21 million in non-life insurance in Q2 2018**, compared with comprehensive income of NIS 20 million in the corresponding quarter last year, due to a negative development in the compulsory motor sector and in other liabilities sectors.

**Comprehensive profit in motor property insurance** was NIS 49 million in the **first half of 2018**, compared with NIS 19 million in the corresponding period last year. The increased comprehensive profit is mainly attributable to improved underwriting performance.

**Comprehensive profit in motor property insurance** was NIS 26 million in **Q2 2018**, compared with NIS 11 million in the corresponding quarter last year. The increased comprehensive profit is mainly attributable to improved underwriting performance.

**Gross premiums increased by 13%** to NIS 1.7 billion in the **first half of 2018**, compared with NIS 1.5 billion in the corresponding period last year.

**Gross premiums increased by 9%** to NIS 842 million in **Q2 2018**, compared with NIS 776 million in the corresponding quarter last year.

## Harel Finance

**Harel Finance** recorded comprehensive profit of NIS 20 million in the **first half of 2018**, compared with NIS 18 million in the corresponding period last year.

**Harel Finance recorded comprehensive profit of NIS 11 million in Q2 2018**, compared with NIS 9 million in the corresponding quarter last year.

**Revenues in the capital market and financial services segment** amounted to NIS 107 million in the **first half of 2018**, compared with NIS 101 million for the corresponding period last year. This increase is due to an increase in AUM.

**Revenues in the capital market and financial services segment** increased to NIS 55 million in **Q2 2018**, compared with NIS 50 million in the corresponding quarter last year.

At June 30, 2018, **Harel Finance Investment House managed assets in the capital market and financial services sector** in the amount of NIS 48.2 billion, an increase of NIS 5.4 billion compared with the corresponding period last year.

## Equity

**The capital surplus of Harel Insurance** as at December 31, 2016, on a consolidated basis and before the transitional provisions (in terms of 100% SCR), is NIS 1.65 billion, taking into account dividends in the amount of NIS 250 million distributed by Harel Insurance up to August 2017.

Taking into account net raisings of liability notes and dividend distributions in the amount of NIS 250 million, the capital surplus will be NIS 1.85 billion.

Taking the transitional provisions into account, Harel Insurance has a capital surplus of approximately NIS 5.1 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.