

August 23, 2017

Harel Group concludes Q2 2017 with a sharp increase in comprehensive profit to NIS 184 million

According to the new Solvency II transitional provisions, Harel Insurance has a capital surplus of NIS 5.1 billion. Excluding the transitional provisions, Harel Insurance has a capital surplus of NIS 1.9 billion

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**Harel Investments announced a dividend distribution of NIS 257 million in the first half of the year**

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Harel Group concludes the first half of 2017 with a sharp increase in comprehensive profit to NIS 467 million

Harel Insurance Investments and Financial Services has published its financial statements for Q2 2017:

Total earned premiums and benefit contributions were 14% up at NIS 11.1 billion in the **first half of 2017**, compared with NIS 9.7 billion in the corresponding period last year.

Total earned premiums and benefit contributions were 14% up at NIS 5.7 billion in **Q2 2017**, compared with NIS 5 billion in the corresponding period last year.

Comprehensive profit was NIS 437 million **in the first half of 2017**, compared with NIS 42 million in the corresponding period last year.

Comprehensive profit was NIS 184 million **in Q2 2017**, compared with NIS 28 million in the corresponding quarter last year.

Equity attributed to the Company's shareholders was NIS 5.3 billion at June 30, 2017.

In the first half of the year, Harel Investments distributed a dividend in the amount of NIS 257 million.

In parallel, Harel Insurance distributed a dividend of NIS 250 million.

At June 30, 2017, the Group's **assets under management in insurance, pension funds, provident funds, mutual funds and financial services** increased to approximately **NIS 196 billion**.

Michel Siboni, CEO of Harel Insurance and Finance said: "Harel continues to maintain its dominant position in the industry and to present strong financial robustness, which is also reflected in the Company's capital surpluses. This, in accordance with the new Solvency II transitional provisions, from which it emerges that Harel's capital surplus was NIS 5.1 billion or NIS 1.9 billion without implementation of the transitional provisions". Siboni added: "We are continuing to incorporate the strategic change that we announced by are adapting ourselves to the digital age and focusing on the customer, with the purpose of offering personalized solutions from the sale stage, through obtaining information and ongoing service, the handling of claims and policy renewals. All this to provide the customer with an improved service experience consistent with the digital world".

Long-term savings

Comprehensive profit in long-term savings activity (life assurance, pensions, provident and education funds) was NIS 346 million in the **first half of 2017**, compared with a comprehensive loss of NIS 109 million in the corresponding period last year.

Comprehensive profit in long-term savings activity (life assurance, pensions, provident and education funds) was NIS 138 million in **Q2 2017**, compared with a comprehensive loss of NIS 73 million in the corresponding period last year.

Total earned premiums and benefit contributions in long-term savings activity, amounted to NIS 7.3 billion in the **first half of 2017**, compared with NIS 6.1 billion in the corresponding period last year.

Total earned premiums and benefit contributions in long-term savings activity amounted to NIS 3.7 billion in **Q2 2017**, compared with NIS 3.2 billion in the corresponding quarter last year.

Life assurance

Comprehensive profit in life assurance was NIS 304 million in the **first half of 2017**, compared with a comprehensive loss of NIS 138 million in the corresponding period last year.

Comprehensive profit in life assurance amounted to NIS 116 million in **Q2 2017**, compared with a comprehensive loss of NIS 96 million in the corresponding quarter last year.

Total earned premiums in life assurance increased by 25% to approximately NIS 2.5 billion in the **first half of 2017**, compared with NIS 2 billion in the corresponding period last year.

Total earned premiums in life assurance increased by 30% to NIS 1.3 billion in **Q2 2017**, compared with approximately NIS 1 billion in the corresponding period last year.

Pension funds

Comprehensive profit from pension fund management amounted to NIS 25 million in the **first half of 2017**, similar to the corresponding quarter last year.

Comprehensive profit from pension fund management amounted to NIS 14 million in **Q2 2017**, as against comprehensive profit of NIS 16 million in the corresponding quarter last year.

Benefit contributions collected by the Group's pension funds increased by 13% to NIS 3.4 billion in the **first half of 2017**, compared with NIS 3 billion in the corresponding period last year.

Benefit contributions collected by the Group's pension funds increased by 6% to NIS 1.7 billion in **Q2 2017**, compared with NIS 1.6 billion in the corresponding period last year.

The volume of assets managed by the pension funds increased by 23% to NIS 49.1 billion at June 30, 2017, compared with NIS 39.9 billion at June 30, 2016.

Provident funds & education funds

Comprehensive profit in the provident funds and education funds amounted to NIS 17 million in the **first half of 2017**, compared with NIS 4 million in the corresponding period last year.

Comprehensive profit in the provident funds and education funds was NIS 8 million in **Q2 2017**, compared with NIS 7 million in the corresponding quarter last year.

Benefit contributions collected by the provident funds and education funds increased by 27% to NIS 1.4 billion in the **first half of 2017**, compared with NIS 1.1 million in the corresponding period last year.

Benefit contributions collected by the provident funds and education funds increased by 21% to NIS 716 million in Q2 2017, compared with NIS 593 million in the corresponding quarter last year.

At June 30, 2017, the volume of assets under management in the provident funds and education funds amounted to NIS 33.5 billion.

Health insurance

Comprehensive profit in the health insurance segment amounted to NIS 31 million in the first half of 2017, as against NIS 95 million in the corresponding period last year.

Comprehensive profit in the health insurance segment was NIS 8 million in Q2 2017, as against with NIS 68 million in the corresponding quarter last year. The decline in comprehensive profit is mainly attributable to the deterioration of long-term care insurance due to an increase in claims.

Total premiums earned in the health insurance segment increased by 10% to NIS 2.2 billion in the first half of 2017, compared with NIS 2 billion in the corresponding period last year.

Total premiums earned in the health insurance segment increased by 10% to NIS 1.1 billion in Q2 2017, compared with approximately a billion shekels in the corresponding quarter last year.

Non-life insurance

Comprehensive profit in non-life insurance was NIS 82 million in the first half of 2017, compared with a comprehensive loss of NIS 3 million in the corresponding period last year.

Comprehensive profit in non-life insurance amounted to NIS 20 million in Q2 2017, as against NIS 48 million in the corresponding quarter last year. The decline is due to a negative development in the compulsory motor sector.

Comprehensive profit in motor property insurance amounted to NIS 17 million in the first half of 2017, compared with NIS 6 million in the corresponding period last year. The increased comprehensive profit is mainly attributable to improved underwriting performance.

Comprehensive profit in motor property insurance amounted to NIS 10 million in Q2 2017, compared with NIS 4 million in the corresponding quarter last year. The increase in comprehensive income is mainly attributable to further improvement in underwriting performance.

Gross premiums amounted to NIS 1.7 billion in the first half of 2017, similar to the amount in the corresponding period last year.

Gross premiums decreased by 3% to NIS 681 million in Q2 2017, as against NIS 699 million in the corresponding quarter last year.

Harel Finance

Harel Finance recorded comprehensive profit of NIS 17 million in the first half of 2017, similar to the corresponding period last year.

Harel Finance recorded comprehensive profit of NIS 9 million in Q2 2017, compared with a comprehensive loss of about a million shekels in the corresponding quarter last year.

Comprehensive profit in the corresponding period last year includes provision for an impairment of NIS 25 million before tax in the value of the mutual fund activity.

Revenues in the capital market and financial services segment amounted to NIS 100 million in the first half of 2017, as against NIS 134 million in the corresponding period last year. The decline originates mainly in a decrease of the assets under management in the old mutual funds as well as an increase in the costs of holding the backing asset, and market conditions in ETN and deposit certificates activity.

Revenues in the capital market and financial services segment were down 27% to NIS 51 million in **Q2 2017**, as against NIS 70 million in the corresponding quarter last year. The decline in revenues in the Reporting Period is mainly attributable to a decrease of the assets under management in the old mutual funds as well as an increase in the costs of holding the backing asset, and market conditions in ETN and deposit certificates activity.

At June 30, 2017, **Harel Finance Investment House held assets under management in the capital market and financial services segment** of NIS 38.8 billion.

Equity

The capital surplus of Harel Insurance as at December 31, 2016, on a consolidated basis and before the transitional provisions, is NIS 1.9 billion (in terms of SCR of 100%). This capital surplus takes into account the changes made in the directives of the Solvency II Circular during the course of 2016, compared with the assumptions of the IQIS exercise, the effect of which amounted to NIS 1 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, *inter alia*, to the rate of compliance with the required capital in the scheduling period which ends on December 31, 2024.

At June 30, 2017, Harel Insurance must meet 60% of the amount of the capital requirements under the revised solvency requirements, as approved by the Finance Committee.

It should be emphasized that the model in its current format is extremely sensitive to changes in market and other variables.