



SUMMARY OF FINANCIAL RESULTS

For the Period 9M.23 | November 28, 2023

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IRON SWORDS Message from the Chairman

Israel is currently facing one of the most difficult, if not the most difficult, periods in the nation's history. The horrific terror attack launched on October 7, the festival of Simchat Torah, shocked the entire country and Israeli society, and the aftereffects of this day will remain with us for many years to come.

Since that day, Harel Group has been busy working on behalf of Israel's civilian population, with particular emphasis on the Gaza Envelope communities, as well as the defense forces and the IDF. The Group's actions involve money as well as volunteer assistance for any and every need emerging in the field - education, the economy, agriculture, security, employment, etc.

We are looking forward.

Despite the immense pain and distress, we are looking forward to a better future. The State of Israel is a miracle that was established here 75 years ago and it is the life mission of all of us to ensure the continuity of this miracle in the best possible way. To continue to foster a strong, united Israeli society that will ensure a country that is even better than it was preceding the events of October 7.

Now more than ever, we firmly believe in the strength and future of Israel's economy and we are certain that our country's economic strength, thanks to its human capital, will prevail in the face of this difficult period as well. We are extremely proud of our forthcoming investment in Isracard (assuming that it is approved by the regulatory authorities), which is an expression of trust in the State of Israel and its future.

We mourn the victims murdered on that wretched day, our heart goes out to the families whose sons and daughters have fallen in battle, we pray for the return of the hostages and speedy recovery of all those injured.

Now more than ever, we are certain that Israel's spirit is our insurance here in the State of Israel.



Yair Hamburger
Chairman, Harel Insurance
Investments & Financial Services

THE BIG PICTURE

Data at September 30, 2023



29.1 NIS bn, 9M.23
GROSS PREMIUMS EARNED,
Benefit Contributions and
amounts received for
Investment Contracts

412 NIS bn
**ASSETS UNDER
MANAGEMENT**

167% At June 30, 2023
SOLVENCY RATIO
Including the transitional
provisions

Aa2.il
HAREL INVESTMENTS
Midroog

397 NIS m, 9M.23
**COMPREHENSIVE
INCOME AFTER TAX**
Attributed to the
shareholders

271 NIS m, Q3.23
**COMPREHENSIVE
INCOME AFTER TAX**
Attributed to the
shareholders

8.7 NIS bn
**SHAREHOLDERS
EQUITY**

iLAA+
HAREL INSURANCE
S&P Maalot

PLATINA PLUS
Rating by MAALA CSR
9 years in a row

From the outbreak of the Iron Swords War and up to publication of the financial statements, the increase in the cost of claims in the life assurance sectors is estimated at NIS 50 million before tax. At this stage, it is impossible to assess the full extent of the impact of the War on the Company and its results.

KEY HIGHLIGHTS FOR THE PERIOD

CONTINUOUS PROFITABILITY GROWTH

In Q3.23 shareholders' comprehensive income was NIS 271 million, reflecting ROE of 13%, compared with a loss of NIS 249 million in Q3.22. In 9M.23 shareholders' comprehensive income was NIS 397 million compared with a loss of NIS 359 million in 9M.22

INTEREST RATE INCREASE

In Q3.23 interest rate increase led to **decrease of NIS 312 million in the insurance liabilities** in life assurance, health and non-life insurance

OVERALL UNDERWRITING IMPROVEMENT

Given zero Nostro yields, the **improvement in profitability** was mostly attributed to **improved underwriting** in the operating segments, as part of the implementation of the Company's strategy to improve core profitability, as well as to interest rate effects

PREMIUMS AND AUM GROWTH

Premiums, benefit contributions and amounts received for investment contracts **increased by 7% in Q3.23** and by 3.3% in 9M.23. **AUM increased by 13.3%** from YE2022 to **NIS 412 billion**

UNDERWRITING IMPROVEMENT IN MOTOR

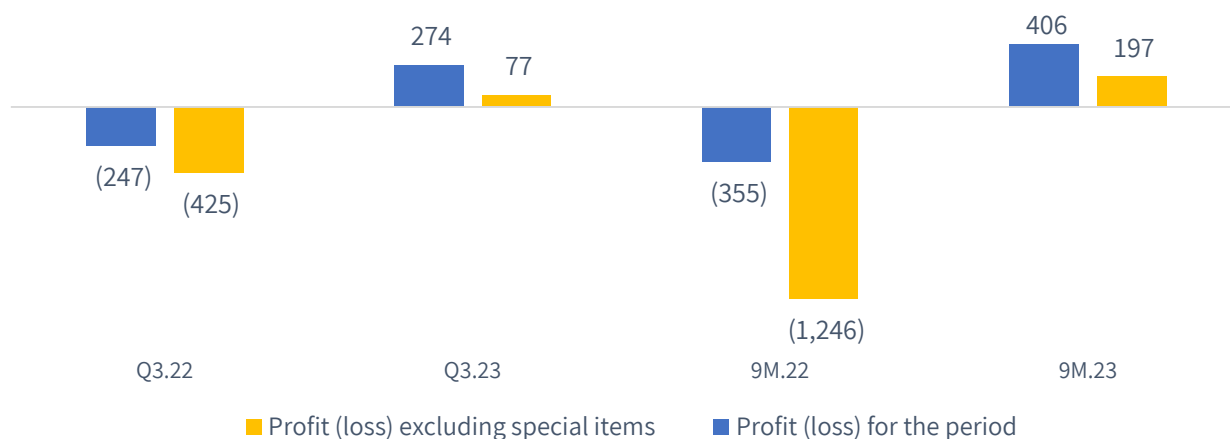
Continuous **decline in the average cost of claim** and further portfolio optimization in compulsory motor, offset by previous years claims development. **Increase in average premium and decrease in provision for premiums deficiency** in motor property

UNDERWRITING IMPROVEMENT IN HEALTH

Mainly in group policies and cover for medications, that was offset by increase in ambulatory cover claims

PROFIT ALSO GIVEN ZERO REAL YIELD

Total Profit (Loss) Excluding Special Items* (NIS m)



Nostro Yields For The Periods

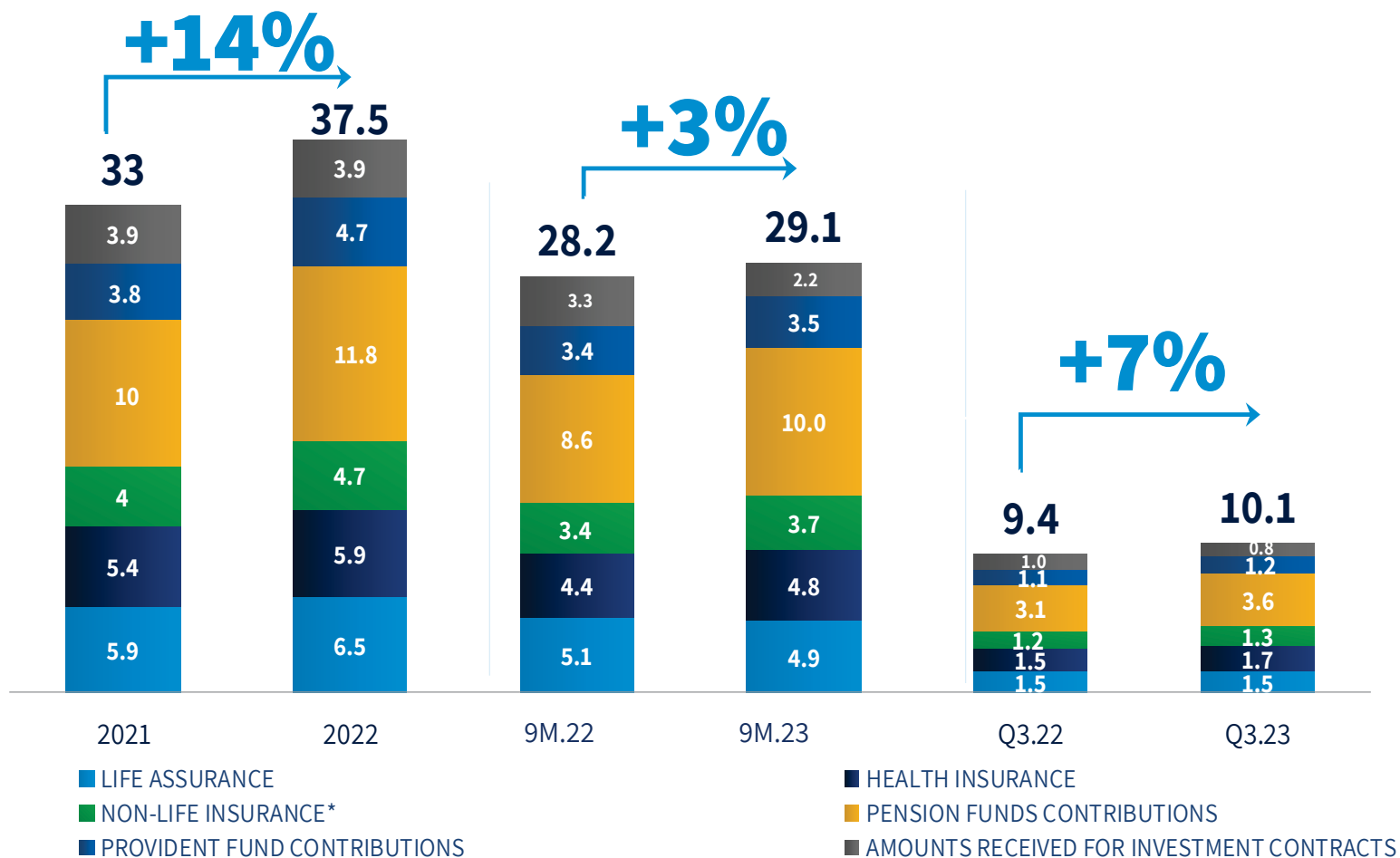
	Q3.22	Q3.23	9M.22	9M.23	5-Y Average 2018-2022
Nominal Nostro Yield	(0.1%)	0.8%	(0.1%)	3.2%	4.7%
Real Nostro Yield	(1.4%)	0.0%	(4.5%)	0.0%	3.0%

Given real zero Nostro yield and excluding special items, **the profit** is stemming from **improvement in underwriting profitability**, as part of implementation of the Company's strategy to improve core profitability

*Special items refer to profit or loss that is not part of the normal course of the Company's business, including actuarial changes resulting from studies and changes in the actuarial models, as well as impact of the interest rate and extraordinary effects resulting from the amortization of surplus costs created in the process of business combinations and extraordinary expenses due to implementation of the "Harel 2030" multi-year strategic plan

CONTINUOUS ACTIVITY GROWTH

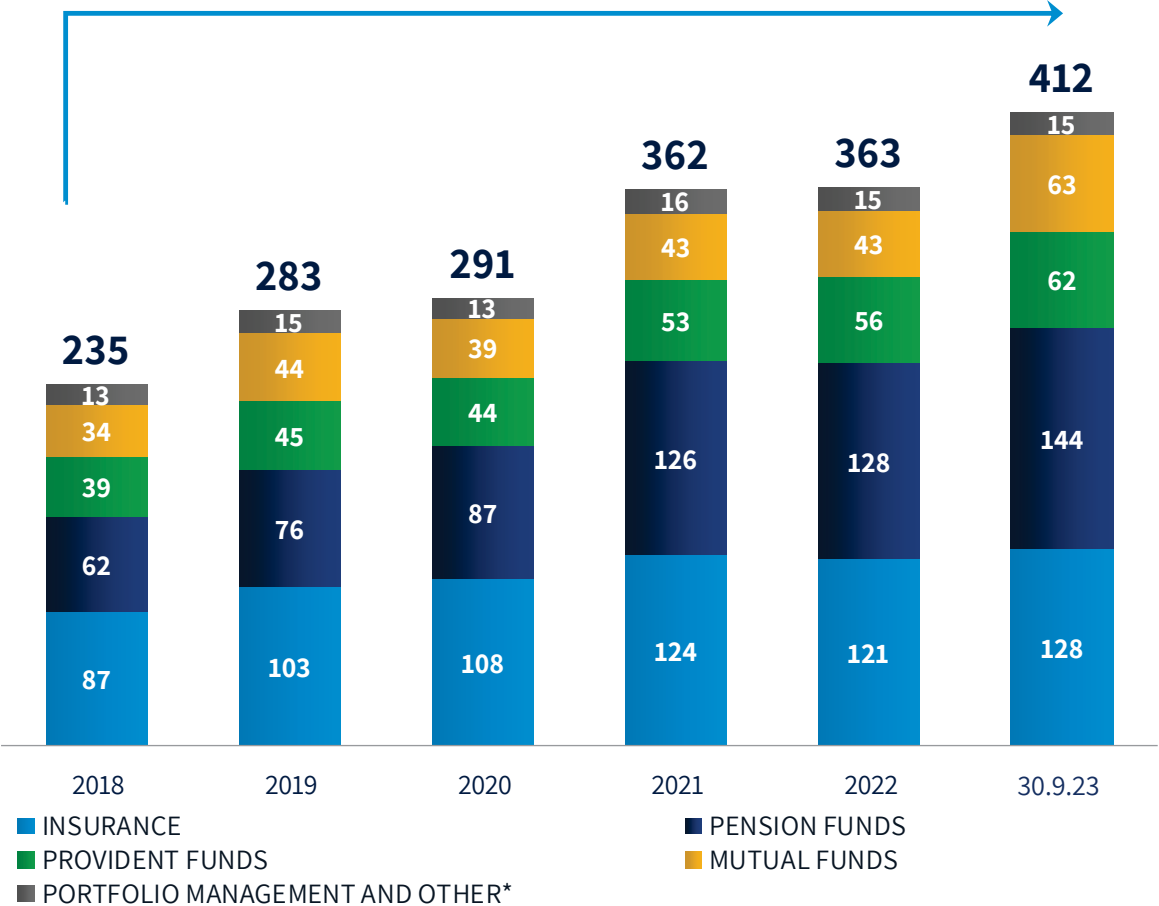
Gross Premiums Earned, Benefit Contributions And Amounts Received For Investment Contracts (NIS bn)



9M.23 vs. 9M.22:

Pension and Provident Deposits	+13%
Health Insurance	+9%
Non Life Insurance	+7%
Life Assurance	(3%)

NIS 412 BILLION AUM



Continuous Growth in AUM

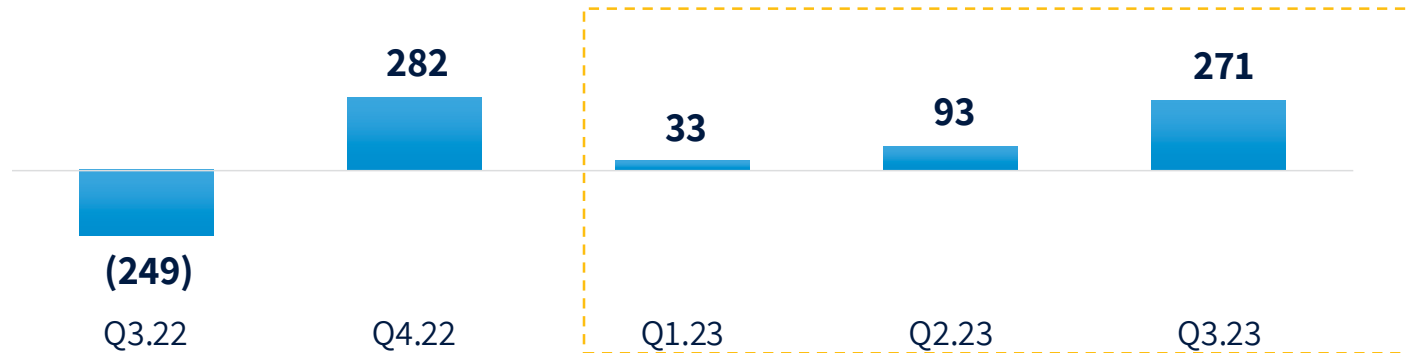
75%
since 2018



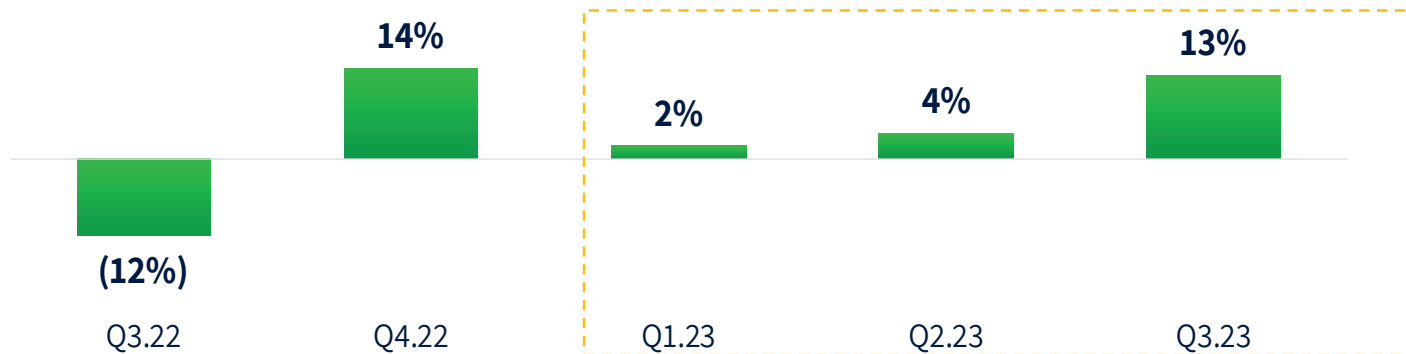
*Including financial assets issued by the group and managed in portfolios

ANOTHER QUARTER OF PROFITABILITY GROWTH

Comprehensive Income (Loss) After Tax Attributed To The Shareholders (NIS m)

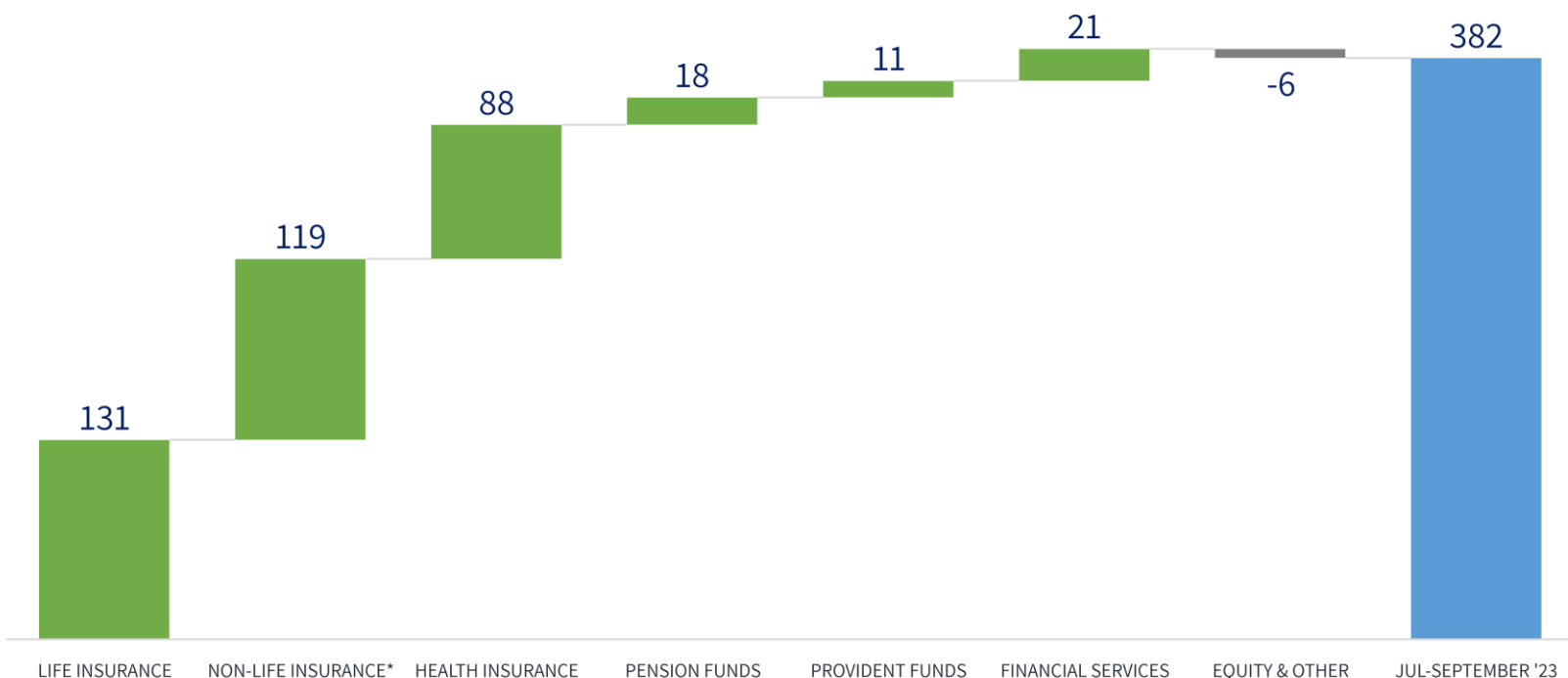


Return on Equity (In Annual Terms)



KEY DRIVERS OF Q3.23 PROFIT

Composition Of Comprehensive Income Before Tax (NIS m)



- **Improved real yields in Nostro portfolio** compared with corresponding period in 2022: zero yield in Q3.23 compared with negative yield in Q3.22
- **Underwriting improvement in the following:** Compulsory motor and motor property, group health policies and medications cover in the health segment
- Increase of the interest rate curve applied in calculation of the insurance liabilities in non-life and health insurance** led to **reduction of NIS 94 million in the insurance liabilities**
- Update of the interest rate used in calculation of insurance reserves in life assurance and long-term care insurance*** led to **reduction of NIS 218 million in the insurance liabilities**

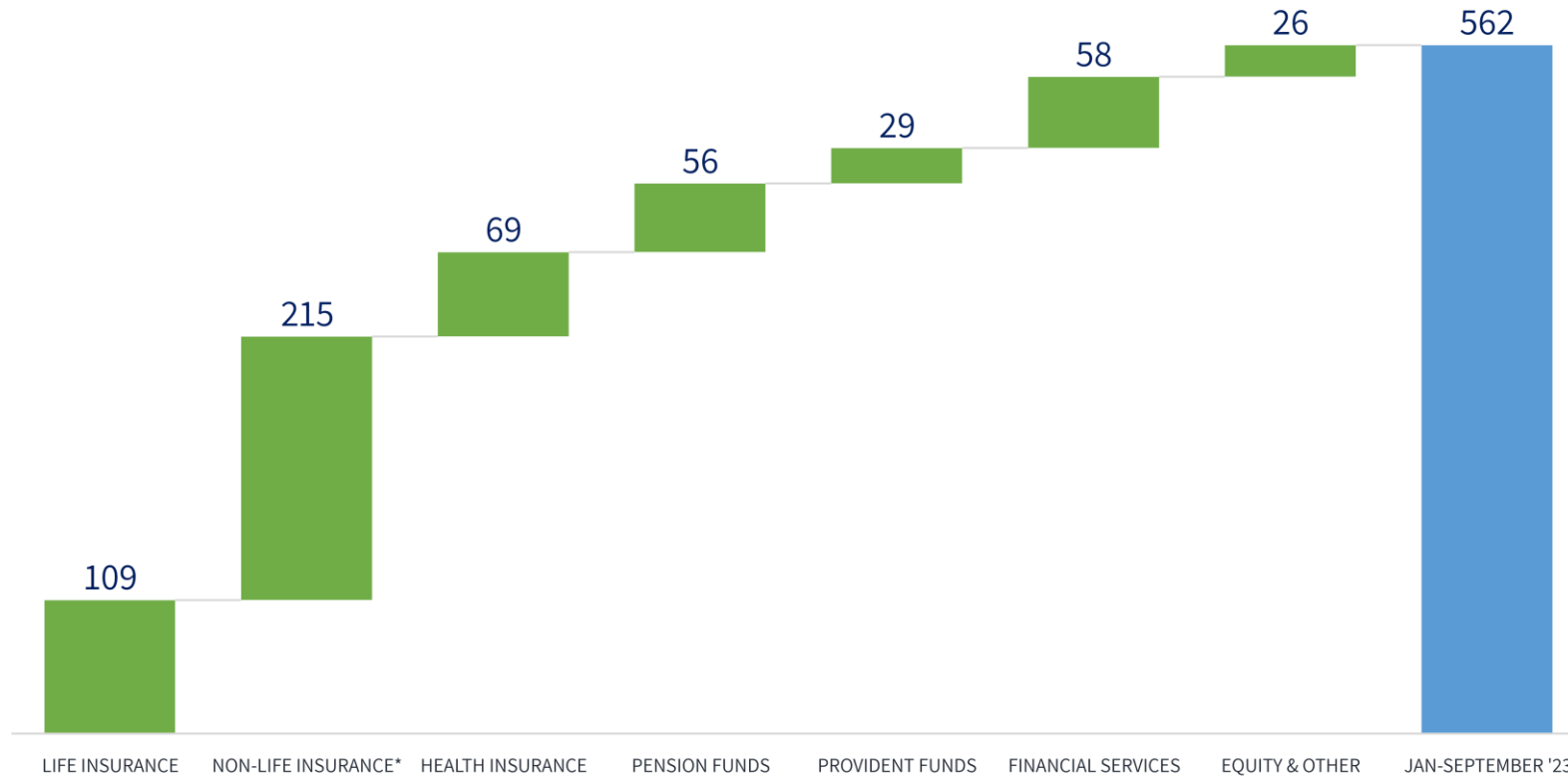
* Including results of overseas insurance segment

** Increase of the risk free interest rate curve, decline of the illiquidity premium and changes in the difference between the fair value and book value of the non-marketable assets in non-life insurance

*** Annuity and work disability reserves in payment in life assurance and reserves for claims in payment in long-term care insurance

KEY DRIVERS OF 9M.23 PROFIT

Composition Of Comprehensive Income Before Tax (NIS m)



- **Improved real yields in Nostro portfolio** compared with corresponding period in 2022: zero yield in 9M.23 compared with negative yield in 9M.22
- **Underwriting improvement in the following:** Compulsory motor and motor property, group health policies and medications cover in the health segment
- Increase of the interest rate curve applied in calculation of the insurance liabilities in non-life insurance** led to **reduction of NIS 176 million in the insurance liabilities**
- Update of the interest rate used in calculation of insurance reserves in life assurance and long-term care insurance*** led to **reduction of NIS 218 million in the insurance liabilities**

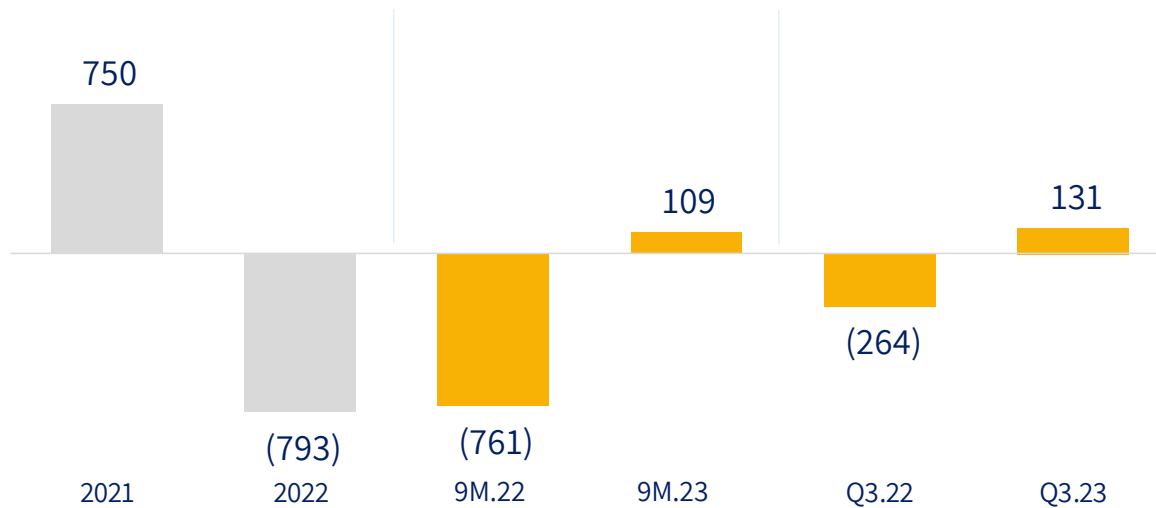
* Including results of overseas insurance segment

** Increase of the risk free interest rate curve, decline of the illiquidity premium and changes in the difference between the fair value and book value of the non-marketable assets in non-life insurance

*** Annuity and work disability reserves in payment in life assurance and reserves for claims in payment in long-term care insurance

LIFE ASSURANCE | IMPROVED YIELDS LED TO IMPROVED PROFITABILITY

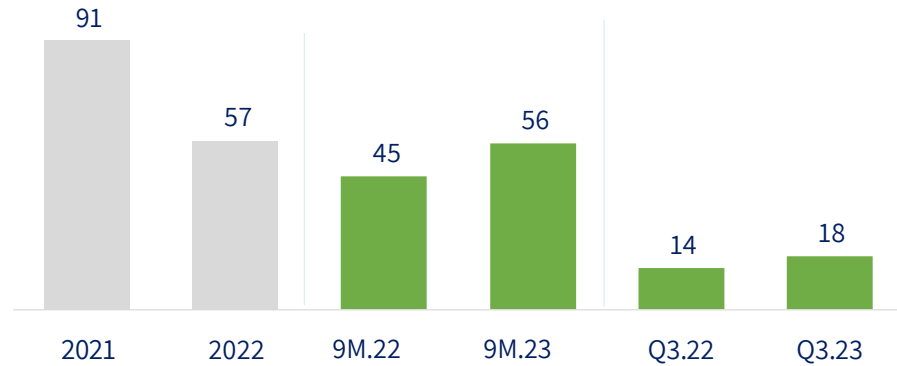
Life Assurance: Profit (Loss) Before Tax (NIS m)



- In 9M.23 premiums amounted to NIS 4.9 billion, down 2.9% compared with the corresponding period last year, due to a decrease of lump sum deposits
- The improved profitability in Q3.23 and 9M.23 is mainly attributable to improved real Nostro yields compared with Q3.22 and 9M.22
- Profit in Q3.23 was also affected by a **reduction of NIS 176 million in the insurance liabilities** due to an update of the interest rate applied in calculation of the annuity and work disability reserves in payment

PENSION AND PROVIDENT | CONTINUOUS GROWTH IN AUM

Pension: Profit Before Tax(NIS m)



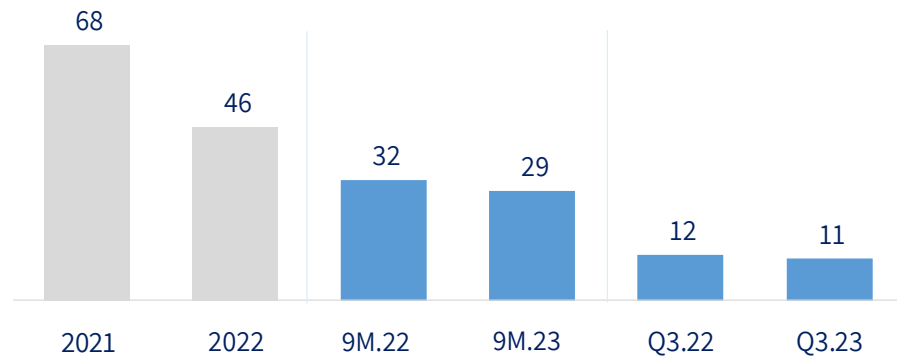
144 NIS bn
AUM
+13% from YE22

➤ Pension:

Continuous growth in AUM.

In 9M.23 benefit contributions increased by 16.7% compared with 9M.22 and amounted to NIS 10 bn

Provident: Profit Before Tax(NIS m)



62 NIS bn
AUM
+11% from YE22

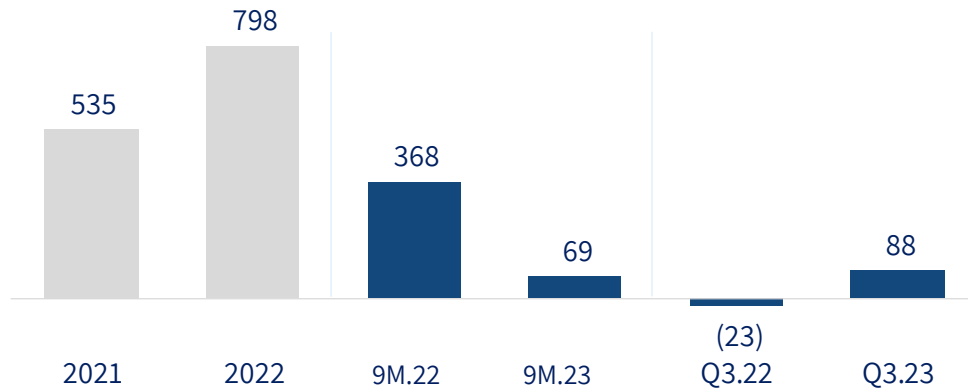
➤ Provident:

Continuous growth in AUM.

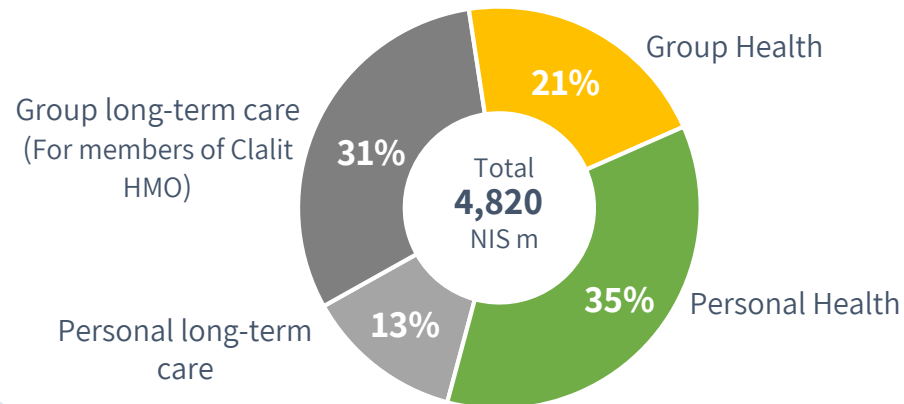
In 9M.23 benefit contributions increased by 3.1% compared with 9M.22 and amounted to NIS 3.5 billion

HEALTH | UNDERWRITING IMPROVEMENT IN GROUP POLICIES AND IN MEDICATION COVER

Health Insurance : Profit (Loss) Before Tax (NIS m)



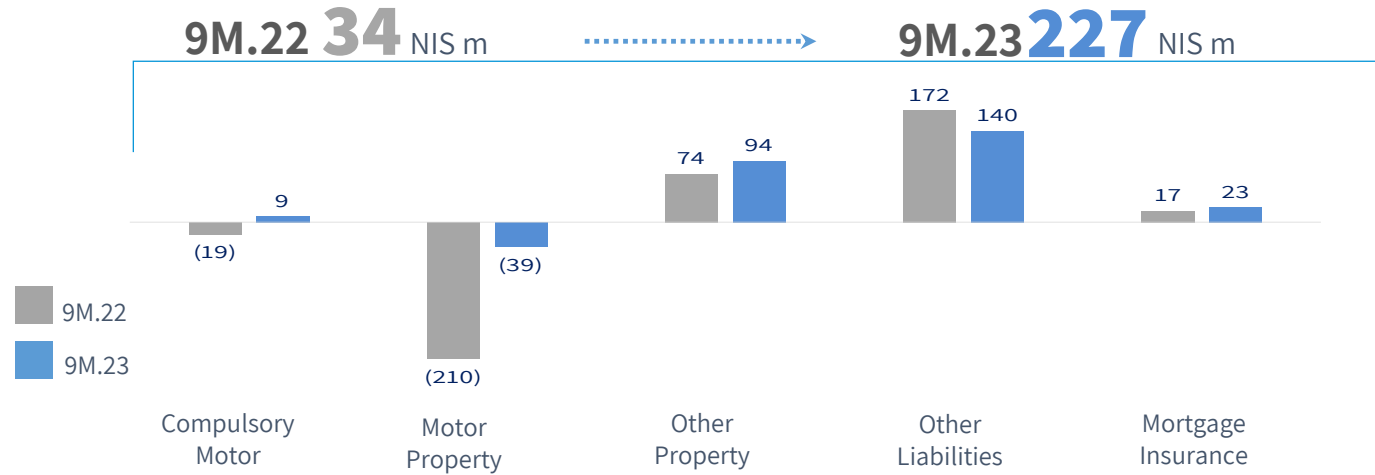
Breakdown Of Premiums By Policy Type 30.9.23



- In 9M.23 premiums grew by 9.4% to NIS 4.8 billion, compared with 9M.22
- Results in 9M.23 were affected, among others, by **improved underwriting in group policies and in the medications cover**. This was partially offset by an increase in number of claims in ambulatory care cover
- In Q3.23 **increase of the interest rate** curve applied in calculation of insurance liabilities* led to **reduction of NIS 54 million in the long-term care insurance liabilities**. In addition, update of the interest applied in calculation of reserves in payment in personal and group long-term care insurance, led to **reduction of NIS 42 million of the insurance liabilities**
- The profit in corresponding period last year was positively affected by a significant decrease of NIS 764 million in the long-term care sector liabilities, due to the sharp increase of the interest rate curve applied to calculation of the insurance liabilities**
- In October 2023, a **Reform in Health Insurance** came into force. For additional information and impact on Harel see page 19

NON-LIFE | UNDERWRITING IMPROVEMENT IN MOTOR CONTINUES

Non-Life Insurance: 9M.23 Profit (Loss) Before Tax (NIS m)



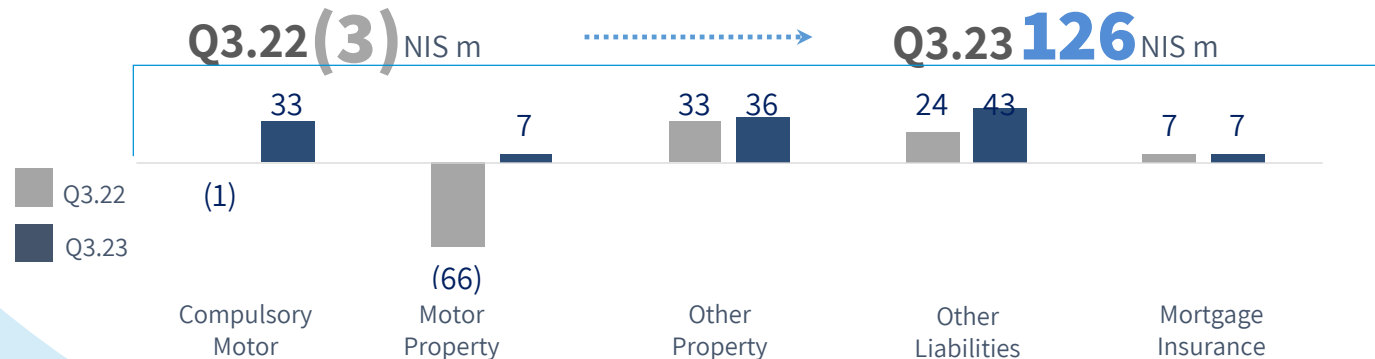
➤ In 9M.23 premiums grew by 7.4% to NIS 3.7 billion compared with 9M.22

➤ Underwriting improvement in 9M.23:

In compulsory motor was due to the portfolio optimization and decrease in average cost of claim, that was offset by prior years claims development and increase in loss in respect of Harel's share of the Pool's business

In motor property was due to an increase in average premium and reduction in premium deficiency provision

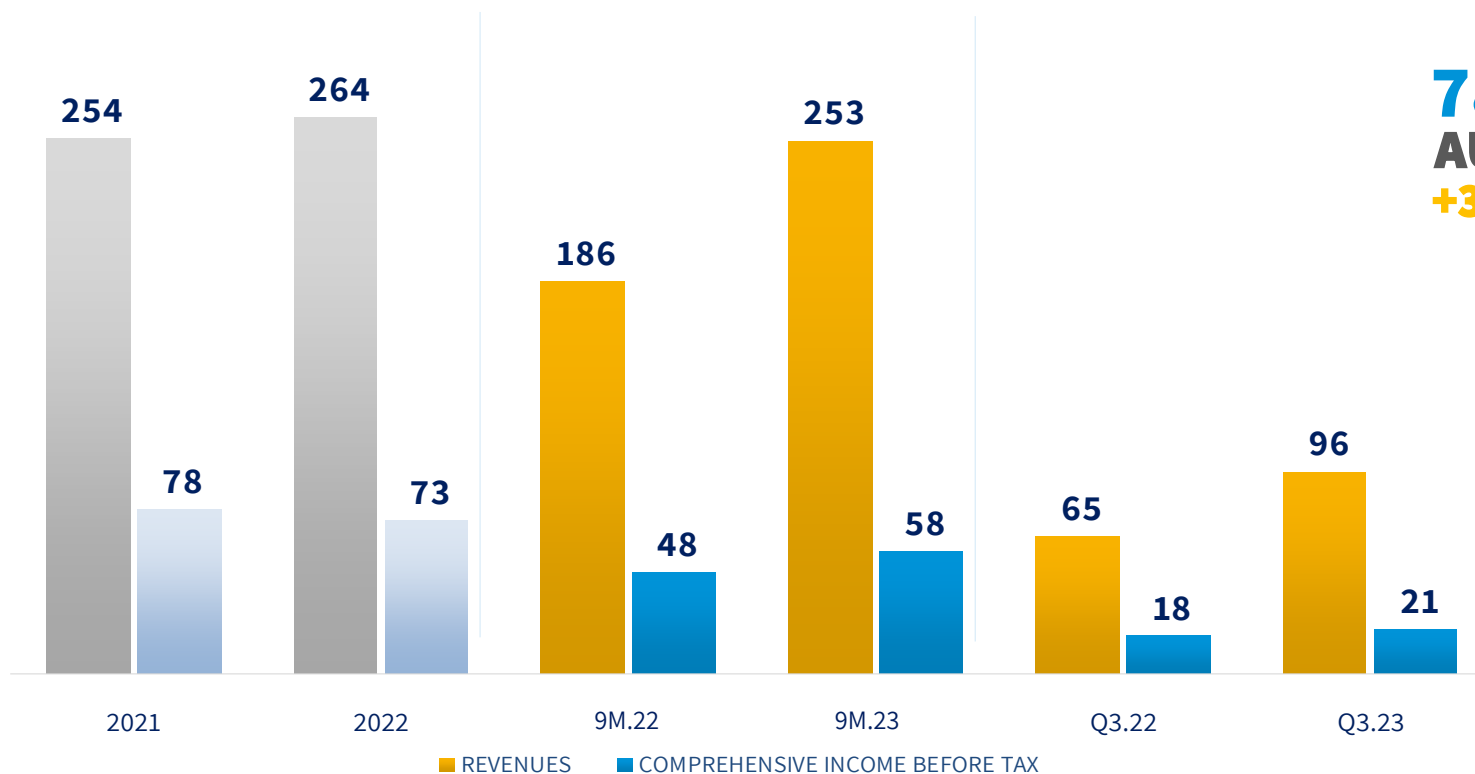
Non-Life Insurance: Q3.23 Profit (Loss) Before Tax (NIS m)



➤ In 9M.23 the overall impact of the increase of the interest rate curve applied to calculation of the insurance liabilities* amounted to a **decrease of NIS 176 million in the insurance liabilities** compared with a decrease of NIS 433 million in 9M.22

FINANCIAL SERVICES | GROWTH IN AUM, REVENUES AND PROFITABILITY

Financial Services: Revenues and Profit Before Tax (NIS m)



78 NIS bn
AUM
+33% from YE22

> 63 NIS bn
Mutual Funds
+45% from YE22

> 15 NIS bn
Portfolio Management and Other*
-2.7% from YE22

Growth in Mutual Funds AUM is largely attributed to growth in Money Market Funds

EQUITY AND DIVIDENDS

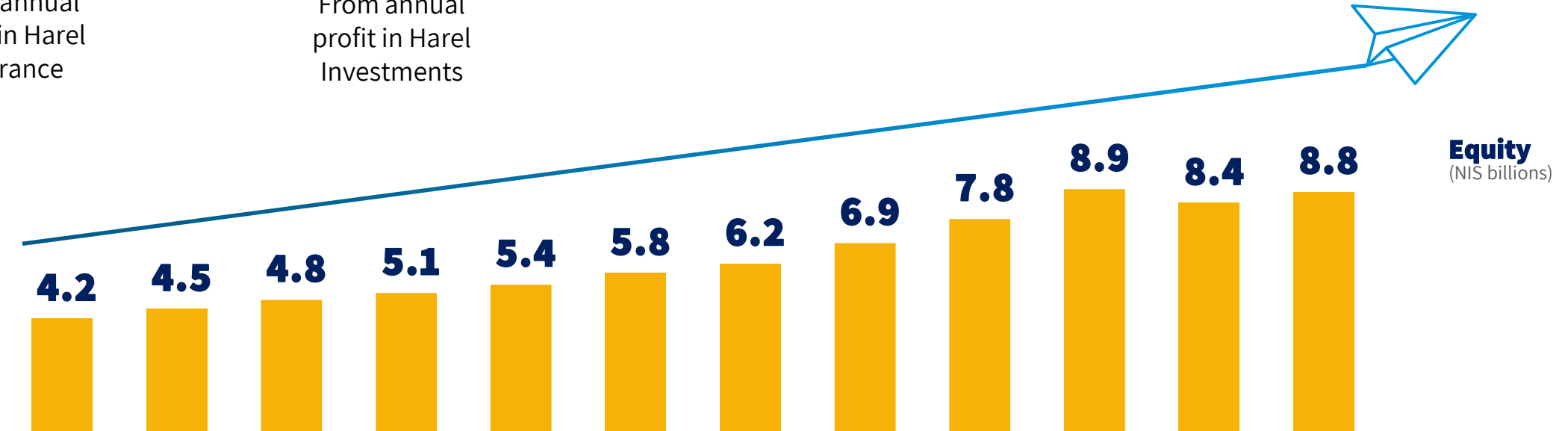
Dividend Policy

35%

From annual profit in Harel Insurance

30%

From annual profit in Harel Investments



2.9
NIS BN

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	30.9.23
Equity (NIS billions)	4.2	4.5	4.8	5.1	5.4	5.8	6.2	6.9	7.8	8.9	8.4	8.8
Dividend (incl. shares buyback) (NIS millions)	64	308	320	235	171	461	214	236	-	397	474	*40
Dividend yield (incl. shares buyback) (In %)	2	8	8	6	6	10	4	4	-	6	6	0.6

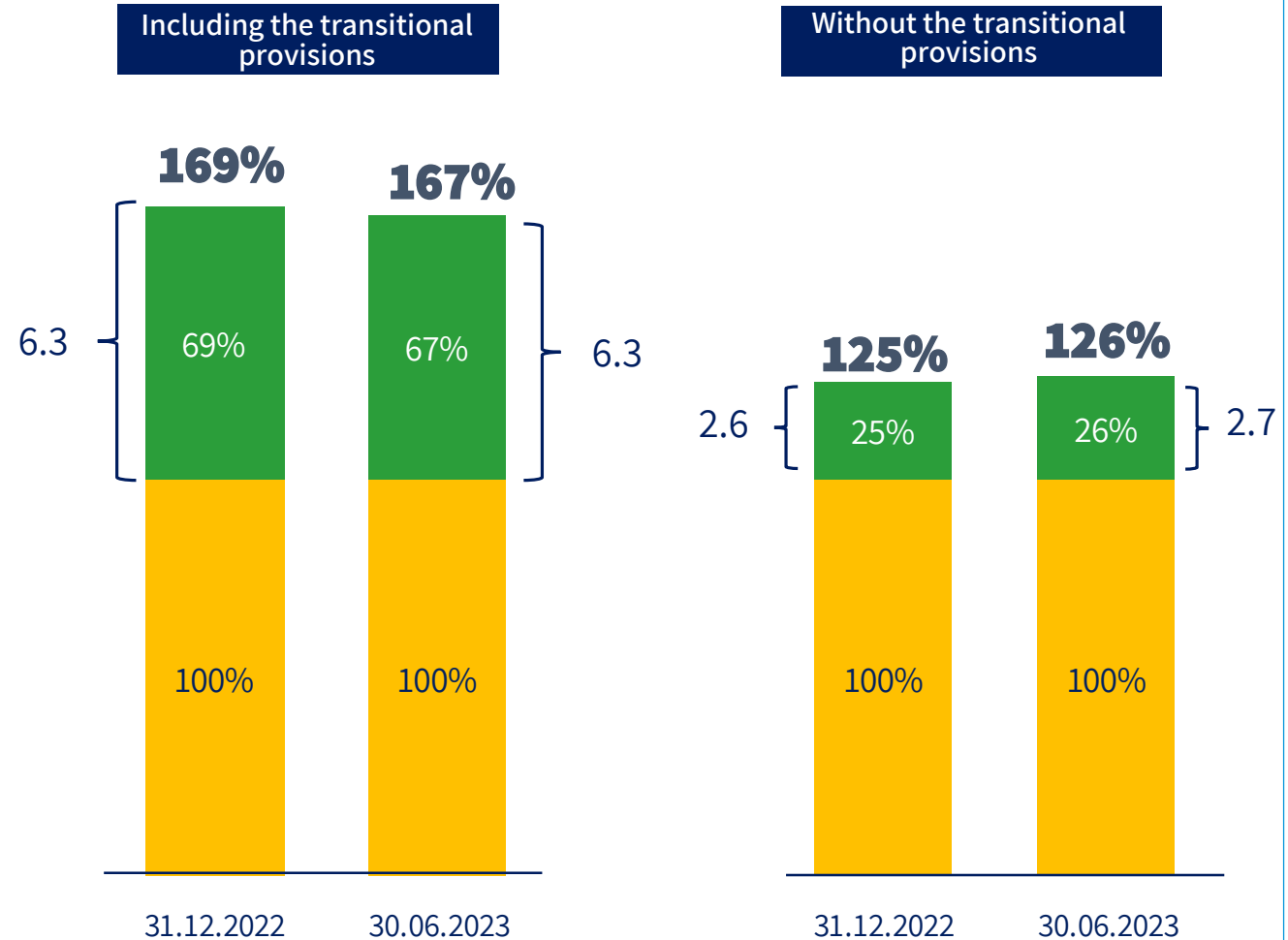
Dividend (incl. shares buyback)
(NIS millions)

Dividend yield (incl. shares buyback)
(In %)

As of the date of Q3.23 results publication, the company completed about 80% from its NIS 100 million share buyback program, announced last year

CAPITAL SURPLUS | HAREL INSURANCE

- **The Solvency Capital Ratio** of Harel Insurance at June 30, 2023, **without the transitional provisions is 126%** and capital surplus is NIS 2.7 billion, compared with December 31, 2022, when the ratio was 125%
- **The Solvency Capital Ratio** of Harel Insurance at June 30, 2023, **including the transitional provisions is 167%** and capital surplus is NIS 6.3 billion compared with December 31, 2022, when the ratio was 169%
- In May 2023, the Board determined a threshold rules for **dividend distribution**, which include minimal Solvency Capital Ratio of **110%** excluding the transitional provisions and Solvency Capital Ratio of **135%** including the transitional provisions





Health Insurance Reform

Overview of the Reform
Impact on Harel

2 Key Reforms:

The Goal: To reduce personal expense on health services and encourage use of public health system and HMOs

The Arrangements Law

Change of **terms of surgeries** coverage and automatic transfer of policyholders

- Applies on **surgeries coverage only** and prescribes it to be sold as “**Surgeries Full Coverage**” under **different** terms and “**Surgeries Supplemental Coverage**” under **similar** to existing terms
- The terms of the **Surgeries Full Coverage** policies will be changed as follows: In new policies, the **insurer will indemnify the HMOs** for each surgery done with HMOs **in addition** to the deductible, compared with **deductible only** in existing policies
- All personal **Surgeries Full Coverage** policyholders from 2016 **will be automatically transferred** to **Surgeries Supplemental Coverage** policy starting from June 2024, unless they **request to remain** in Surgeries Full Coverage policy, **under new terms**

Capital Market Authority reform

Structure of a Health Policy

- Prescribes a **standard, basic layer of a Health Insurance Policy**, which will include “**Medical Catastrophe**” coverage – surgeries overseas, transplants and special treatments overseas and medications outside of Medical Services Basket
- A policyholder may acquire additional coverages, **only after acquiring this layer**

Key changes:

**New product line
– Surgeries
Supplemental
Coverage**

And mandatory
transfer of
policyholders from
2016

The Arrangements
Law Reform

**Fixed
discounts for
10 years**

In health and
critical illness

Capital Market
Authority Reform

**Terms
Unity**

Of key coverages

Capital Market
Authority Reform

**“Medical
Catastrophe”
coverage**

As basic
mandatory
product

Capital Market
Authority Reform

Premiums and Risk

Starting at October 2023

Surgeries Full Coverage:

Insurance company will indemnify the HMOs for their share in payment for the surgery and for the deductible, and not only for the deductible as was the case in the past

The Implication:

Surgeries Full Coverage policies' price will increase, which explains the automatic conversion for the Surgeries Full Coverage policyholders from 2016 to Surgeries Supplemental Coverage, with lower price. Policyholders may ask to remain with the Surgeries Full Coverage policy, yet its price will increase

Surgeries Supplemental Coverage:

Will cover the policyholders' expenses that are not covered by supplemental health services. Consequently, the cover in these policies will be more limited compared with Surgeries Full Coverage policies

The Implication:

The premium is lower but accordingly, the risk is lower, thus the claims amounts will be lower

Discounts:

Fixed discounts for 10 years in health and critical illness

The Implication:

Greater retention of the existing portfolio. This is expected to benefit Harel which has the highest amount of health premiums in the industry


Health Policy Structure



Basic Mandatory Layer
Unified Policy
"Medical Catastrophe"

1

- Basic Policy**
- Surgeries Overseas
 - Transplants and special treatments overseas
 - Medications not included in Medical Services Basket



Conditional Layer
Acquired only on top of existing basic layer

2

- Add ons to Basic**
- Ambulatory**
 - Medical consult and/or diagnose
 - Advanced technology treatments
 - Medical support following a significant medical event
 - Home hospitalization
 - Other insurance

Surgeries in Israel

- Surgeries in Israel- Supplemental, no deductible
- Surgeries in Israel- Supplemental, with deductible
- Surgeries in Israel- Full Coverage, no deductible



Optional Layer
Acquired unrelated to other policies

3

- Critical Illness Compensation Policy**
- Personal Accidents Compensation Policy**

Policies to be affected by the Reform

Terms of health policies sold before February 2016 remain unchanged

February
2016

Policies sold between February 2016 and September 2023

In the next renewal date at **June 2024**, Surgeries Full Coverage policyholders will be **automatically transferred** to Surgeries Supplemental Coverage policy

Capital Market Authority Reform
The Arrangements Law Reform

September
2023

Starting from October 2023

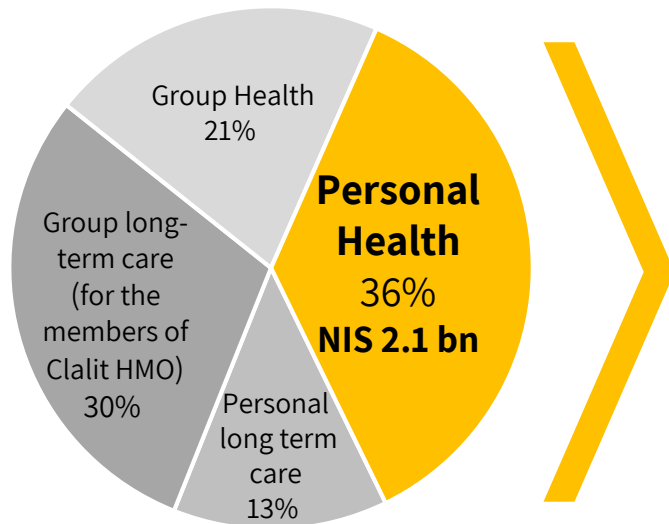
New product line:

- Basic Mandatory Layer for Medical Catastrophe Coverage
- Surgeries Full Coverage under new terms
- Surgeries Supplemental Coverage to continue

Harel: Health Premiums

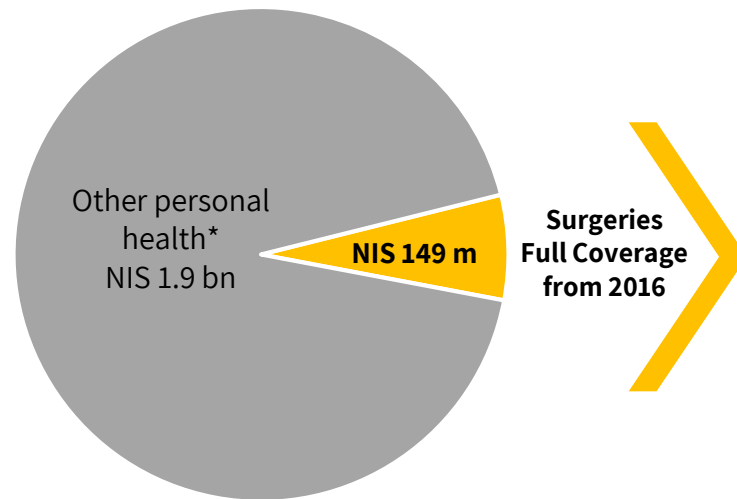
Total Health Premiums NIS 5.9 bn

31.12.2022



Total Personal Lines Health Premiums NIS 2.1 bn

31.12.2022



Direct Impact of the Reform:
Premiums for Surgeries Full Coverage from 2016
NIS 149 million 31.12.2022

According to the Arrangements Law Reform, in June 2024, **Surgeries Full Coverage** policyholders will be **automatically transferred to Surgeries Supplemental Coverage**

Surgeries Supplemental Coverage will have **lower premium**, but consequently, **lower claims**

Harel's competitive advantages



Professionalism



Innovation



Commitment

Harel is active for about 20 years in Surgeries Supplemental Coverage policies

Sales of Surgeries Supplemental Coverage comprised about 60% of new sales of Health policies in 2022-2023

As a result, Harel has obtained extensive experience in the product operation, which gives it an advantage in marketing and claims management thanks to:

Simple claim process and appointments coordination

Innovation in products and processes

Broad and professional insurance agents network, professional support via exclusive service center

Ability to pay in advance to the policyholders

Extensive and deep relationship with leading doctors

Established relationship and processes with the HMOs

The Israeli spirit is our insurance



- Supporting dozens ventures, initiatives and associations since October 7th, 2023
- Adopting Kibbutz Kefar Aza
- Encouraging and increasing employees' volunteering
- Donating NIS millions so far

OUR GLOBAL PARTNERS



CHUBB¹



STARR
INSURANCE COMPANIES



**Thank
You**

