

PRESS RELEASE

November 28, 2023

Financial Statements | Q3 2023

Harel Insurance Investments and Financial Services Ltd. has published its financial statements for the first nine months and third quarter of 2023

Underwriting in the core operating segments continued to improve, premiums grew by 7% in the quarter and the volume of AUM increased

- Increase in comprehensive income after tax: **NIS 271 million** in Q3 2023, reflecting 13% ROE, and **NIS 397 million** in the first nine months of 2023, reflecting 6% ROE
- Given a zero real yield, the increase in profit is stemming from continuous implementation of the Company's strategy to **improve profitability of the core activities** and also from the **rising interest rate** that led to a reduction of the insurance liabilities
- **AUM increased by 13% from the beginning of the year to NIS 412 billion** at September 30, 2023
- Gross premiums earned, benefit contributions and amounts received for investment contracts continued to grow, increasing by 7% **to NIS 10.1 billion** in the third quarter of 2023 compared with the corresponding quarter in 2022
- At June 30, 2023, the economic Solvency Capital Ratio of Harel Insurance without the transitional measures, was 126% and the capital surplus was NIS 2.7 billion
- 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 Emphases

- In the first nine months of 2023, **comprehensive income after tax was NIS 397 million**, compared with a comprehensive loss after tax of NIS 359 million in the corresponding period last year
- In the third quarter of 2023, **comprehensive income after tax was NIS 271 million**, reflecting ROE of 13%, compared with a comprehensive loss after tax of NIS 249 million in the corresponding quarter of 2022
- **Given a zero real yield, the increase in profit in the third quarter and in the first nine months of 2023 was mostly attributable to the continuous implementation of the Company's strategy to improve core activities profitability, as well as to the effects of interest that led to a reduction of the insurance liabilities**
- In the third quarter of 2023, the effects of the interest rate led to a NIS 312 million reduction of the insurance liabilities in life assurance, health insurance and non-life insurance. This contrasts with a decrease of NIS 123 million in the insurance liabilities in non-life insurance due to the effects of the interest rate, in the corresponding quarter in 2022
- At June 30, 2023, the economic Solvency Capital Ratio of Harel Insurance, without the transitional measures, was 126%, and the capital surplus was NIS 2.7 billion. Including the transitional provisions, the economic Solvency Capital Ratio was 167%, and the capital surplus was NIS 6.3 billion at that same date

Health Insurance

- In the third quarter of 2023, **comprehensive income before tax in health insurance was NIS 88 million**, compared with a comprehensive loss before tax of NIS 23 million in the corresponding quarter in 2022
- Profit in the quarter was affected by **continuous underwriting improvement in group policies and in the medications cover**, by improved yields in the capital market compared with the corresponding quarter last year, and by a decrease of NIS 96 million in the insurance liabilities in the long-term care sector due to the effects of the interest rate. This was partially offset by an increase in the number of claims in the ambulatory care cover
- In the first nine months of 2023, **comprehensive income before tax in health insurance was NIS 69 million**, as against NIS 368 million in the corresponding period last year. Profit in the corresponding period last year was affected by a decrease of NIS 764 million in the insurance liabilities in the long-term care sector due to the increase in the interest rate curve that contributed to higher comprehensive income

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- In the first nine months of 2023, gross premiums earned increased by 9.4% to NIS 4.8 billion compared with the corresponding period last year. In the third quarter of 2023, premiums increased by 8.9% to NIS 1.7 billion, compared with the corresponding quarter in 2022

Life Assurance and Long-Term Savings

- In the third quarter of 2023, **comprehensive income before tax in life assurance and long-term savings was NIS 160 million**, compared with a comprehensive loss before tax of NIS 238 million in the corresponding quarter in 2022
- In the third quarter of 2023, **comprehensive income before tax in life assurance was NIS 131 million**, compared with a comprehensive loss before tax of NIS 264 million in the corresponding quarter in 2022. Gross premiums earned in life assurance amounted to NIS 1.5 billion, similar to the corresponding quarter in 2022
- In the first nine months of 2023, **comprehensive income before tax in life assurance and long-term savings was NIS 194 million**, compared with a comprehensive loss before tax of NIS 684 million in the corresponding period last year
- In the first nine months of 2023, **comprehensive income before tax in life assurance was NIS 109 million**, compared with a comprehensive loss before tax of NIS 761 million in the corresponding period last year. Gross premiums earned in life assurance in the period decreased by 2.9% to NIS 4.9 billion compared with the corresponding period last year, mainly due to a decrease in the volume of lump-sum deposits
- Improved profitability in the third quarter and the first nine months of 2023 compared with the corresponding periods last year, is mainly attributable to improved real proprietary (Nostro) yields: a zero yield in the third quarter and in the first nine months of 2023, compared with real negative Nostro yields in the corresponding periods last year. Additionally, profit this year was affected by a reduction of NIS 176 million in the insurance liabilities due to an update of the interest rate applied in calculating the annuity reserves and reserve for work disability in payment
- In the third quarter of 2023, **comprehensive income before tax in the pension and provident sector increased by 12% to NIS 29 million**, compared with NIS 26 million in the corresponding quarter of 2022. AUM in the Group's pension funds and provident funds were NIS 144 billion and NIS 62 billion, respectively, at September 30, 2023, compared with NIS 123 billion and NIS 54 billion, respectively at September 30, 2022.

Non-Life Insurance

- In the third quarter of 2023, **comprehensive income before tax in non-life insurance was NIS 126 million**, compared with a comprehensive loss before tax of NIS 3 million in the corresponding quarter in 2022

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- In the third quarter of 2023, the insurance liabilities in non-life insurance decreased by NIS 40 million due to the increase of the interest rate curve. In the corresponding quarter of 2022, the insurance liabilities in non-life insurance decreased by NIS 123 million due to the increase of the interest rate curve
 - In the first nine months of 2023, **comprehensive income before tax in non-life insurance increased by 568% to NIS 227 million**, compared with comprehensive income before tax of NIS 34 million in the corresponding period last year
 - In the first nine months of 2023, there was an **underwriting improvement in the compulsory motor and motor property sectors**, compared with the corresponding period in 2022. In the compulsory motor sector, underwriting improved mainly due to optimization of the portfolio and a reduction in the average cost of claim, and in the motor property sector underwriting improved mainly due to an increase in the average premium and a reduction in the provision for premium deficiency (in the corresponding period last year, a provision for premium deficiency was made)
 - In the first nine months of 2023, the increase of the interest rate curve and changes in the retained fair value of assets led to a reduction of the insurance liabilities by NIS 176 million compared with a NIS 433 million reduction of the insurance liabilities in the corresponding period last year. The effect of these changes in the compulsory motor sector amounted to NIS 59 million, significantly lower compared with the effect of NIS 183 million in the corresponding period last year
 - In the first nine months of 2023, gross premiums earned increased by 7.4% to NIS 3.7 billion compared with the corresponding period last year. In the third quarter of 2023, premiums increased by 8.2% to NIS 1.3 billion, compared with the corresponding quarter in 2022

Harel Finance

- In the third quarter of 2023, **comprehensive income before tax in the capital market and financial services segment increased by 17% to NIS 21 million**, compared with NIS 18 million in the corresponding quarter in 2022
- In the first nine months of 2023, **comprehensive income before tax in the capital market and financial services segment increased by 21% to NIS 58 million**, compared with NIS 48 million in the corresponding period last year
- At September 30, 2023, AUM in the capital market and financial services segment, managed by Harel Finance Investment House **increased by 33% to NIS 77 billion**, compared with NIS 58 billion at December 31, 2022

Addendum - Financial data for the Group:

Gross premiums earned, benefit contributions and amounts received for investment contracts

	YTD9.23	YTD9.22	Change	Q3.23	Q3.22	Change
Life assurance	4,894	5,039	-2.9%	1,523	1,543	-1.3%
Health insurance	4,815	4,401	9.4%	1,675	1,538	8.9%
Non-life insurance	3,685	3,432	7.4%	1,300	1,201	8.2%
Total earned premiums, gross	13,394	12,872	4.1%	4,498	4,282	5.0%
Pension benefit contributions	10,037	8,602	16.7%	3,595	3,094	16.2%
Provident benefit contributions	3,519	3,412	3.1%	1,246	1,135	9.8%
Amounts received for investment contracts	2,151	3,294	-34.7%	801	965	-17.0%
Total	29,101	28,180	3.3%	10,140	9,476	7.0%

Comprehensive income (loss) before tax by segment

	YTD9.23	YTD9.22	Q3.23	Q3.22
Life assurance	109	(761)	131	(264)
Provident	29	32	11	12
Pension	56	45	18	14
Long-term savings	194	(684)	160	(238)
Health insurance	69	368	88	(23)
Non-life insurance	227	34	126	(3)
Insurance companies overseas	(12)	(25)	(7)	(1)
Financial services	58	48	21	18
Other*	26	(342)	(6)	(137)
Total	562	(601)	382	(384)

*Also includes the Group's agencies, Hamazpen and financial backing in Sale Law guarantee activity

AUM

	September 30, 2023	September 30, 2022	December 31, 2022
Yield-dependent insurance contracts and investment contracts	80.4	78.1	77.8
Pension funds	144.3	123.3	128.2
Provident funds	62.3	53.7	56.1
Mutual funds	62.7	41.8	43.2
Portfolio management and other*	14.6	15.2	15.0
Total for insureds and members	364.3	312.1	320.3
Nostro**	47.3	42.1	42.8
Total	411.6	354.2	363.1

*Including financial assets issued by the Group and managed in portfolios in the amount of NIS 4.1 billion, NIS 4.4 billion and NIS 4.3 billion at September 30, 2023, September 30, 2022 and December 31, 2022, respectively

**Including certificates of deposit issued by Harel Finance in the amount of NIS 8,6 billion, NIS 5.8 billion and NIS 6 billion at September 30, 2023, September 30, 2022 and December 31, 2022, respectively