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Harel Insurance and Finance Group concludes 2021 with record comprehensive profit: up 83% to NIS 1.52 billion

In view of the excellent results, the Company announced payment of a special bonus to employees - NIS 10 K to each employee - in addition to the current annual bonus

Key data in the annual report:

- **AUM increased by NIS 71 billion (24%) to NIS 362 billion in 2021**
- **Harel's equity increased by NIS 1.1 billion to NIS 8.9 billion in 2021 This after the distribution of a dividend and repurchase of Company shares in the total amount of NIS 397 million**
- **Together with the approval of the financial statements, the Company's Board of Directors approved the distribution of an additional dividend of NIS 300 million**
- **Return on equity in 2021 was 18%; RoE in Q4 2021 (in annual terms) was 27%**
- **The volume of gross earned premiums, benefit contributions and amounts received for investment contracts in 2021 increased by 11% to a record NIS 33 billion; in Q4 the Company posted a steeper increase of 21% in the volume of premiums**
- **In Q4 2021, the Company completed two transactions: purchase of the insurance activity of Shirbit and acquisition of provident funds and pension funds from Psagot**

Harel Insurance Investments and Financial Services Ltd. has published its financial statements for Q4 and annual 2021 with record profit.

Comprehensive profit after tax increased by 83% to a record NIS 1.52 billion in **2021**, compared with NIS 834 million in 2020. Comprehensive profit in 2021 reflects 18% RoE. The record results in 2021 are based, among

other things, on higher yields in the capital market, application of a circular updating the illiquidity premium which offset most of the sharp decrease in the interest rate curve, an increase in the fixed and variable management fees and reduced insurance liabilities resulting from the revision of an actuarial study in health insurance.

Comprehensive profit after tax increased by 36% to NIS 579 million in **Q4 2021**, compared with NIS 427 million in the corresponding quarter in 2020. Comprehensive profit in the quarter reflects 27% RoE (in annual terms).

Gross earned premiums, benefit contributions and amounts received for investment contracts increased by 11% to NIS 33 billion in **2021**, compared with NIS 29.8 billion in 2020.

Gross earned premiums, benefit contributions and amounts received for investment contracts, increased by 21% to NIS 9.7 billion in **Q4 2021**, compared with NIS 8.0 billion in the corresponding quarter of 2020.

Equity attributed to the Company's shareholders was NIS 8.9 billion at December 31, 2021, an increase of NIS 1.1 billion during the course of 2021. This after the distribution of a dividend of NIS 357 million and the repurchase of shares at a cost of NIS 40 million.

The Company's AUM at December 31, 2021, rose to a record NIS 362 billion, compared with NIS 291 billion at the end of 2020. During the course of 2021, AUM increased by NIS 71 billion. Of this, NIS 45 billion is an organic increase and the remaining NIS 26 billion is attributable to completion of the transaction for acquisition of the provident funds and pension funds from Psagot, as of last October.

Together with publication of the reports, the Company's Board of Directors announced a **dividend distribution** of NIS 300 million **to its shareholders**. This distribution is in addition to a dividend distribution of NIS 357 million and a repurchase of Company shares in the amount of NIS 40 million during the course of 2021.

Additionally, in view of the excellent results, the Company announced payment of a special bonus to its employees who have been with the Company for at least 6 months, in the amount of NIS 10,000 per employee - NIS 50 million in total. This is in addition to the annual bonus customarily paid to employees.

In a statement, Michel Siboni, Chairman of Harel Insurance and CEO of Harel Group, said: "We concluded 2021 with an all-time record for comprehensive profit of more than NIS 1.5 billion for the year. We also ended 2021 with double-digit growth in the volume of premiums, thanks to Harel's superior technology, the range of service packages and products that we offer our customers, and the Company's human capital and network of agents. In 2021, we recorded a sharp 24% increase in the volume of AUM, thanks to organic growth attributable to business development in all our operating segments, and also to acquisition of the activities of Psagot and Shirbit, which contribute to our long-term savings and non-life insurance activity. We continue to investigate additional business opportunities which are consistent with our business strategy to ensure that growth will continue in forthcoming years".

Nir Cohen, CEO of Harel Insurance, announced: "2021 started as a challenging year for the insurance industry but by the end of the year we managed to present growth of premiums in each of our operating segments as well as a significant improvement in comprehensive profit in most of the segments. This success is based first and foremost on Harel's competitive advantage in technology and digitization, enabling us to broaden our customer base through cooperation with Harel's agents, to streamline work processes and maximize product customization to the needs of our various customers. All this, in addition to the significant contribution made by the Company's professional and dedicated employees, who are the key to enabling us to present a significant improvement in each of our operating segments".

Allocation by segment:

Health insurance

Comprehensive profit before tax in the health insurance segment increased by 526% to NIS 244 million in **Q4 2021**, compared with NIS 39 million in the corresponding quarter in 2020.

Comprehensive profit before tax in the health insurance segment increased by 595% to NIS 535 million in **2021**, compared with NIS 77 million in 2020.

Long-term savings

Comprehensive profit before tax in long-term savings activity (life assurance, pensions, provident and education funds) increased by 67% to NIS 367 million in **Q4 2021**, compared with NIS 220 million in the corresponding quarter of 2020.

Comprehensive profit before tax in long-term savings activity (life assurance, pensions, provident and education funds) increased by 68% to NIS 909 million in **all of 2021**, compared with NIS 542 million in 2020.

Pension funds

Comprehensive profit before tax from the management of pension funds increased by 56% to NIS 28 million in **Q4 2021**, compared with NIS 18 million in the corresponding quarter in 2020.

Comprehensive profit before tax from the management of pension funds increased by 34% to NIS 91 million in **2021**, compared with NIS 68 million in 2020.

AUM in the Group's pension funds increased by 46% to NIS 126.4 billion at **December 31, 2021**, compared with NIS 86.6 billion at the end of 2020.

Provident funds and education funds

Comprehensive profit before tax in the provident funds and education funds increased by 11% to NIS 20 million in **Q4 2021**, compared with NIS 18 million in the corresponding quarter of 2020.

Comprehensive profit before tax in the provident funds and education funds increased by 19% to NIS 68 million in **2021**, compared with NIS 57 million in 2020.

AUM in the provident funds and education funds increased by 19% to NIS 52.9 billion at **December 31, 2021**, compared with NIS 44.3 billion at the end of 2020.

Life assurance

Comprehensive profit before tax in life assurance increased by 73% to NIS 319 million in **Q4 2021**, compared with NIS 184 million in the corresponding quarter of 2020.

Comprehensive profit before tax in life assurance increased by 80% to NIS 750 million in **2021**, compared with NIS 417 million in 2020.

Non-life insurance

Comprehensive profit before tax in non-life insurance was NIS 5 million in **Q4 2021**, as against comprehensive profit of NIS 92 million in the corresponding quarter of 2020.

Comprehensive profit before tax in non-life life assurance was NIS 111 million in **2021**, as against NIS 343 million in 2020.

The decrease is attributable to an increase in the frequency of claims due to the increase in distances travelled and to more car thefts and also to an increase in the cost of the average claim.

Harel Finance

Comprehensive profit before tax in the capital market and financial services segment increased by 243% to NIS 24 million in **Q4 2021**, compared with NIS 7 million in the corresponding quarter last year.

Comprehensive profit before tax in the capital market and financial services segment increased by 95% to NIS 78 million in **2021**, compared with NIS 40 million in 2020.

AUM in the capital market and financial services segment managed by Harel Finance Investment House increased by 13% to NIS 58.9 billion at December 31, 2021, compared with NIS 52.1 billion at the end of 2020.

Equity

Equity attributed to the Company's shareholders at December 31, 2021, was NIS 8.9 billion, compared with NIS 7.7 billion at the end of 2020 - an increase of NIS 1.1 billion during the course of 2021. This was after the distribution of a dividend of NIS 357 million and the repurchase of shares at a cost of NIS 40 million.

Based on the transitional provisions, the **capital surplus of Harel Insurance at December 31, 2020**, is NIS 5.8 billion. In accordance with the directives, a report on economic solvency as at December 31, 2020 was published on June 30, 2021, and was 159%.

The capital surplus of Harel Insurance as at December 31, 2020, before the transitional provisions (in terms of 100% SCR), is NIS 0.6 billion.