

FOR THE YEAR 2019



March 2020











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#### **LARGEST INSURANCE COMPANY IN ISRAEL\***

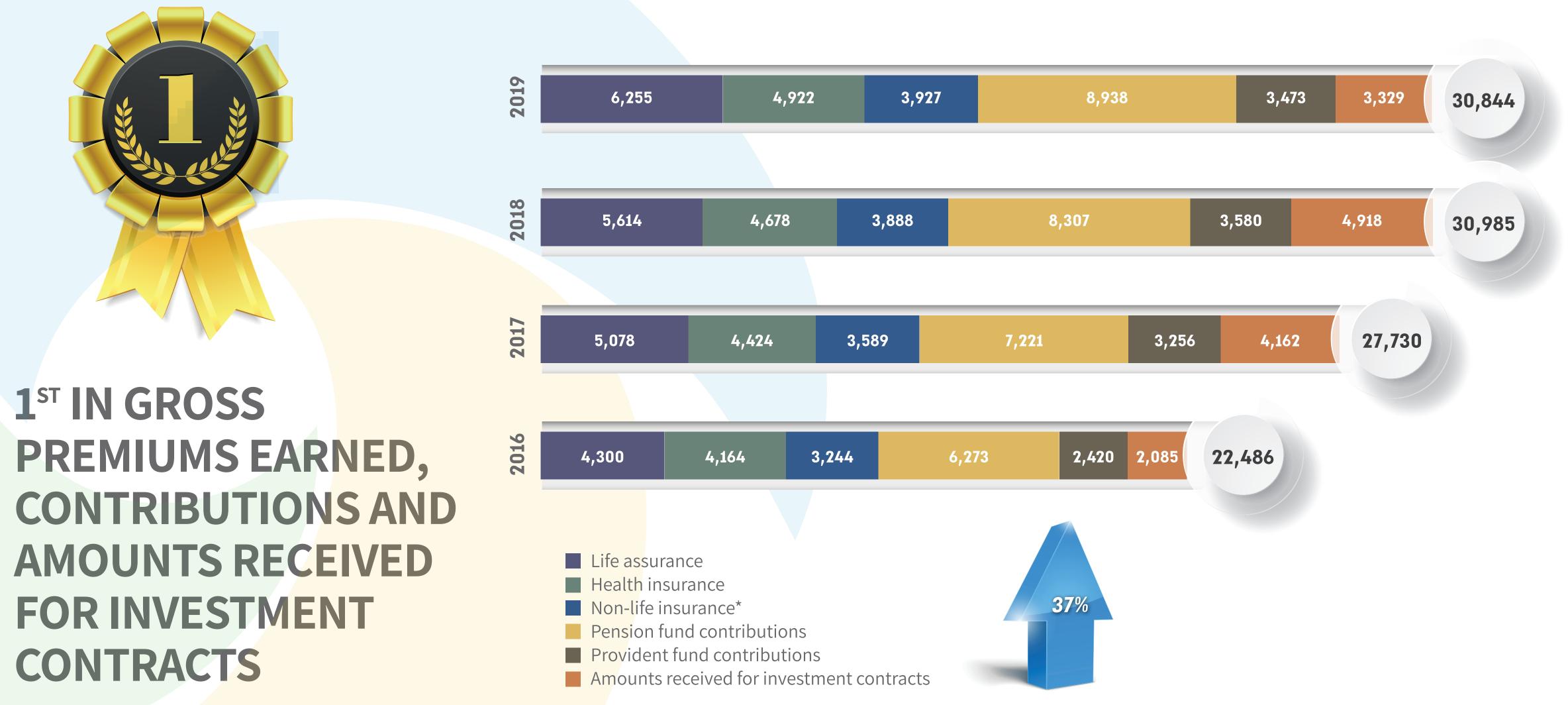




\* In terms of gross premiums earned, contributions and amounts received for investment contracts \*\* The rating refers to Harel Insurance, a wholly owned subsidiary of the Company







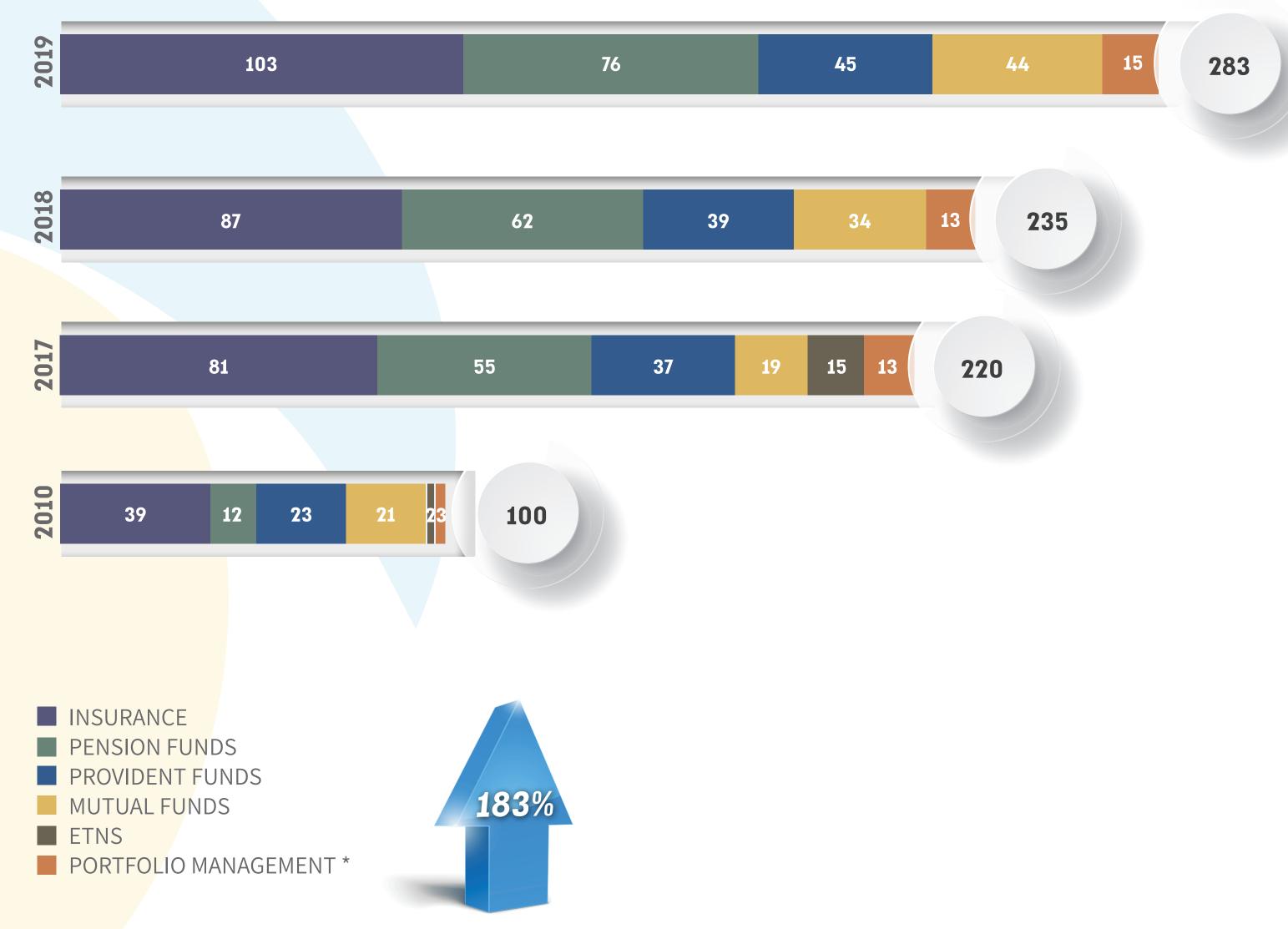
(NIS MILLION)



\* Including results for the insurance companies overseas segment



## **183% INCREASE IN AUM AND NOSTRO ASSETS SINCE BEGINNING OF THE DECADE** (NIS BILLION)





\*The data include financial assets issued by the Group that are managed in portfolios

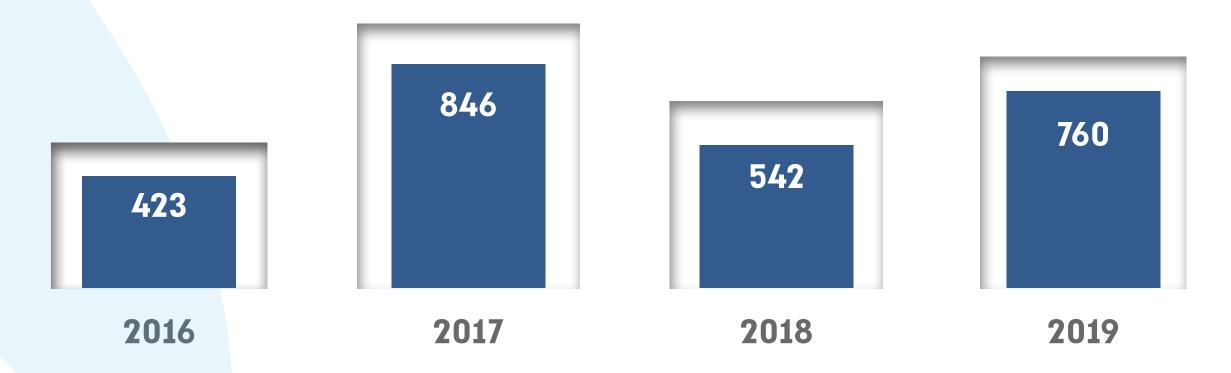


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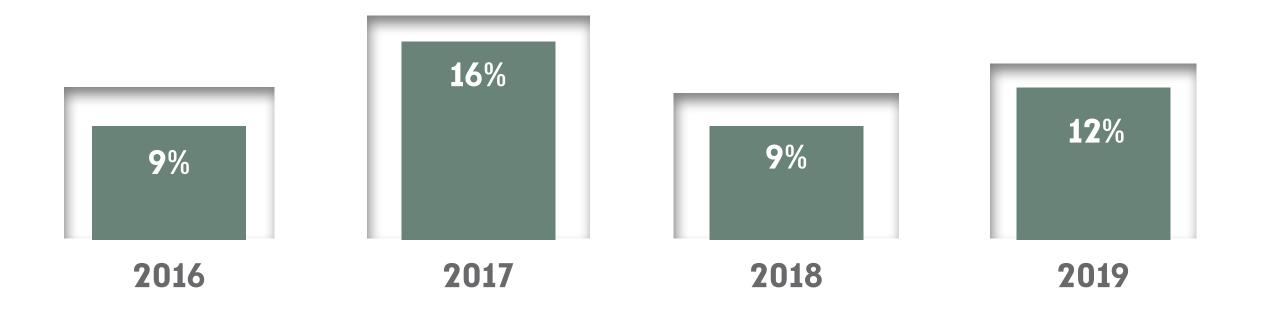
## COMPREHENSIVE INCOME AFTER TAX AND ROE (IN ANNUAL TERMS) (NIS MILLION)



#### **COMPREHENSIVE INCOME AFTER TAX**



#### **RETURN ON EQUITY**



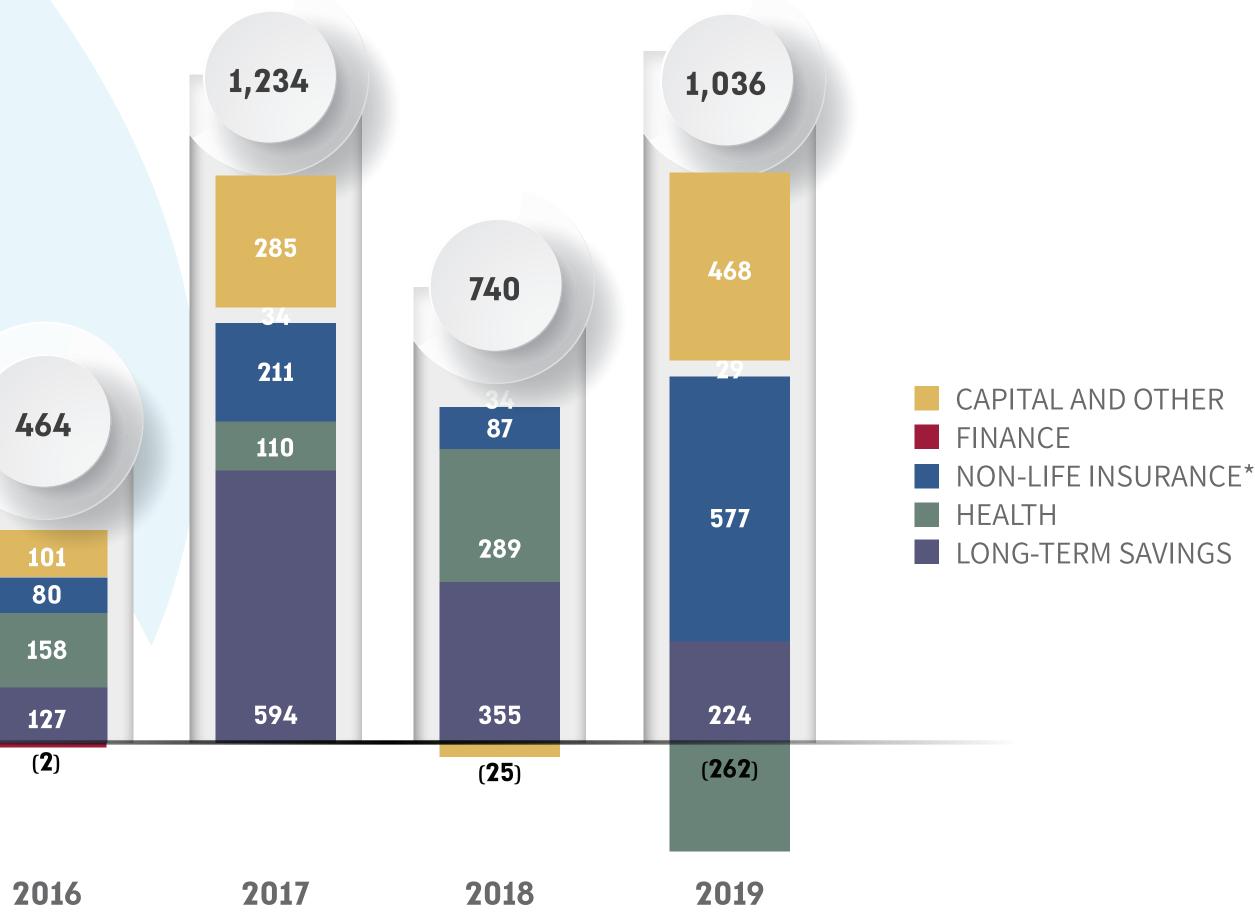


## **OPERATING SEGMENTS**

## COMPREHENSIVE INCOME (LOSS) BEFORE TAX (NIS MILLION)



\* Including results for the insurance companies overseas segment



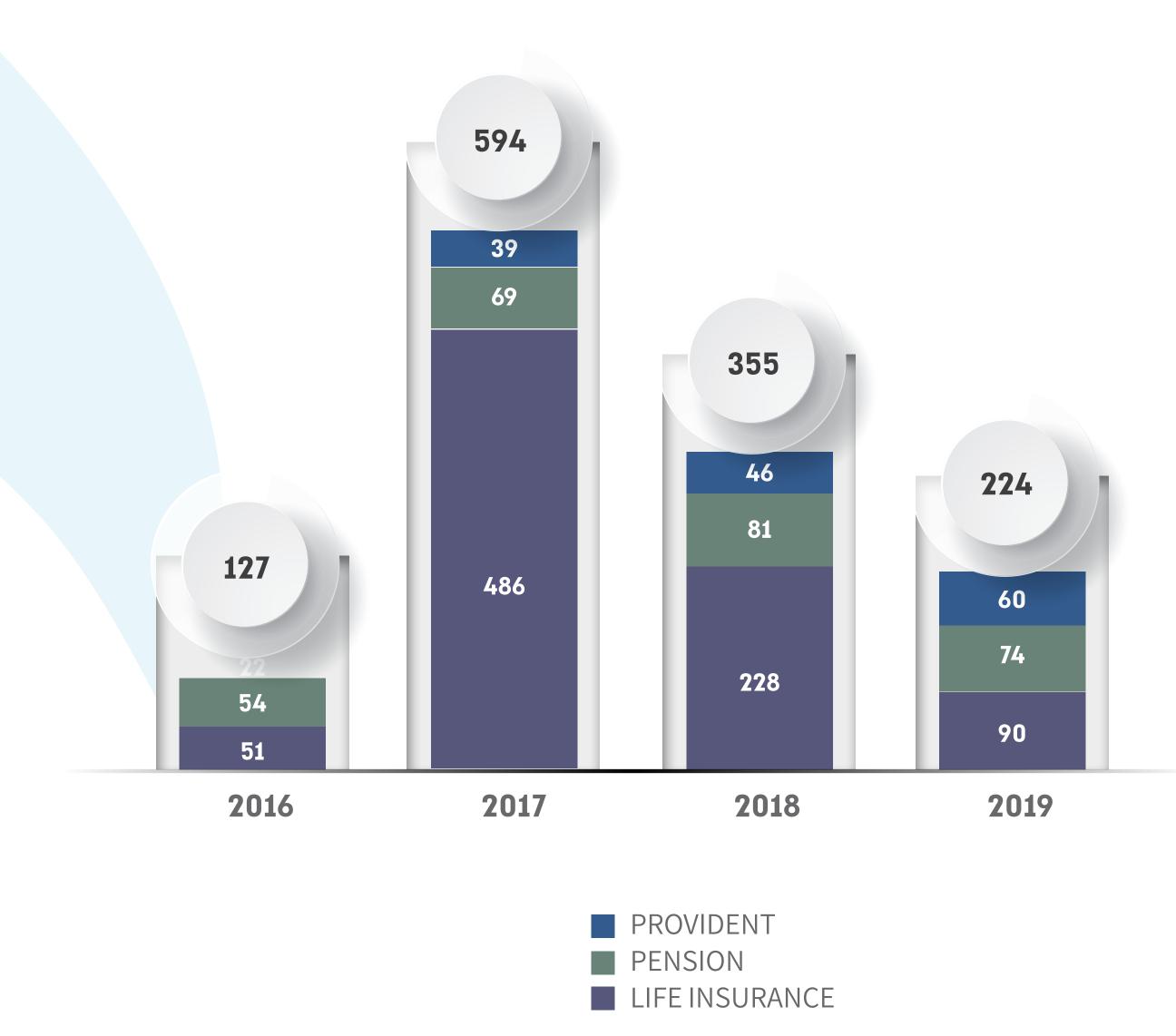




## LIFE ASSURANCE AND LONG-TERM SAVINGS SEGMENT

## COMPREHENSIVE INCOME BEFORE TAX (NIS MILLION)







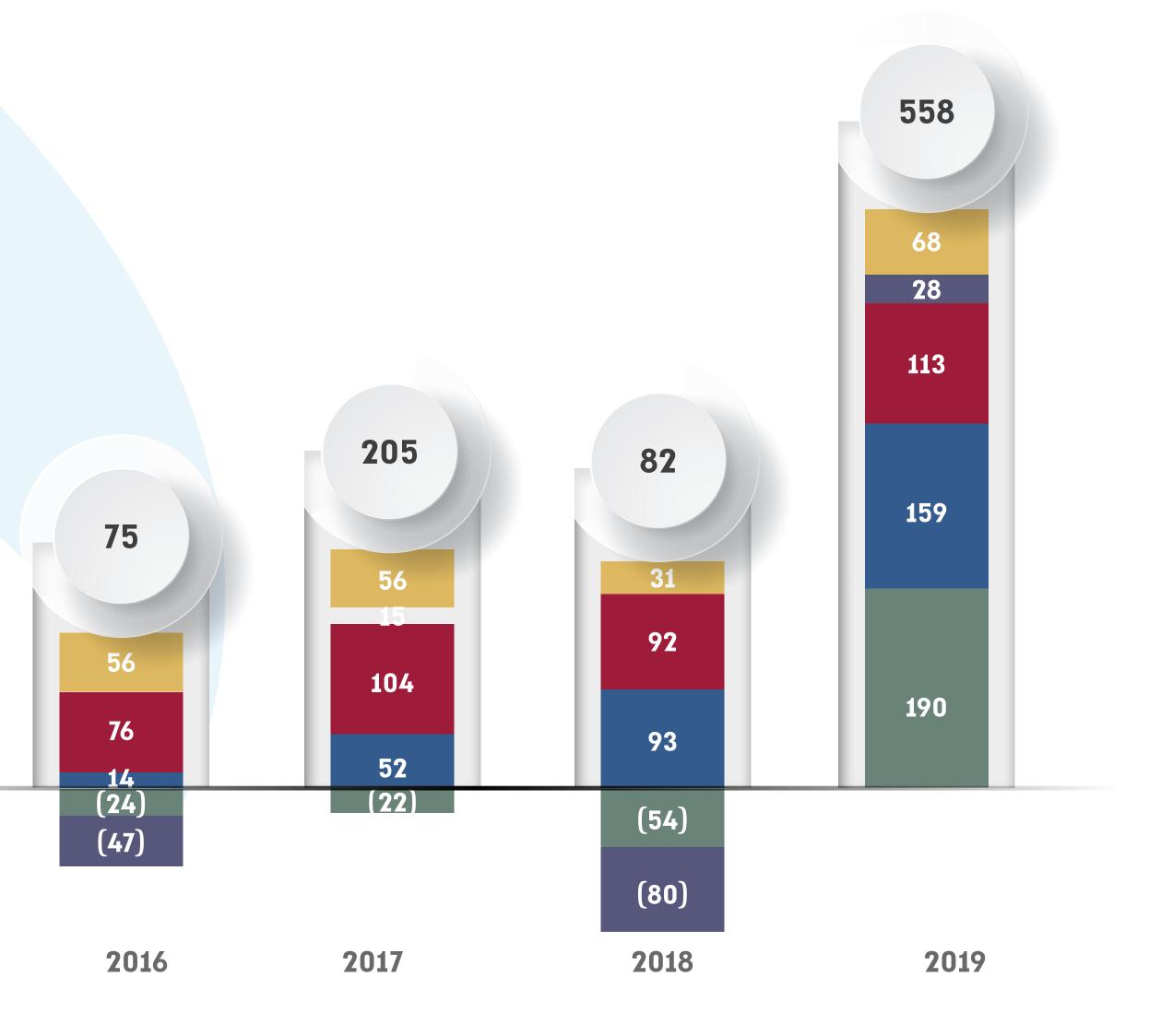
## **NON-LIFE INSURANCE** SEGMENT

COMPREHENSIVE INCOME (LOSS) BEFORE TAX (NIS MILLION)

> MORTAGE INSURANCE **PROPERTY & OTHER BRANCHES** IABILITIES & OTHER BRANCHES MOTOR PROPERTY **COMPULSORY MOTOR**



\* The non-life insurance segment does not include results for the insurance companies overseas segment





## FINANCIAL SERVICES SEGMENT

### (NIS MILLION)

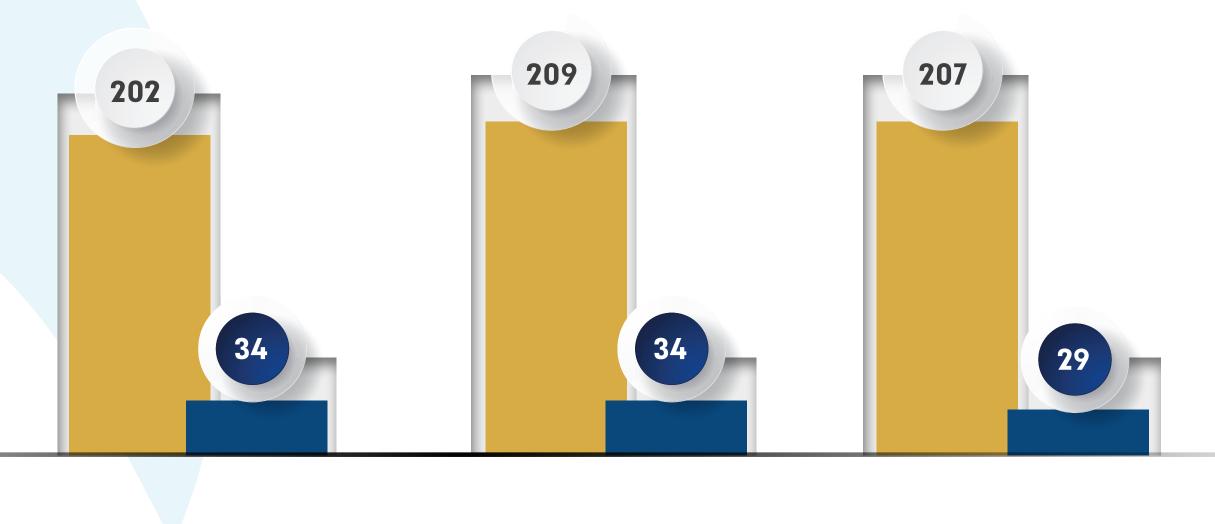
(2)

2016

254



\* Comprehensive loss before tax includes a write-down for the value of mutual fund activity in the amount of NIS 75 million before tax, for 2016



#### 2017 2018 2019

# REVENUES COMPREHENSIVE INCOME (LOSS) BEFORE TAX\* -



# **EQUITY AND DIVIDEND**

(NIS MILLION)	84%									
EQUITY										
<b>DIVIDEND</b> (NIS MILLION)	2011 106	2012 64	2013 308	2014 320	2015 235	2016 171	2017 461	2018 214	2019 236	2,1
<b>DIVIDEND YIELD (%)</b>	2.8	2.3	7.6	7.5	6.3	5.5	10.2	3.6	4.1	





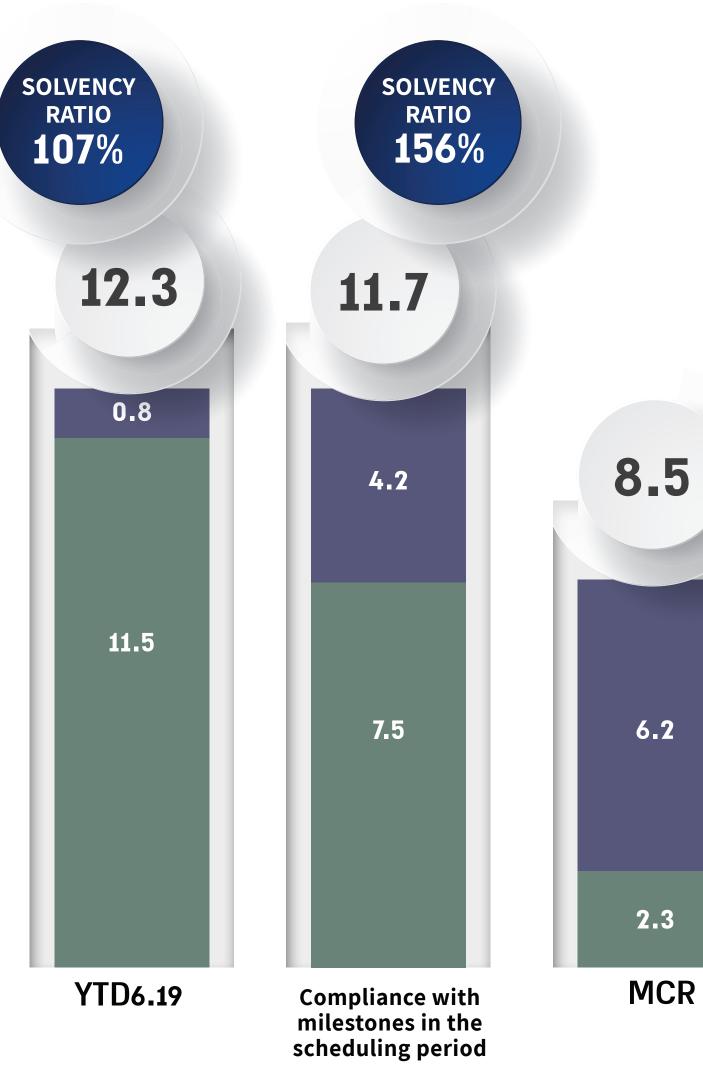


## HAREL INSURANCE CAPITAL **REQUIREMENTS – SOLVENCY**

### (NIS BILLION)

- Solvency ratio results do not include a change in equity from the cutoff date to the date of initial publication (December 2019) resulting from Tier2- capital raised in the amount of NIS 800 million (of this amount, the Company has issued capital of NIS 454 million over and above the limit for recognized Tier2- capital). Taking into account the aforementioned capital changes from the cutoff date until the date of initial publication (December 2019), the capital surplus at June 30, 2019, would have increased by NIS 346 million to NIS 1,126 million, and the solvency ratio at June 30, 2019, would have been 110%
- On February 16, 2020, a letter was published for insurance company executives concerning a "Draft outline for implementation" of the Solvency II Directives in the European Format" ("Draft"). The draft notes that the Capital Market, Insurance and Savings Authority intends to work towards adapting the economic solvency regime in Israel to the Solvency II Directive and its updates. The Draft sets out the key milestones that the authority intends perform for this purpose and also provisions concerning reports on an economic solvency regime required in the near future
- On March 19, 2020, the Commissioner published a draft amendment to the Consolidated Circular on the implementation of an economic solvency regime for insurance companies based on Solvency II" ("the Additional Draft"). According to the Additional Draft, the transition provisions will be adapted to the format set out in the European Directive, with an option to gradually increase the reserves in respect of long-term insurance products that were sold in the past until 2032. The Additional Draft also includes updates to the provisions of the Circular based on changes that were made in Europe and are relevant to the Israeli market. The Company is studying the provisions of the Additional Draft and at this stage it is unable to estimate its effects
- Notably, the model in its current format is extremely sensitive to changes in market and other variables, such as changes in the interest rate after the date of the calculation and the capital position it reflects could therefore be extremely volatile. At December 31, 2019, there was a further significant decrease of the risk-free interest rate curve. Namely, a significant impact on the Company's solvency ratio. Notably, the Company has not yet completed the calculation for the solvency report at December 31, 2019, and this information is therefore partial only and should not be treated as an estimate in connection with the results of the calculation. Immediately prior to the date of publication of the report, the risk-free interest rate curve rose to above its level on December 31, 2019. The date for publication of the solvency ratio report and submitting the Solvency reporting files at December 31, 2019, to the Commissioner will be August 31, 2020





\* at June 30, 2019 the requirement is 70% of the SCR -

SURPLUS CAPITAL -REQUIRED CAPITAL -







# MATERIAL EVENTS AFTER THE REPORTING PERIOD -OUTBREAK AND SPREAD OF THE CORONA VIRUS WORLDWIDE IN Q1 2020





In view of the concern for the health and wellbeing of our employees, since the onset of the crisis the Group's management has taken measures to reduce the risk for the Group's employees. Based on Ministry of Health instructions, the Group made a number of decisions to limit work in the Company's offices, while adapting and deploying work methods to work from home, and taking stringent care to continue to provide normal, ongoing service to the Group's customers and agents

In accordance with the regulations that require the Group to be prepared for business continuity scenarios, and thanks to the Group's strong awareness of the importance of serving its customers, and the investment made by the Group in technology and digital processes over the last three years, the Group has in place solutions for providing normal, continuous service for its customers even in these times of emergency and remains ready for ongoing business activity in an adjusted format, even as the crisis deepens

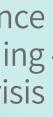
At the date of publication of the financial statements, most of the Company's employees are working via remote access to the Company's systems while due to the current situation. Additionally, as of March 22, 2020, about 15% of employees have been placed on unpaid leave for a period of at least 30 days, while other staff are on vacation at the expense of their outstanding accrued vacation days until after the Passover holiday. The Company informed those employees on unpaid leave that it will make every effort to return them to regular work, subject to business and economic developments after the crisis, and it will also provide any employee who has been placed on unpaid leave with a one-time bonus of NIS 5,000 in order to assist them during the upcoming holiday period

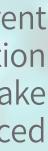
At the date of publication of the financial statements, the continuing spread of the Corona virus in the USA and Europe has had a significant, negative impact on the capital markets and global economy, Israel included, and is causing considerable volatility in the market. Following the global outbreak of the Corona virus, prices on the leading share, commodities and bond indices in Israel and worldwide plummeted, drastically affecting the results of the Group's operations. Immediately prior to the date of publication of the financial reports, the impact of the sharply falling capital markets in respect of the marketable portfolio which is not held to cover yield-dependent liabilities, is an estimated gross investment loss of NIS 870 million (before tax). Furthermore, there is an estimated decrease of 11% in the value of the Group's AUM, which is likely to affect the volume of management fees the Group will collect

Additionally, pursuant to the mechanism for collecting management fees prescribed in the legislative arrangement, insurance companies will not collect variable management fees in respect of yield-dependent policies sold between 1991 and 2003, until sufficient investment profits in respect of the assets held to cover yield-dependent liabilities are attained to cover the accumulated investment losses. According to the mechanism described above, due to real negative yields on profit sharing policies that were sold between 1991 and 2003, Harel Insurance did not record variable management fees from the beginning of 2020, but only fixed management fees. Until a real positive yield is attained to cover the investment losses accumulated to the policyholders' debit, Harel Insurance will not be able to collect variable management fees. Immediately prior to the date of publication of the financial statements, the estimate for the non-collection of management fees due to the real, negative yield until a cumulative positive yield is attained was NIS 320 million















Immediately prior to the date of publication of the financial statements, the risk-free interest rate curve rose to above its level on December 31, 2019, which could lead to a decrease of the insurance liabilities. On the other hand, an increase of the interest rate curve could negatively impact the value of the Company's financial and other assets in a manner that might reduce this aforesaid impact. Notably, the information described above should not be construed as an estimate of the Company's financial results. This information is only partial and it does not include other components of profit or loss from investments and other effects

Furthermore, further losses in the capital markets in Israel and worldwide could affect liquidity in the markets as well as the interest rate conditions for futures products in the Group's financial services segment

With respect to the pension, provident and educations funds segment, at the date of publication of the financial statements, there is an increase in the number of requests to redeem moneys from the pension funds and provident funds, as well as to transfer money between the different investment tracks. However, overall, we can say that savers are showing restraint in this regard and the volume of such requests is insignificant. In the education funds, in which the time frame for the savings is significantly shorter, there has been an increase in the redemption of liquid savings

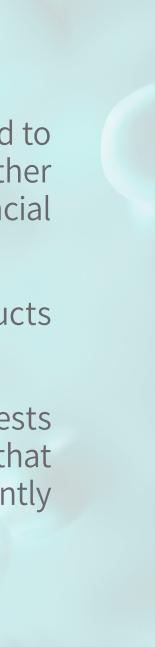
In the mutual funds sector, which is also characterized by savings in the shorter term, there has been a significant, marked increase in redemptions. Furthermore, the crisis could lead to greater exposure to credit default in the Group's credit insurance activity

Additionally, the economic situation in Israel and worldwide could affect the different insurance sectors in which the Group operates

In light of the fact that the crisis is characterized by a great deal of uncertainty regarding its duration and the steps to be taken by the State and by other countries around the world, the Group is unable to estimate the scope of these effects on its activity in general and on the financial services sector in particular, in the short and/or long term, including on the recoverability of the Company's intangible assets

Harel Group is watching the developments closely and assessing all the repercussions constantly and on a daily basis, while providing an ongoing response to the changing - situation





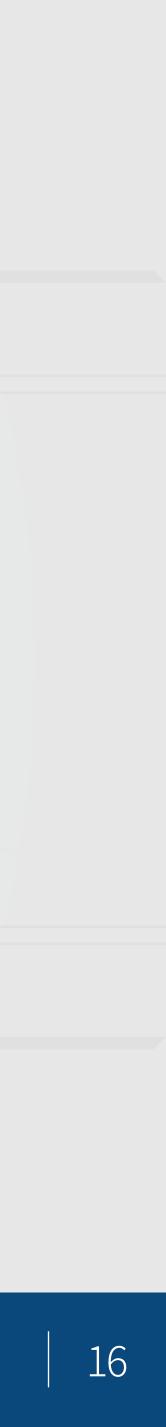








### HARELIS LEADING **A DIGITAL** REVOLUTION **IN THE INSURANCE** WORLD



# DEVELOPMENT -OF INNOVATIVE PRODUCTS -THAT DIFFERENTIATE HAREL





#### **EXTRA** INSURANCE FOR COUPLES

March 2019

# eitra יגני eitra

ביטוח חיים זוגי לאנשים שאכפת להם

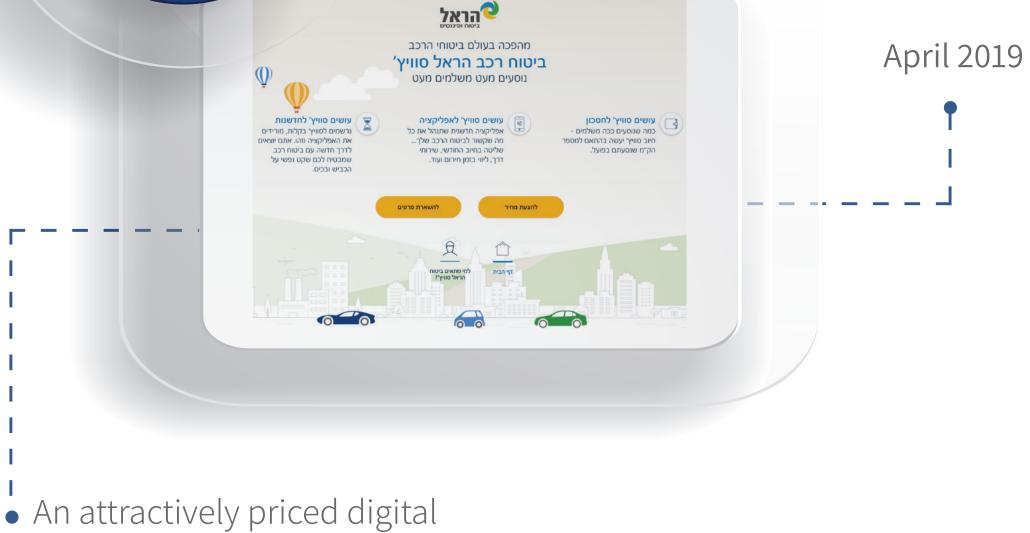
extra דאגה והגנה למשפחה כיסוי ביטוחי ללא תוספת מחיר extra אפשרות להגדלת סכומי הביטוח ללא חיתום extra

- Entitlement to double the sum insured if the partner dies, without changing the premium
  Entitlement to increase the sum insured without medical
- underwriting when a child is born



#### SWITCH MOTOR INSURANCE





product for low-mileage drivers



#### HEALTH **EXTRA** UPGRADE



כיסוי לניתוחים בישראל בפרמיה מופחתת, המאפשר בחירה בין כיסוי מלא לאחר מיצוי זכויות בשב"ן לבין תשלום השתתפות עצמית ובנוסף, רק בהראל שירות ייעודי ומקצועי למסלול זה - לך ולמבוטחיך

- כי הראל בריאות זה מחויבות חדשנות מקצוענות

ביטוחי הבריאות של הראל, הרבה יותר מכיסוי ביטוחי.

- Cover for surgery with a reduced premium
- Allows you to choose between full coverage after utilizing your SHS rights and payment of a deductible
- Option to move to basic surgery cover without medical underwriting
- Upgrade service and information center



#### **IMPROVED** CRITICAL ILLNESS INSURANCE

June 2019



• Extended cover for additional illnesses and insured events, without any change in the premium



#### PREMIUM EXECUTIVE

An insurance policy with ongoing deposits and an option to purchase insurance coverages, without any management fees on the deposits and where management fees on accrual decline in line with development of the accrual in the plan





### Additional insurance coverage package on the pension fund, includes:

- Lump sum in the event of death provides a combination of survivors pension from the pension fund and a lump sum payment from the life assurance (risk) policy
- Insurance umbrella cover for work disability (P.H.I.) due to an accident or illness







#### PREMIUM TREATMENTS



#### New technologies and diverse treatments rider:

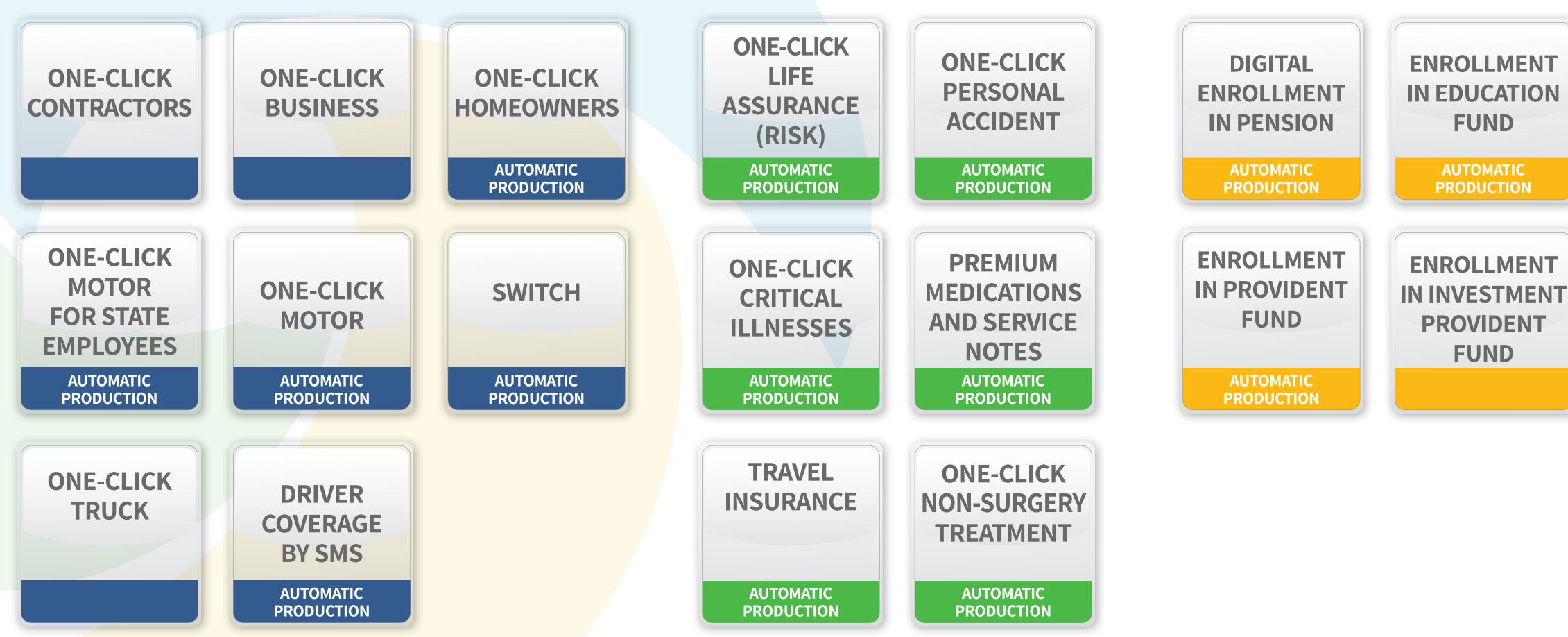
- Technologies that treat oncology-related illnesses
- Pressure chamber treatment
- Technologies for treatment of pain





# **INCREASED AUTOMATION IN THE AGENTS' WORK PROCESSES**

Products available for sale through digital channels, almost all of them also through to automatic production







22

# OPERATIONAL STREAMLINING AND IMPROVED CUSTOMER SERVICE DIGITIZATION OF CLAIMS -





# FILING AMBULATORY AMBULATORY CLAIMS Green track: Addition of supplementary medicine



הראל

החזר /



			הגשת תביעות ב פרטי המבוטח 2 פרטי	ריאות המקרה ③ העלאת מסמכים	אמצעי להעברת תשלום	
			שדות בטופס המסומנים בכוכבית הינם	ו שדות חובה •		
ch 2019 ¶ 」	Marc		פרטי המבוטח לגביו מוגשת התביעה	031589740 () הנדל גוטליב 334410800 () הנדל ידוב	040798894 ✔ הנדל יחרמיאל 338171432 O הנדל שגעא	332969567 () הנדל אלוש
			פרטי יצירת קשר עם המבוטח	מספר טלפון •	דואר אלקטרוני• @harel-ins.co.il ∨ 052 4750754	kerensa
			סיבת התביעה	החזר כספי בגין טיפולים / בדיקות / התייעצויות	התחייבות / החזר לרכישת תרופות ס	התחייבות / 🔘 התחייבות /
				התחייבות / החזר להשתלה או טיפול מיוחד בחו״ל	פיצוי כספי חד פעמי בעת גילוי מחלה קשה ס	
ר) פרטי המבוטח (s) פרטי הו	המקרה 3 העלאת מסמכים	פרטי החשבון להפקדה 🕢				
בלה עבור טיפול	ברשותי קבלה עבור טיט	פול	▼ 1		נטיפול בתביעה. לידיעתך, העתקי התכתובות ו/או הראל (שאינן בהכרח פוליסות בהן סוכן הביטוח ש	
רטי התביעה	פרטי התביעה לתשומת לבך - החזר כספי יתקבל בג	ין <b>טיפולים שבוצעו בלבד</b> ולא בגין טיפ	ים עתידיים	וו, הינו הסוכן המטפל בהן), יועברו בכל ו	מקרה לסוכן הביטוח שלך בפוליסה.	
	תחום הטיפול • רפואה משלימה	<ul> <li>סיבת הפנייה לטיפול •</li> <li>אורתופדיה</li> </ul>	V			
	קופת החולים שלך י	מספר הקבלות שבידך •				
	שירותי בריאות כללית	1	לפרוט הקבלות >			OVED
		n	ר אחורה או המשך להעלאת מסמכים	I		ALLY
				I		





# ONE-CLICK MOTOR AND HOMEOWNERS CLAIMS

Fully digital process (filing + settlement) for agents and customers MOTOR A HOMEOWI CLAIMS 2019



☆	ז ותכולה 📎	הגשת תביעה מבנו		
	שנגרם 3 השלמת מסמכים 4 סיכום	פירוט נזק 🔹 1		
	נ חובה י	שדות בטופס המסומנים בכוכבית הינם שדוו		
<u> </u>	לפרטים	פירוט השתתפות עצמית		
	השתתפות עצמית בנזקי מים: 500 ש"ח			
	אנא פרט את כל המקומות בנכס או הפריטים להם נגרם נזק סיווג תאור הנזק/התיקון/הפריט סכום הפיצוי המבוקש פירוט נוסף בחר/י סיווג V			
הוסף פריט (€) ו התבי ַה: 0.00 ₪	סך הכל סכום			
NL	להלן פרטי חשבון לקבלת תגמול מתביעה קבלת תגמולים לחשבון אחר			
JERS IN	תעודת זהות בעל החשבון י שם בעל החשבון י ס נוטמן קזמוז כראמי שם בנקי מספר סניףי שם סניףי מ זפר ר בנק ∨			
		רות   כדאי לדעת	ו?   פוליסות ביטוח   תביעות   בקשות ושינויים   נותני שיו 	ביטוח רכב   איך מצטרפים 🚘
	ון נייד: • ר	<	טוח רכב	הגשת תביעת בינ
זרה המשן	78.2%	יבות האירוע הר/י אפשרות	ב פירוט נסיבות האירוע	פרטי אירוע ונזק
	WERE FILED		האם היה מפגע בזרך? 🔷 לא 🔷 כן	
	AUTOMATICALLY		בחר את מיקום הנזק ברכב • חזית נג	
50%			קדמי ימין קדמי שמאל	
RE SETTLED			ימין שמאל	
OMATICALLY			אחורי ימין אחורי שמאל	
			האם היה נהג ברכב בעת האירוע? • 💿 לא 🎧 כן	



# **OPERATIONAL STREAMLINING AND IMPROVED CUSTOMER SERVICE ADVANCE** PAYMENT TRANSFERS USING bit, TO TRAVEL INSURANCE CUSTOMERS







# CLAIMS

Surveys of the satisfaction of insureds and agents from approval one "click" claim settlement

6.5 OUT OF 7











# **THANKYOU**

