

August 30, 2023

Financial Statements | Q2 2023

Harel Investments has published its financial statements for the first half and second quarter of 2023

- Shift to comprehensive income after tax: **NIS 93 million** in the second quarter and **NIS 126 million** in the first half of 2023
- Profit was mainly affected by **improved underwriting** as part of the implementation of the Company's strategy to improve profitability of the core activities
- **For the first time AUM passed the NIS 400 billion mark** as of June 30, 2023
- Gross premiums earned, benefit contributions and amounts received for investment contracts **increased by 10%** in Q2 2023 to **NIS 9.8 billion**

Key Emphases

- In the first half of the year (H1 2023), gross premiums earned, benefit contributions and amounts received for investment contracts increased to **NIS 19 billion**.
- In H1 2023, **comprehensive income was NIS 126 million**, compared with a comprehensive loss of NIS 110 million in the corresponding period last year.
- In Q2 2023, **comprehensive income was NIS 93 million**, compared with a comprehensive loss of NIS 436 million in the corresponding quarter of 2022. Profit in the quarter was largely affected by improved underwriting in the various operating segments in a zero real yield environment.
- In Q2 2023, the decline of the interest rate curve led to increase in health insurance and non-life insurance liabilities by NIS 104 million. This contrasts with a decrease of NIS 385 million in life assurance, health insurance and non-life insurance liabilities due to increase in interest rate curve in the corresponding quarter in 2022.
- At June 30, 2023, Harel Investments equity amounted to NIS 8.4 billion.

Health Insurance

- In Q2 2023, **comprehensive income before tax in health insurance was NIS 35 million**, compared with a comprehensive loss before tax of NIS 201 million in the corresponding quarter in 2022.
- Profit in Q2 2023 was affected by improved yields in the capital market compared with the corresponding quarter last year, **and by improved underwriting in group policies and in the cover for medications due to the inclusion of additional medications in the health services basket**. This improvement was partially offset by an increase in the number of claims in the ambulatory care cover, and by an increase of NIS 54 million in the long-term care insurance liabilities, due to a decline of the interest rate curve.
- In H1 2023, comprehensive loss before tax in health insurance was NIS 19 million, compared with comprehensive income before tax of NIS 391 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 long-term care insurance liabilities due to the rising interest rate curve, that contributed to higher comprehensive income.

Life Assurance and Long-Term Savings

- In Q2 2023, **comprehensive income before tax in life assurance and long-term savings was NIS 52 million**, compared with a comprehensive loss before tax of NIS 253 million in the corresponding quarter in 2022.
- In H1 2023, **comprehensive income before tax in life assurance and long-term savings was NIS 34 million**, compared with a comprehensive loss before tax of NIS 446 million in the corresponding period last year.
- In Q2 2023, comprehensive income before tax **in life assurance was NIS 18 million**, compared with a comprehensive loss before tax of NIS 279 million in the corresponding quarter in 2022. Gross earned premiums in life assurance increased by 24% to NIS 1.8 billion in the quarter, mainly due to a change in the timing of non-recurring deposits.
- In H1 2023, comprehensive loss before tax in life assurance was NIS 22 million, compared with a comprehensive loss before tax of NIS 497 million in the corresponding period last year. Gross earned premiums in the first half amounted to NIS 3.4 billion, down 3.5% compared with the corresponding period last year, due to a decrease in non-recurring deposits.
- Improved profitability in Q2 2023 and H1 2023 compared with the corresponding periods last year, is mainly attributable to improved real yields of the proprietary (Nostro) portfolio: a positive yield in Q2 2023 and zero yield in H1 2023, compared with real negative Nostro yields in the corresponding periods last year.
- The estimate for variable management fees that were not collected on account of aggregate negative real yields on profit-sharing policies, was NIS 308 million at the financial statements publication date, compared with NIS 415 million at 31.12.2022.
- In Q2 2023, profit in the **pension and provident sector increased by 31% to NIS 34 million**, compared with NIS 26 million in the corresponding quarter of 2022. AUM in the Group's pension funds and provident funds at June 30, 2023 was NIS 141 billion and NIS 61 billion, respectively, compared with NIS 123 billion and NIS 52 billion, respectively at June 30, 2022.

Non-Life Insurance

- In Q2 2023, **comprehensive loss before tax in non-life insurance was NIS 60 million**, compared with comprehensive loss before tax of NIS 17 million in the corresponding quarter of 2022.
- In Q2 2023, the insurance liabilities in non-life insurance increased by NIS 50 million due to the decline in the interest rate curve. In the corresponding quarter of 2022, the non-life insurance liabilities declined by NIS 143 million due to the rising interest rate curve.
- In H1 2023, comprehensive income before tax in non-life insurance **increased by 173% to NIS 101 million**, compared with comprehensive income before tax of NIS 37 million in the corresponding period last year.
- In H1 2023, **underwriting improved in the compulsory motor and motor property sectors** compared with the corresponding period in 2022. In the compulsory motor sector, underwriting improved due to optimization of the portfolio and a reduction in the average claim cost and in the motor property sector underwriting improved due to an increase in the average premium and a reduction in the provision for premium deficiency.
- In H1 2023, the rising interest rate curve and changes in the retained fair value of assets led to a reduction of the insurance liabilities by NIS 136 million compared with a reduction of the insurance liabilities by NIS 385 million in the corresponding period last year. The effect of these changes in the compulsory motor sector amounted to NIS 33 million, significantly lower compared with NIS 125 million in the corresponding period last year.

Harel Finance

- In Q2 2023, **comprehensive income before tax in the capital market and financial services segment increased by 28% to NIS 23 million**, compared with NIS 18 million in the corresponding quarter in 2022.
- In H1 2023, **comprehensive income before tax in the capital market and financial services segment increased by 23% to NIS 37 million**, compared with NIS 30 million in the corresponding period last year.
- At June 30, 2023, AUM in the capital market and financial services segment, managed by Harel Finance Investment House **increased by 22% to NIS 71 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

| | H1.23 | H1.22 | Change | Q2.23 | Q2.22 | Change |
|--|---------------|---------------|-------------|--------------|--------------|---------------|
| Life assurance | 3,371 | 3,496 | -3.6% | 1,851 | 1,496 | 23.7% |
| Health insurance | 3,140 | 2,863 | 9.7% | 1,601 | 1,456 | 10% |
| Non-life insurance | 2,385 | 2,231 | 6.9% | 1,227 | 1,127 | 8.8% |
| Total earned premiums, gross | 8,896 | 8,590 | 3.6% | 4,679 | 4,079 | 14.7% |
| Pension benefit contributions | 6,442 | 5,508 | 17% | 3,294 | 2,846 | 15.7% |
| Benefit contributions | 2,271 | 2,276 | - | 1,139 | 1,077 | 5.8% |
| Amounts received for investment contracts | 1,350 | 2,329 | -42% | 694 | 946 | -26.6% |
| Total | 18,959 | 18,703 | 1.4% | 9,806 | 8,948 | 9.6% |

Comprehensive income (loss) before tax by segment

| | H1.23 | H1.22 | Q2.23 | Q2.22 |
|-------------------------------------|-------------|--------------|-------------|--------------|
| Life assurance | (22) | (497) | 18 | (279) |
| Provident | 18 | 20 | 10 | 10 |
| Pension | 38 | 31 | 24 | 16 |
| Long-term savings | 34 | (446) | 52 | (253) |
| Health insurance | (19) | 391 | 35 | (201) |
| Non-life insurance | 101 | 37 | (60) | (17) |
| Insurance companies overseas | (5) | (24) | 4 | 6 |
| Financial services | 37 | 30 | 23 | 18 |
| Other* | 32 | (205) | 74 | (227) |
| Total | 180 | (217) | 128 | (674) |

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

AUM

| | June 30, 2023 | June 30, 2022 | December 31, 2022 |
|--|---------------|---------------|-------------------|
| Yield-dependent insurance contracts and investment contracts | 80.3 | 78.5 | 77.8 |
| Pension funds | 141.0 | 123.1 | 128.2 |
| Provident funds | 61.0 | 52.4 | 56.1 |
| Mutual funds | 56.5 | 39.0 | 43.2 |
| Portfolio management and other* | 14.6 | 15.3 | 15.0 |
| Total for insureds and members | 353.4 | 308.3 | 320.3 |
| Nostro** | 47.2 | 42.5 | 42.8 |
| Total | 400.6 | 350.8 | 363.1 |

*Including financial assets issued by the Group and managed in portfolios in the amount of NIS 4.2 billion, NIS 4.4 billion and NIS 4.3 billion at June 30, 2023, June 30, 2022 and December 31, 2022, respectively

**Including assets for Harel Finance in the amount of NIS 8.2 billion, NIS 5.2 billion and NIS 5.9 billion at June 30, 2023, June 30, 2022 and December 31, 2022, respectively