

# Press Release

August 29, 2024

## Financial Statements | Q2 2024

**Harel Investments has published its financial statements for the first half and second quarter of 2024**

**Implementation of the strategic plan is leading to further improvement of underwriting profit<sup>1</sup> from insurance business, which grew by 48% to NIS 606 M in H1**

**Comprehensive income was NIS 125 M in H1, similar to the corresponding period last year. This profit is attributable to improved underwriting, despite the negative yields in the capital market that created a loss of NIS 108 M in Q2**

**Nir Cohen, the Company's CEO, said: "The capital market and high quarterly inflation were not in our favor in this quarter, but we continue to focus on implementation of our strategic plan with the goal of improving permanent profitability by NIS 500 M after tax by 2026. We are making satisfactory progress and I believe that a substantial share of the results will be evident in 2025, while signs of improvement can already be seen in the current and previous quarters".**

**Comprehensive income before tax in asset management and credit activity rose by 20% to NIS 183 M in H1 thanks to the continuing growth of the activities volume**

**A dividend of NIS 200 M was distributed, in addition to a distribution of NIS 350 M in March this year**

**Premiums and benefit contributions continued to grow and AUM increased**

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<sup>1</sup> The Company's underwriting profit includes an assumed real nostro yield of 3% on insurance business profitability, excluding special effects that are not part of the normal course of the Company's business, including the effects of interest and actuarial changes.

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## Key emphases:

- In H1 2024, **comprehensive income after tax was NIS 125 M**, reflecting 3% ROE, similar to the corresponding quarter last year. Profit for the period is attributable to further underwriting improvement in the operating segments and was achieved despite the effects of the Swords of Iron War in the amount of NIS 43 M before tax. The results were also affected by a real negative Nostro yield in the period.
- In Q2 2024, there was a **comprehensive loss after tax of NIS 108 M**, reflecting negative ROE of 5%, in contrast with comprehensive income after tax of NIS 93 M in the corresponding quarter last year. Results for the quarter were affected by a real, negative Nostro yield, in contrast with a real, positive yield in the corresponding quarter last year. At the same time, insurance business underwriting continued to improve in the quarter.
- **Implementation of the strategic plan continued**, with the focus on improving profitability in insurance business, asset management and diversification of revenue sources, leading to **improved profit in all operating segments** in H1 2024 compared with the corresponding period last year: underwriting improvement of **NIS 196 M** in profit from insurance business to NIS 606 M (up 48%), improvement of **NIS 18 M** in asset management to NIS 132 M (up 16%), and an improvement of **NIS 11 M** in the credit segment to **NIS 59 M** (up 23%).

An underwriting improvement was also recorded in Q2 2024 compared with the corresponding quarter last year in all operating segments: improvement of **NIS 17 M** in profit from insurance business to NIS 335 M, improvement of **NIS 3 M** in asset management to NIS 70 M, and an improvement of **NIS 5 M** in the credit sector to NIS 29 M.

- **Earned premiums, gross, benefit contributions and amounts received for investment contracts increased by 8.2% to NIS 20.5 B** in H1 2024, compared with the corresponding period last year. These **increased by 7.8% to NIS 10.6 B** in Q2 2024, compared with the corresponding quarter last year.
- Further growth of the Group's AUM, which at June 30, 2024, increased by 8% from the beginning of the year to NIS 463 B, and by 15% compared with June 30, 2023.
- At June 30, 2024, Harel Investments had equity of NIS 8.6 B, this after the distribution of a dividend of NIS 350 M in respect of 2023 and a share repurchase of NIS 73 M. **After the Reporting Date, the Company announced the distribution of an additional dividend of NIS 200 M.**
- **Capital market yields in the period were negative, compared with zero yields in the corresponding period last year.** The negative effect of investment income (the difference between the real assumed yield of 3% and the yield actually attained) in the Reporting Period was NIS 731 M, compared with a negative effect of NIS 482 M in the corresponding quarter last year.
- In the reporting period, the **effects of the interest rate** reduced the insurance liabilities by NIS 221 M. This contrasts with a reduction of NIS 82 M in these liabilities in the corresponding period last year.
- Additionally, results in the Reporting Period were affected by the implementation of a circular on **Revised Demographic Assumptions** in life insurance and pension funds that increased the insurance liabilities, mainly in life insurance, by NIS 111 M.

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## Results by the Group's operating segments:

### Insurance business:

In the Reporting Period, the Company's underwriting profit from insurance business was NIS 606 M, compared with NIS 410 M in the corresponding period last year.

### Health insurance:

- **Underwriting profit in health insurance rose by NIS 221 M in H1 2024 to NIS 353 M**, compared with the corresponding period last year. This is mainly the result of improved underwriting in the personal lines health sector - cover for transplants, ambulatory care and personal accidents and as a consequence of a decrease of the insurance liabilities in the personal lines and group long-term care sectors in view of the shorter interval between the occurrence of the insured event and filing the claim. Underwriting profit in Q2 rose by NIS 85 M compared with the corresponding quarter last year and amounted to NIS 208 M.
- In H1 2024, **comprehensive income before tax in health insurance was NIS 95 M**, in contrast with a comprehensive loss before tax of NIS 27 M in the corresponding period last year. The **comprehensive loss** in Q2 was NIS 31 M, as against **comprehensive income** of NIS 31 M in the corresponding quarter last year.

### Life insurance:

- In H1 2024, **underwriting profit in life insurance was NIS 124 M**, compared with NIS 221 M in the corresponding period last year. The results were affected by an increase in the number of personal lines claims due to the Swords of Iron War, amounting to NIS 39 M, most of which was recorded in the first quarter of the year. Additionally, the underwriting improvement resulting from the continuing growth of activity in risk products was offset in the second quarter by a deterioration of the underwriting results due to the increase in the number and amounts of claims in cover for work disability (PHI). Underwriting profit in Q2 was NIS 39 M in contrast with NIS 141 M in the corresponding quarter last year.
- In H1 2024, the **comprehensive loss before tax in life insurance was NIS 220 M**, compared with a comprehensive loss before tax of NIS 22 M in the corresponding period last year, due to weaker underwriting results and the effect of the real negative Nostro yield. The comprehensive loss in Q2 was NIS 236 M, in contrast with comprehensive income of NIS 18 M in the corresponding quarter last year.

### Non-life insurance:

- **Underwriting profit in non-life insurance rose by NIS 72 M in H1 2024, to NIS 129 M**, compared with the corresponding period last year. This is mainly the result of improved underwriting in the motor property (CASCO), property and other sectors, that was partially offset by a deterioration of underwriting in the compulsory motor sector. Underwriting profit in Q2 rose by NIS 34 M compared with the corresponding quarter last year and amounted to NIS 88 M.
- **Comprehensive income before tax in non-life insurance was NIS 183 M** in H1 2024, compared with NIS 83 M in the corresponding period last year. Comprehensive income in Q2 was NIS 61 M, in contrast with a comprehensive loss of NIS 62 M in the corresponding quarter last year.

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## Asset management:

Adjusted profit<sup>2</sup> from **asset management**, increased by 16% to **NIS 132 M** in H1 2024, compared with NIS 114 M in the corresponding period last year. This is mainly due to the increase of AUM in pension and provident and to further inflows of funds and improved profitability in Harel Finance. Adjusted profit in Q2 was NIS 70 M compared with NIS 67 M in the corresponding quarter last year.

At June 30, 2024, AUM in the asset management segment increased by 10% to NIS 351 B compared with NIS 318 B at December 31, 2023.

## Pension and Provident:

- In H1 2024, **comprehensive income before tax in pension and provident increased by 18% to NIS 66 M**, compared with NIS 56 M in the corresponding period last year. Most of the improvement is attributable to the continuing growth of AUM. Comprehensive income in Q2 was NIS 35 M, compared with NIS 34 M in the corresponding quarter last year.
- AUM in the Group's Pension funds and Provident funds was NIS 167 B and NIS 70 B, respectively, at June 30, 2024, compared with NIS 151 B and NIS 65 B, respectively at December 31, 2023.

## Financial services - through Harel Finance Investment House:

- In H1 2024, comprehensive income before tax in **financial services activity increased by 24% to NIS 46 M**, compared with comprehensive income before tax of NIS 37 M in the corresponding period last year. Most of the improvement is attributable to the further inflows of funds and improved profitability. Comprehensive income in Q2 was NIS 25 M, compared with NIS 23 M in the corresponding quarter last year.
- At June 30, 2024, the volume of assets managed by Harel Finance **increased by 13% to NIS 94 B**, compared with NIS 83 B at December 31, 2023.

## Credit:

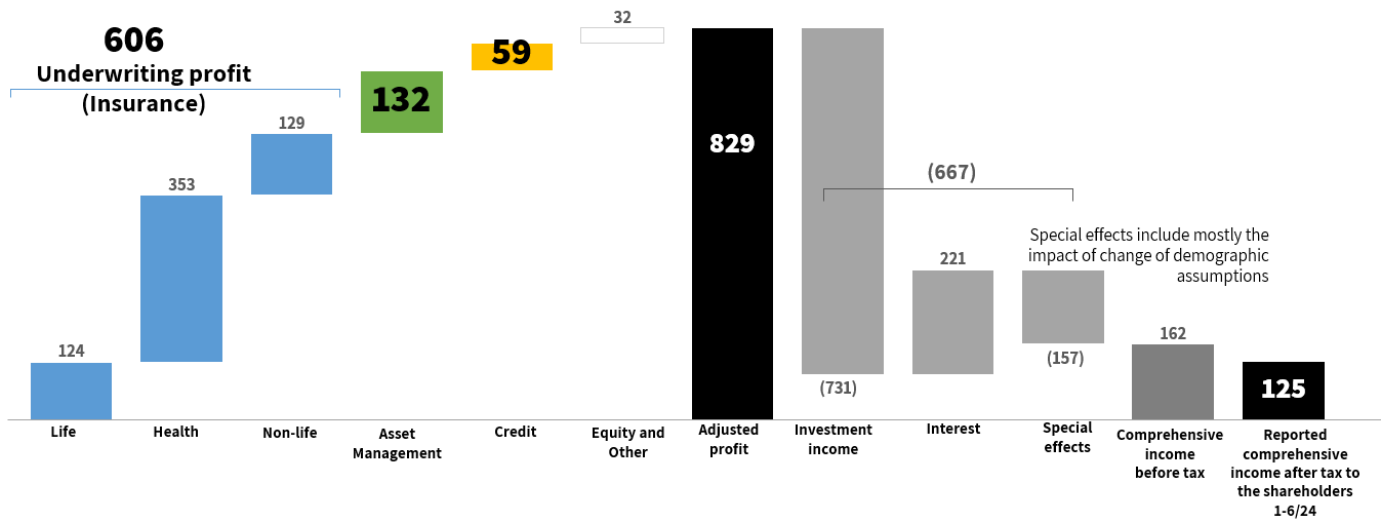
- The activities included in the credit segment that was presented separately for the first time in the 2023 annual financial statements are the following: Hamazpen, development property project financing, financial guarantees and development and operating services for mortgage portfolios insured by third parties; Harel 60+ that provides credit for mortgages and reverse mortgages - loans to borrowers aged 60 or more backed by existing property.
- In H1 2024, **comprehensive income before tax in the credit sector increased by 23% to NIS 59 M**, compared with NIS 48 M in the corresponding period last year. The improved profit is attributable to the continuing growth of activity. Comprehensive income in Q2 was NIS 29 M, compared with NIS 24 M in the corresponding quarter last year.
- **AUM in the credit sector increased by 11% to NIS 4.39 B**, compared with NIS 3.95 B at the end of 2023.

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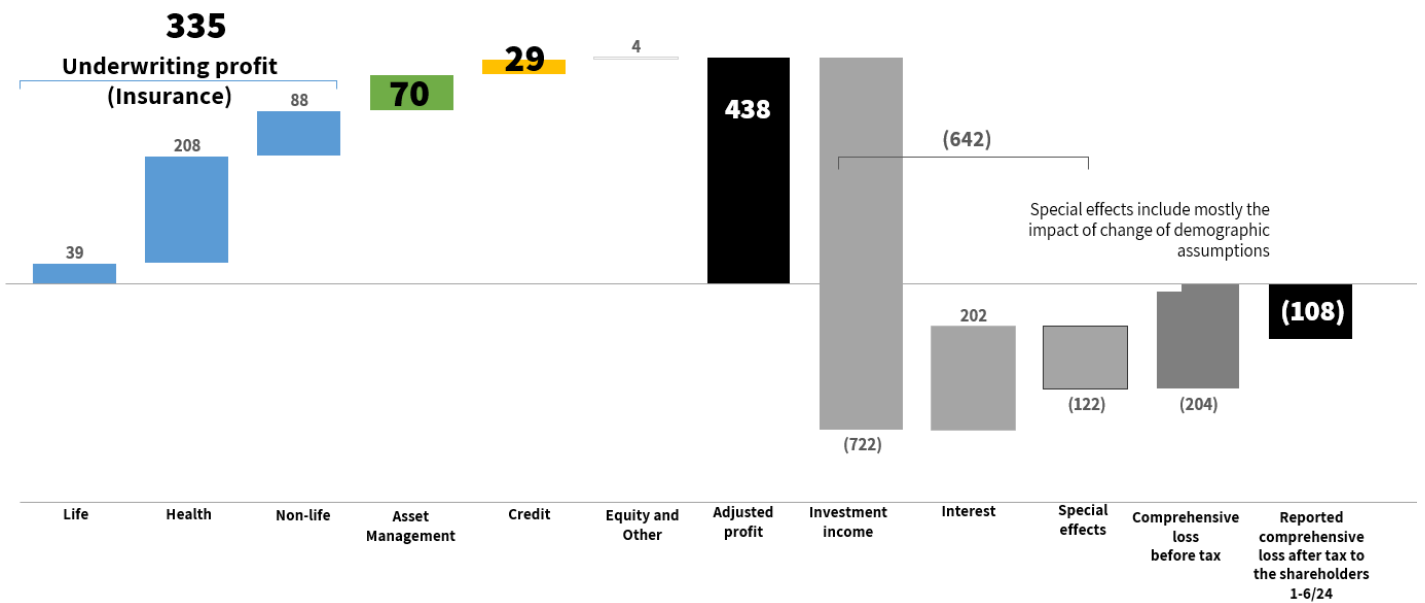
<sup>2</sup> Special effects include extraordinary expenses that are not part of the normal course of business and after subtracting retained costs created in the course of business combinations. Special effects are attributed to the pension and provident sectors and amounted to NIS 8.4 M in H1 2024.

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Information about the Company's sources of comprehensive income after tax in the Reporting Period (NIS M):



Information about the Company's sources of comprehensive income after tax in Q2 (NIS M):

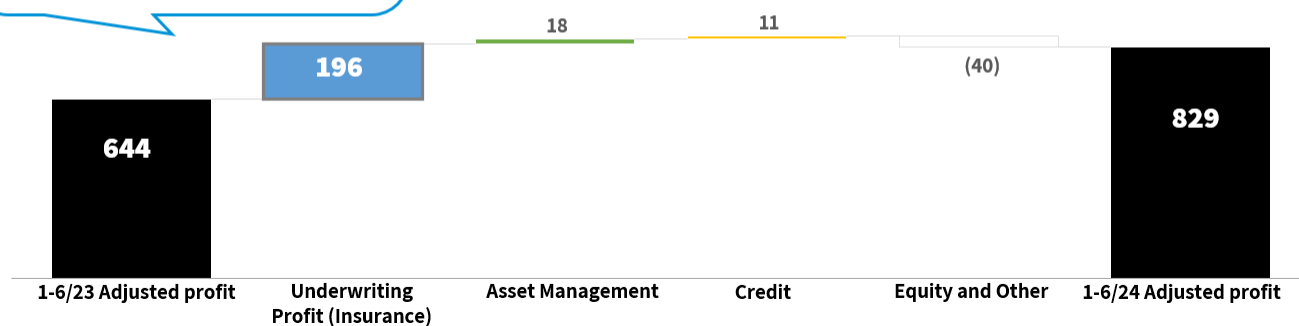


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An analysis of the change in the Company's adjusted profit in the Reporting Period compared with the corresponding period last year (NIS M):

## Underwriting Improvement H1.24 vs H1.23

NIS M	1-6/24	1-6/23	change
Health	353	132	221
Life	124	221	(97)
Non-life	129	57	72
<b>Total</b>	<b>606</b>	<b>410</b>	<b>196</b>



An analysis of the change in the Company's adjusted profit in Q2, compared with the corresponding quarter last year: (NIS M):

## Underwriting Improvement Q2.24 vs Q2.23

NIS M	4-6/24	4-6/23	change
Health	208	123	85
Life	39	141	(102)
Non-life	88	54	34
<b>Total</b>	<b>335</b>	<b>318</b>	<b>17</b>





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## Addendum: Financial data for the Group:

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

	H1.24	H1.23	Change	Q2.24	Q2.23	Change
Life insurance	3,016	3,371	-10.5%	1,677	1,851	-9.4%
Health insurance**	2,369	3,140	-24.6%	1,191	1,601	-25.6%
Non-life insurance*	2,637	2,385	10.5%	1,271	1,227	3.6%
<b>Total earned premiums, gross</b>	<b>8,022</b>	<b>8,896</b>	<b>-9.8%</b>	<b>4,139</b>	<b>4,679</b>	<b>-11.5%</b>
<b>Pension benefit contributions</b>	<b>7,405</b>	<b>6,442</b>	<b>14.9%</b>	<b>3,837</b>	<b>3,294</b>	<b>16.5%</b>
<b>Provident benefit contributions</b>	<b>2,910</b>	<b>2,271</b>	<b>28.1%</b>	<b>1,469</b>	<b>1,139</b>	<b>29.0%</b>
<b>Amounts received for investment contracts</b>	<b>2,173</b>	<b>1,350</b>	<b>61.0%</b>	<b>1,126</b>	<b>694</b>	<b>62.2%</b>
<b>Total</b>	<b>20,510</b>	<b>18,959</b>	<b>8.2%</b>	<b>10,571</b>	<b>9,806</b>	<b>7.8%</b>

\*Including the insurance companies overseas segment

\*\*The premium decrease is attributable to termination of the group long-term care agreement with Clalit HMO members under the old system and application of the new outline, from the beginning of 2024 for 12 months, in which the reserve fund bears full insurance risk. Consequently, beginning in 2024, premiums are not recorded for the aforementioned agreement.

### Comprehensive income (loss) before tax by segment

	H1.24	H1.23	Q2.24	Q2.23
Life insurance	(220)	(22)	(236)	18
Provident	29	18	15	10
Pension	37	38	20	24
<b>Total long-term savings</b>	<b>(154)</b>	<b>34</b>	<b>(201)</b>	<b>52</b>
<b>Health insurance</b>	<b>95</b>	<b>(27)</b>	<b>(31)</b>	<b>31</b>
<b>Non-life insurance</b>	<b>199</b>	<b>88</b>	<b>65</b>	<b>(66)</b>
<b>Insurance companies overseas</b>	<b>(16)</b>	<b>(5)</b>	<b>(4)</b>	<b>4</b>
<b>Financial services</b>	<b>46</b>	<b>37</b>	<b>25</b>	<b>23</b>
<b>Credit*</b>	<b>59</b>	<b>48</b>	<b>29</b>	<b>24</b>
<b>Equity and agencies</b>	<b>(67)</b>	<b>5</b>	<b>(87)</b>	<b>60</b>
<b>Total</b>	<b>162</b>	<b>180</b>	<b>(204)</b>	<b>128</b>

\*From the annual financial statements for 2023, the Company presents the results of credit sector activity as a separate segment. Comparative figures were restated

### AUM

	June 30, 2024	June 30, 2023	December 31, 2023
Yield-dependent insurance contracts and investment contracts	82.4	80.3	80.6
Pension funds	166.7	141.0	150.6
Provident funds and education funds	69.8	61.0	65.0
Mutual funds	76.8	56.5	67.7
Portfolio management and other*	17.6	14.6	14.9
<b>Total for insureds and members</b>	<b>413.3</b>	<b>353.4</b>	<b>378.8</b>
Nostro**	49.3	47.2	48.9
<b>Total</b>	<b>462.6</b>	<b>400.6</b>	<b>427.7</b>

\*Including financial assets issued by the Group and managed in portfolios in the amount of NIS 6.4 B, NIS 4.2 B and NIS 4.2 B at June 30, 2024, June 30, 2023 and December 31, 2023, respectively \*\* Including certificates of deposit issued by Harel Finance in the amount of NIS 9.9 B, NIS 8.4 B and NIS 9.4 B at June 30, 2024, June 30, 2023 and December 30, 2023, respectively.

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Harel Group, the Board of Directors, Management and employees support the defense forces and stand with the families of the hostages, hoping and praying for their safe and speedy return home.

We offer our condolences to the bereaved families and feel the pain of their terrible loss in the horrific terror attack on October 7. At this time, Harel Group expresses its resounding faith in the resilience of the State of Israel and the strength of the Israeli economy. As a leading Israeli company, we will continue to support and contribute to our country and society, from a position of solidarity and national responsibility. Together we will overcome the challenges facing us and continue to build a better future for all of us in Israel.

