



# Summary of Financial Results

H1.2024

August 29, 2024

# Agenda

Key messages

Strategy

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# Largest insurance and finance group in Israel

## Premiums and Deposits\*

NIS B

**10.6**   **20.5**

Q2.24

H1.24

## Shareholders' Equity

NIS B

**8.6**

30.06.24

## AUM

NIS B

**463**

30.06.24

## S&P Maalot

**iLAA+/Stable**

Harel Insurance

## Midroog

**Aa1.il**   **stable**

Harel Insurance

**Aa2.il**   **stable**

Harel Investments

## Comprehensive Income

NIS M

**(108)**   **125**

Q2.24

H1.24

## ROE

**(5%)**   **3%**

Q2.24

H1.24

## Solvency Capital Ratio

Including transitional measures

**168%**

31.12.23

## Maala CSR

**Platinum Plus**

Harel Investments

Largest Insurance and Financial Group in Israel – in terms of gross premiums earned and contributions to pension funds and provident funds and amounts received for investment contracts as of 31.3.24

\*Gross premiums earned and contributions to pension funds and provident funds and amounts received for investment contracts

# Key Messages H1.24

**H2.24 comprehensive income despite Q2.24 loss**

**H1.24 comprehensive income is NIS 125 M**, similar to the corresponding period last year, despite a **loss** of NIS 108 M in Q2.24 due to a real negative Nostro yield in the quarter

**Growth in underwriting and in adjusted profit**

Underwriting profit from **insurance** activity **increased by 48%** to NIS **606 M** for the period. **Total adjusted profit** from insurance, asset management and credit **increased** by NIS **185 M** to NIS **829 M** in H1.24

**Underwriting improvement in Health**

Main **underwriting improvements** are in **long-term health**, LTC and in motor property. Those were partially offset by decline in underwriting profitability in PHI and in compulsory motor

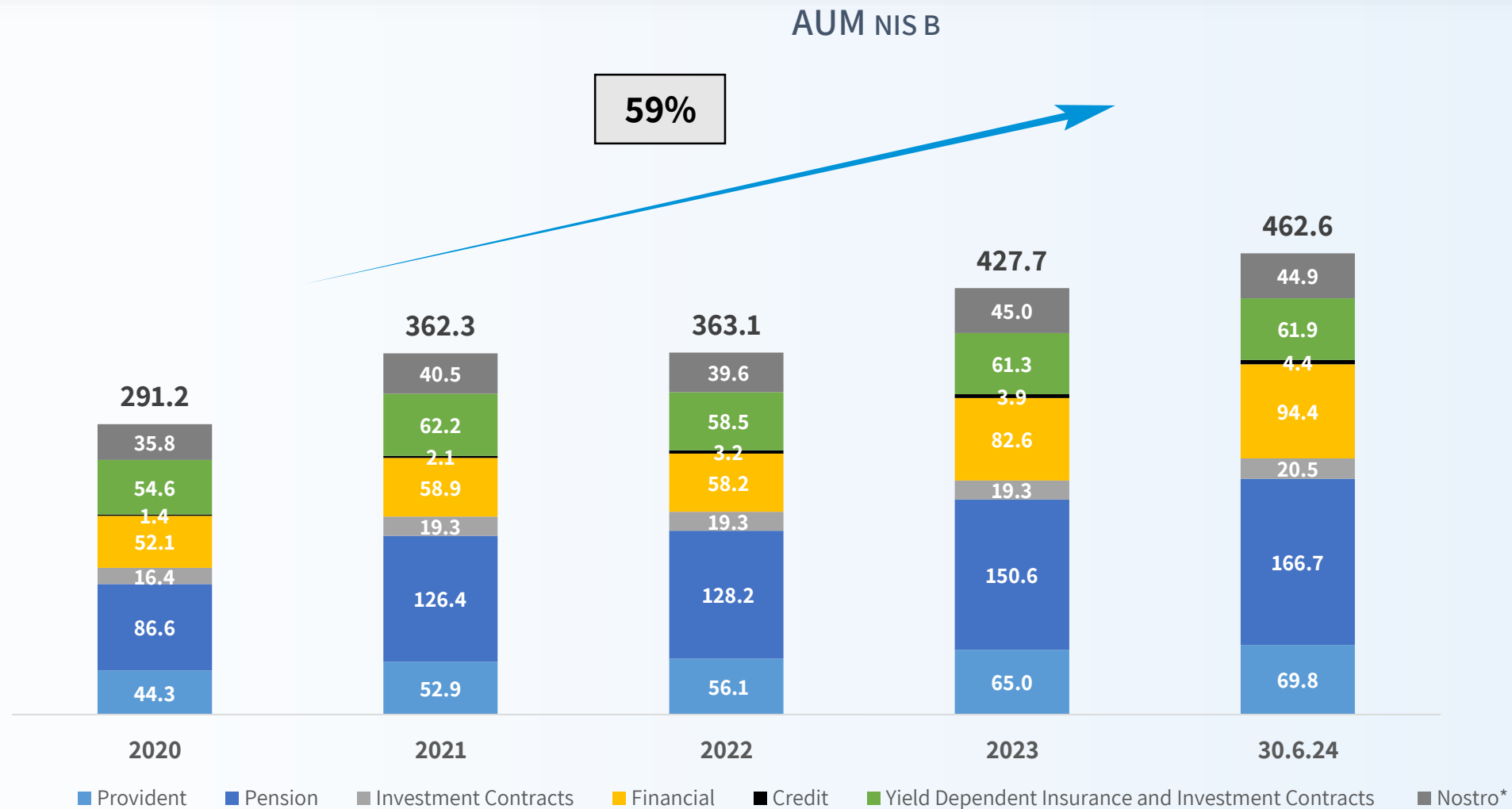
**Growth in AM and credit**

Comprehensive income from **asset management** and **credit** activity was NIS **183 M** in H1.24, a 20% increase thanks to the continuous **activity growth**

**Dividend distribution of NIS 200 M**

The Company announced a **dividend** distribution of NIS **200 M** in addition to the NIS **350 M** dividend announced in March this year

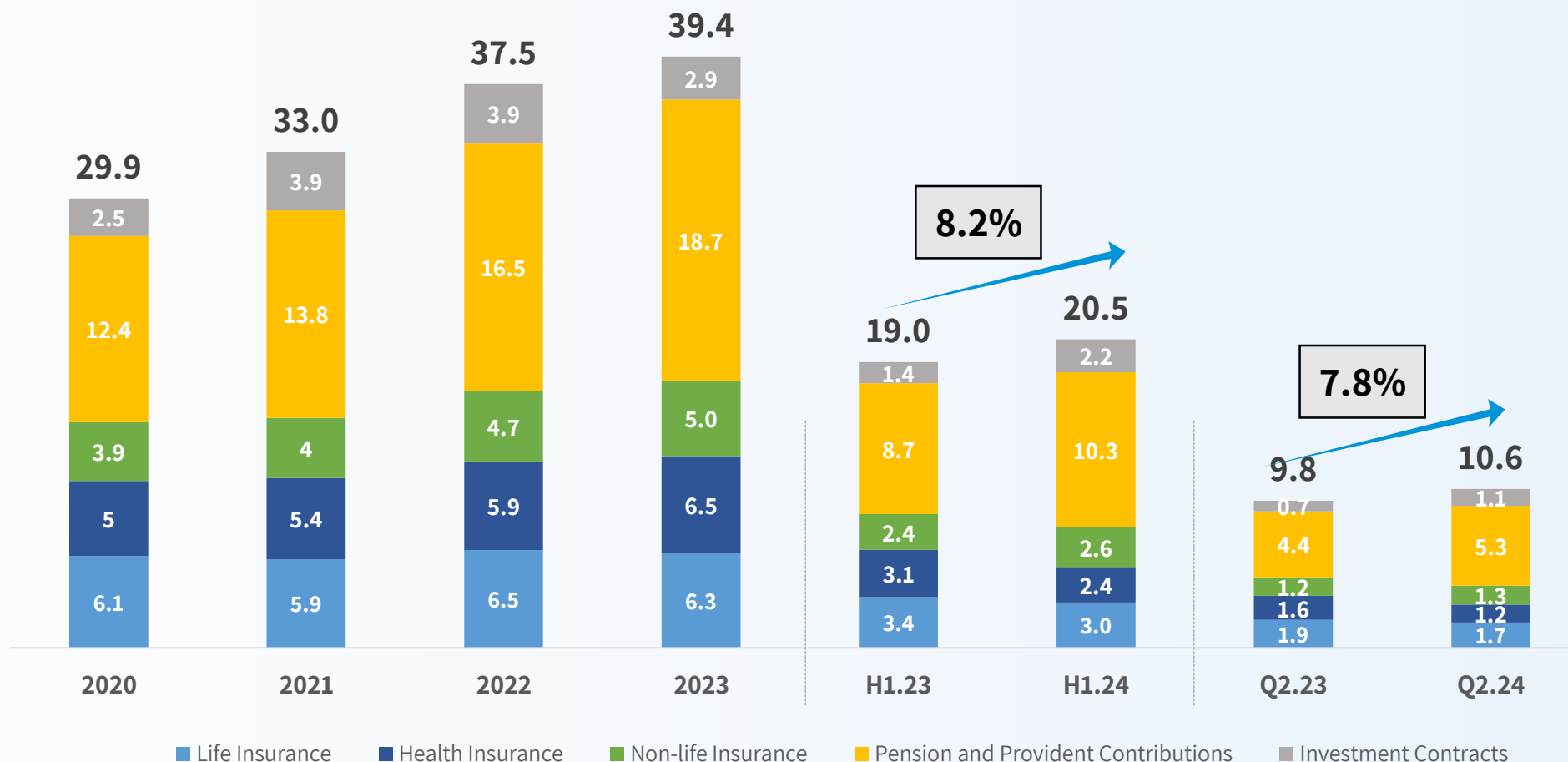
# H1.24: Growth in AUM



\*Nostro includes certificates of deposit issued by Harel Finance. Of this amount, the Nostro of Harel Insurance is NIS 35.2 B  
 Managed assets in customers' portfolios included under financial services, include financial assets issued by the Group and managed in portfolios

# H1.24: Leading in premiums and deposits

Premiums and deposits\* NIS B



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# Strategic Focus

**Improving  
Profitability**

and

**Diversifying  
Revenues**

Leveraging scale for material and permanent  
improvement of insurance profitability and revenue  
diversification

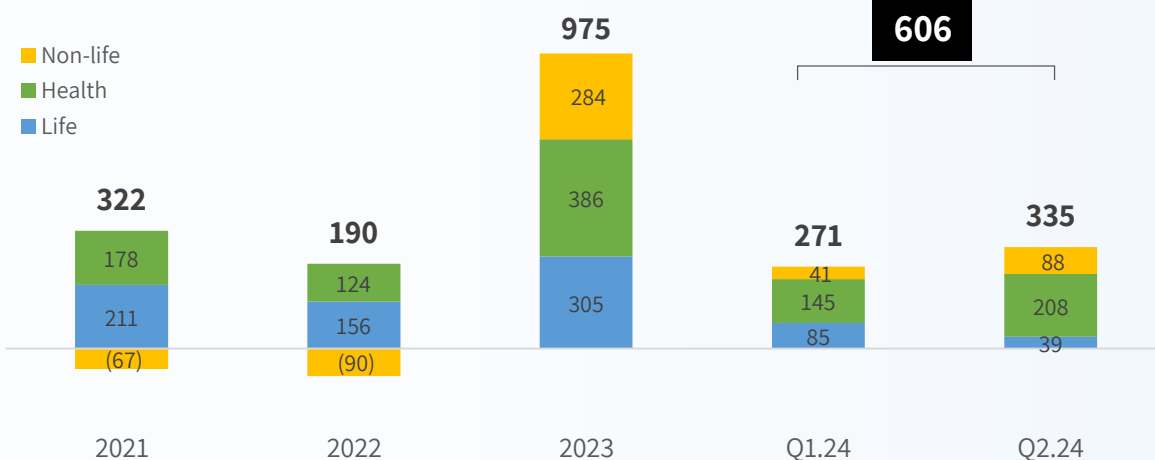
Our targets:

# Harel 2026

Another quarter of improvement in adjusted profit from core business inline with strategic focus

## Increase in insurance underwriting profit

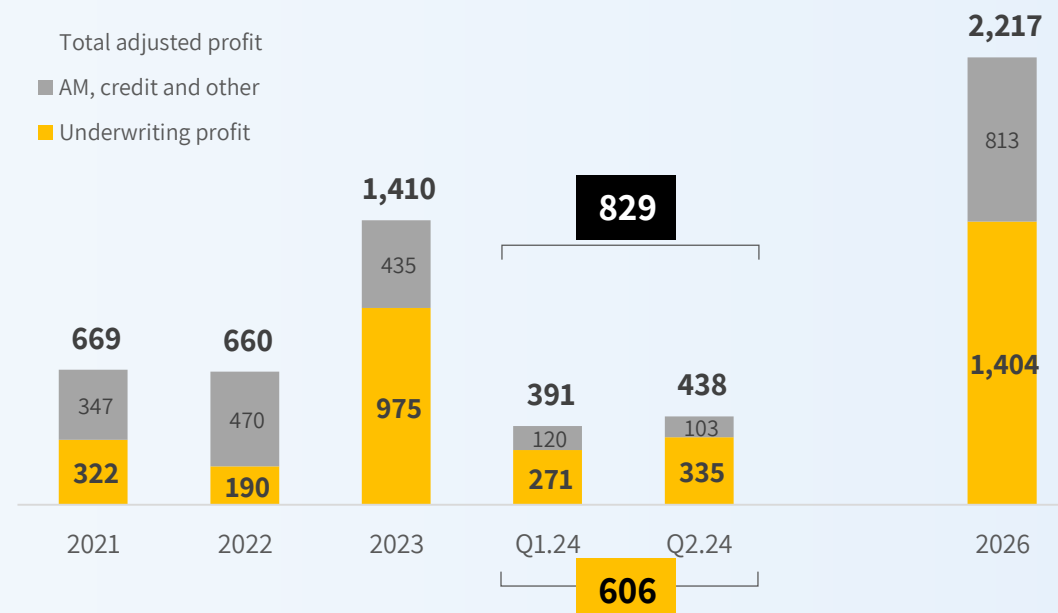
NIS M



Significant presence across all insurance business lines

## Increase in total adjusted profit from core business

NIS M

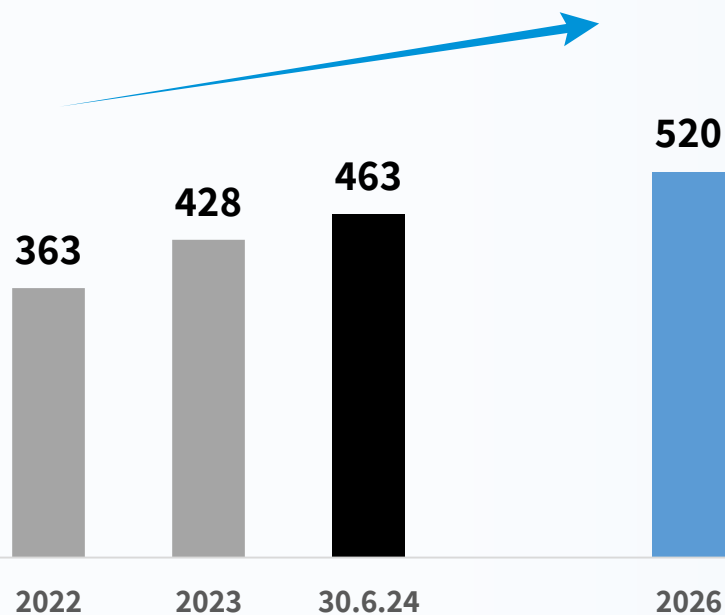


Continuous growth in adjusted profit in core activities, reflects consistent execution of the strategic plan towards the targets

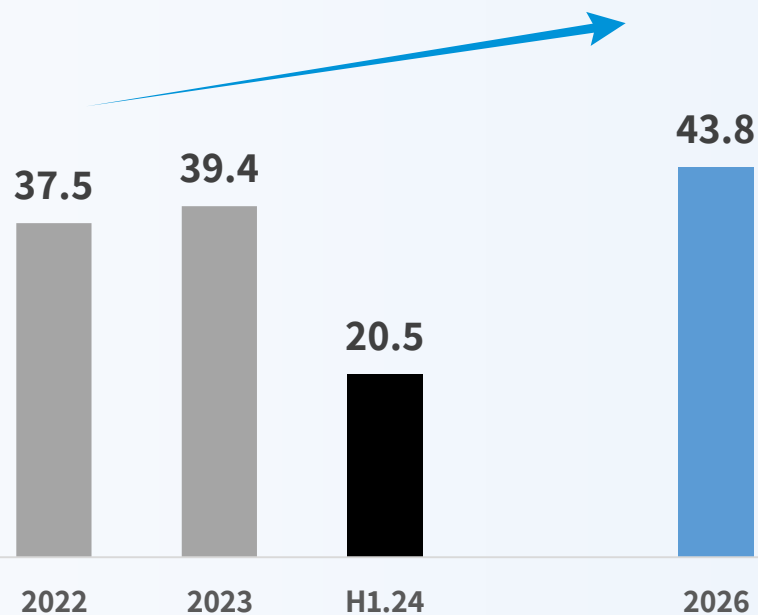
Our targets:

# Harel 2026

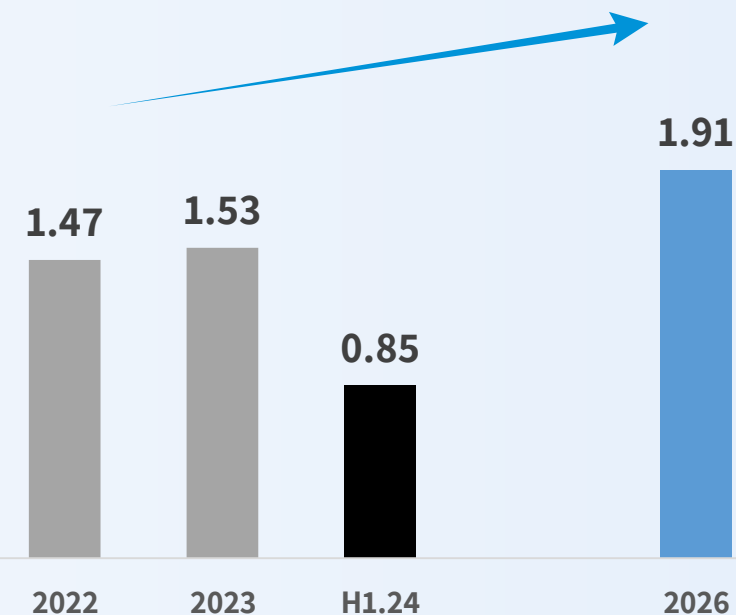
**AUM** NIS B



**Premiums and Deposits\*** NIS B



**Fee Income** NIS B



See Appendix for key forecast assumptions

\*Gross premiums earned and contributions to pension funds and provident funds and amounts received for investment contracts

# Agenda

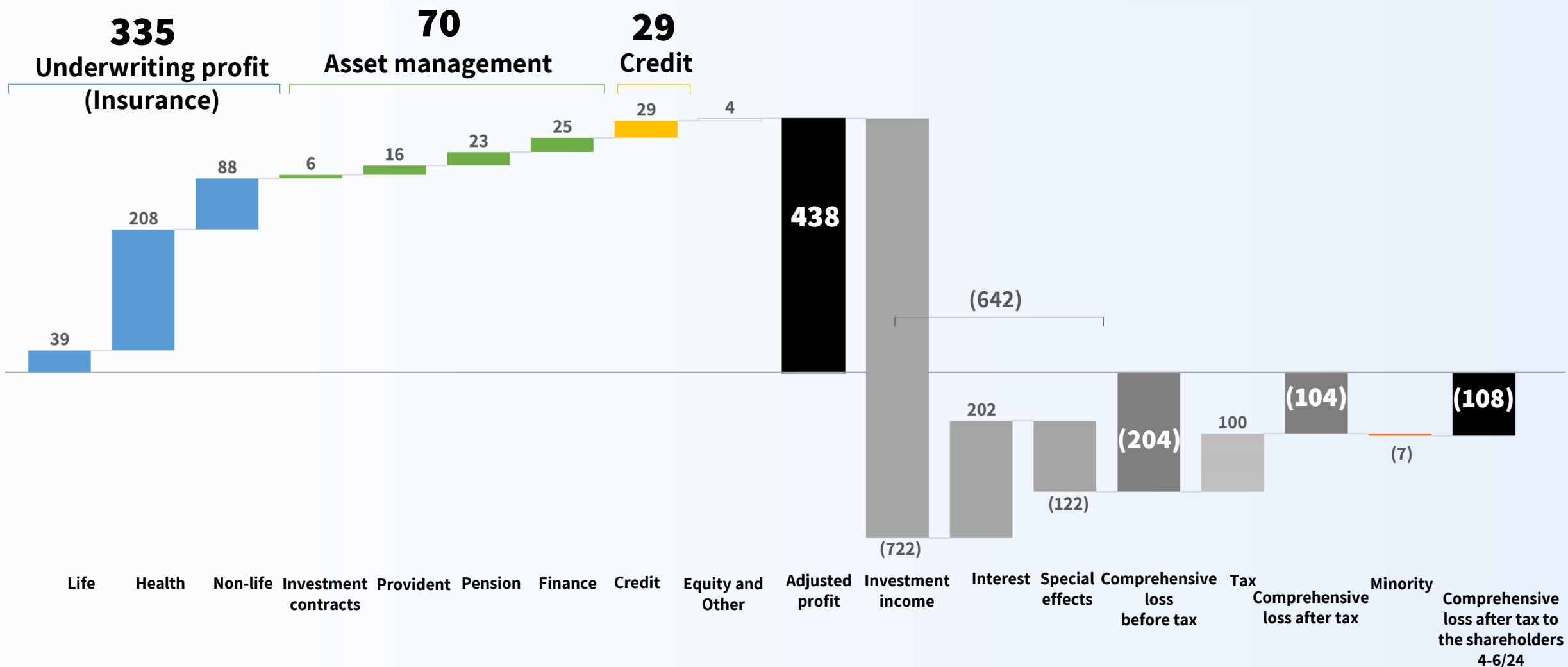
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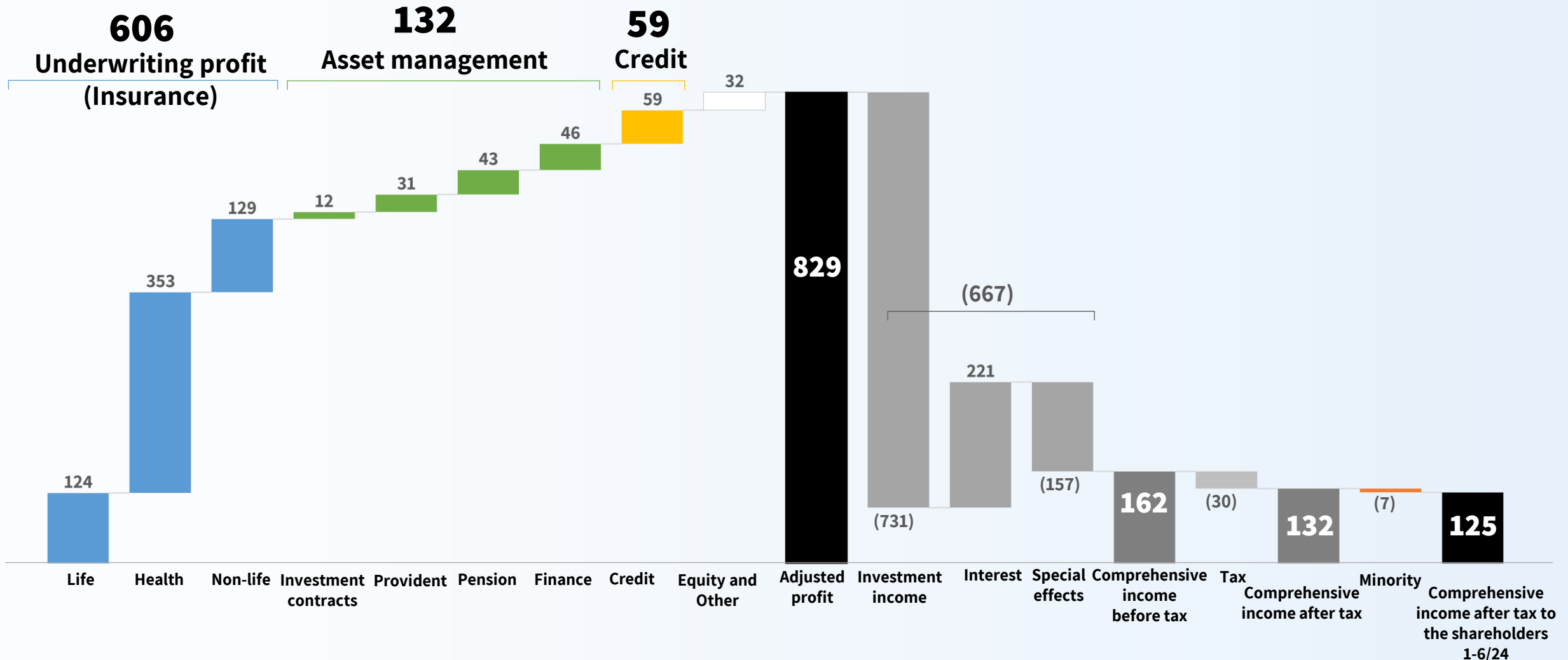
Appendix

# Composition of comprehensive income Q2.2024 NIS M



Underwriting profit in Life, Health, Non-life segments and profit in Equity segment are calculated assuming 3% real return, excluding special effects. See Appendix for full list of assumptions

# Composition of comprehensive income H1.2024 NIS M



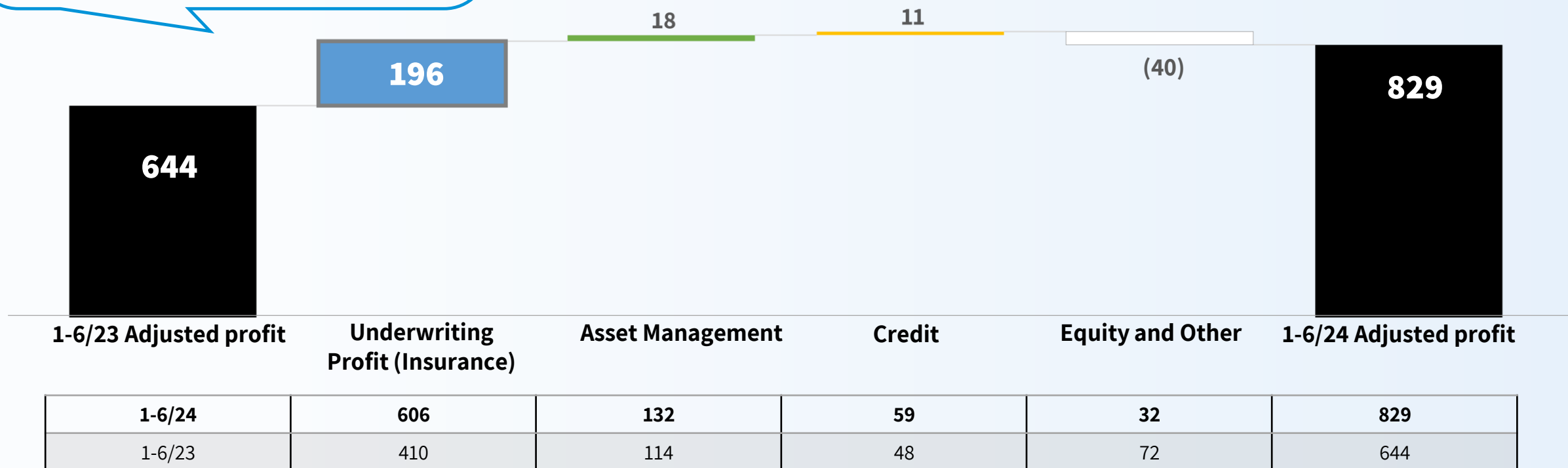
Underwriting profit in Life, Health, Non-life segments and profit in Equity segment are calculated assuming 3% real return, excluding special effects. See Appendix for full list of assumptions

# H1.24: Growth in adjusted profit vs H1.23

## 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>

Change in adjusted profit in H1.24 vs H1.23 NIS M before tax



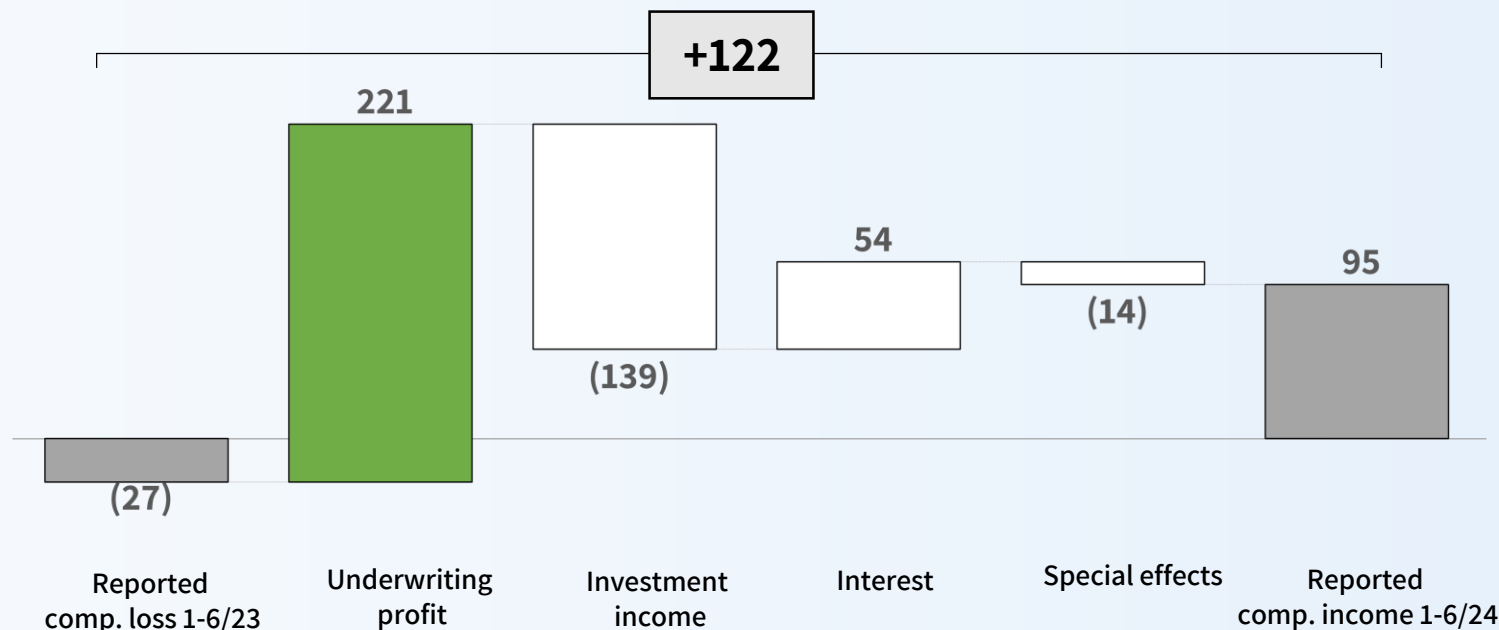
Underwriting profit in Life, Health, Non-life segments and profit in Equity segment are calculated assuming 3% real return, excluding special effects. See Appendix for full list of assumptions

# Significant underwriting improvement

### Change in Comprehensive Income before tax:

- Growth in underwriting profit mainly in long-term care and long-term health led to an improvement in comprehensive income
- Real negative nostro yield in H1.24 compared with a real zero yield in the corresponding period last year
- Interest had no effect in the period in contrast with negative effect in the corresponding period last year

### Health: Change in comprehensive income H1.24 vs H1.23 NIS M before tax



1-6/24	353	(244)	0	(14)	95
1-6/23	132	(105)	(54)	0	(27)
4-6/24	208	(234)	0	(5)	(31)
4-6/23	123	(38)	(54)	0	31

Underwriting profit in Life, Health, Non-life segments and profit in Equity segment are calculated assuming 3% real return, excluding special effects. See Appendix for full list of assumptions

# Improvement in LT Health and in Long-Term Care

### NIS 221 M underwriting improvement:

- **Long-term health:** underwriting improvement in cover for transplants, ambulatory care and personal accidents, due to fewer claims and a decrease in claim amounts paid

### Health Reform entered into force in June 2024\*

- Premiums for surgery coverage almost unchanged
- Less twisting and higher retention rates

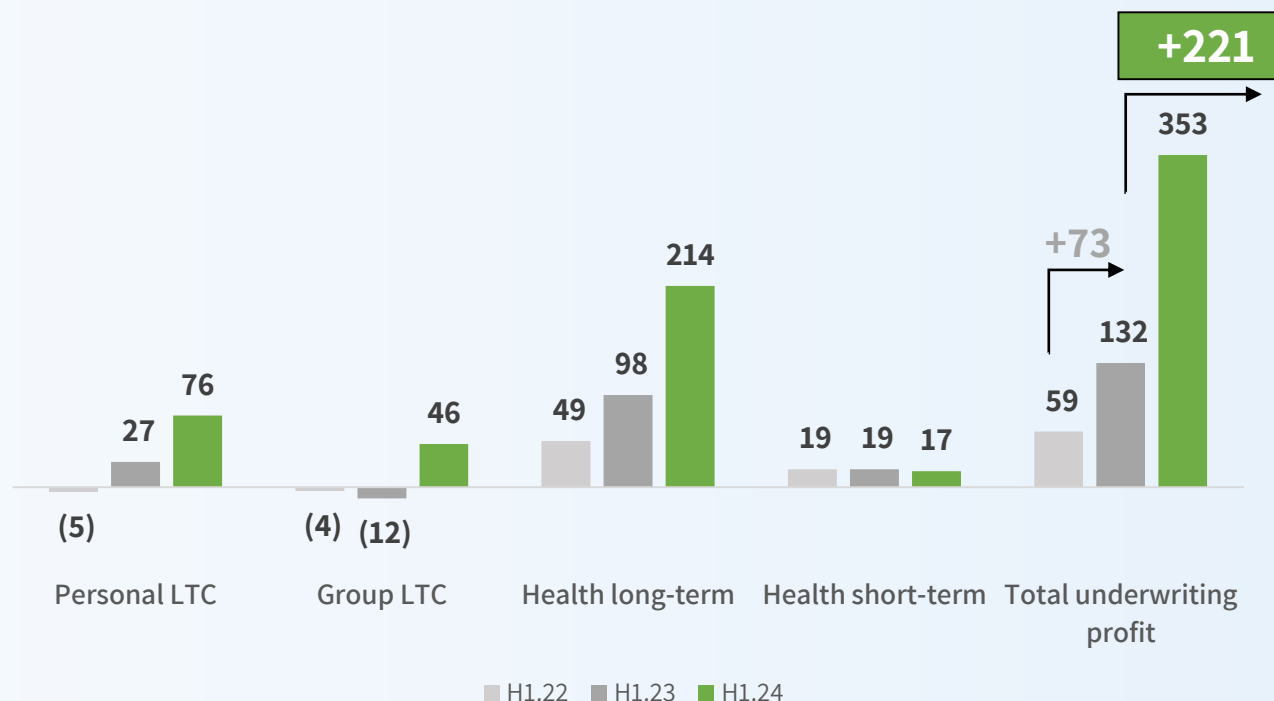
### Increase in LT health premiums (NIS M):

H1.24	H1.23	% change	Q2.24	Q2.23	% change
1,637	1,512	8%	814	766	6%

- **LTC: personal lines and group:** Decrease of insurance liabilities (decrease of IBNR reserve) due to shorter period from date of the insured event until claim is filed

The results reflect termination of the agreement with Clalit HMO members in the LTC sector, as of January 1, 2024

### Health: Breakdown of underwriting profit NIS M

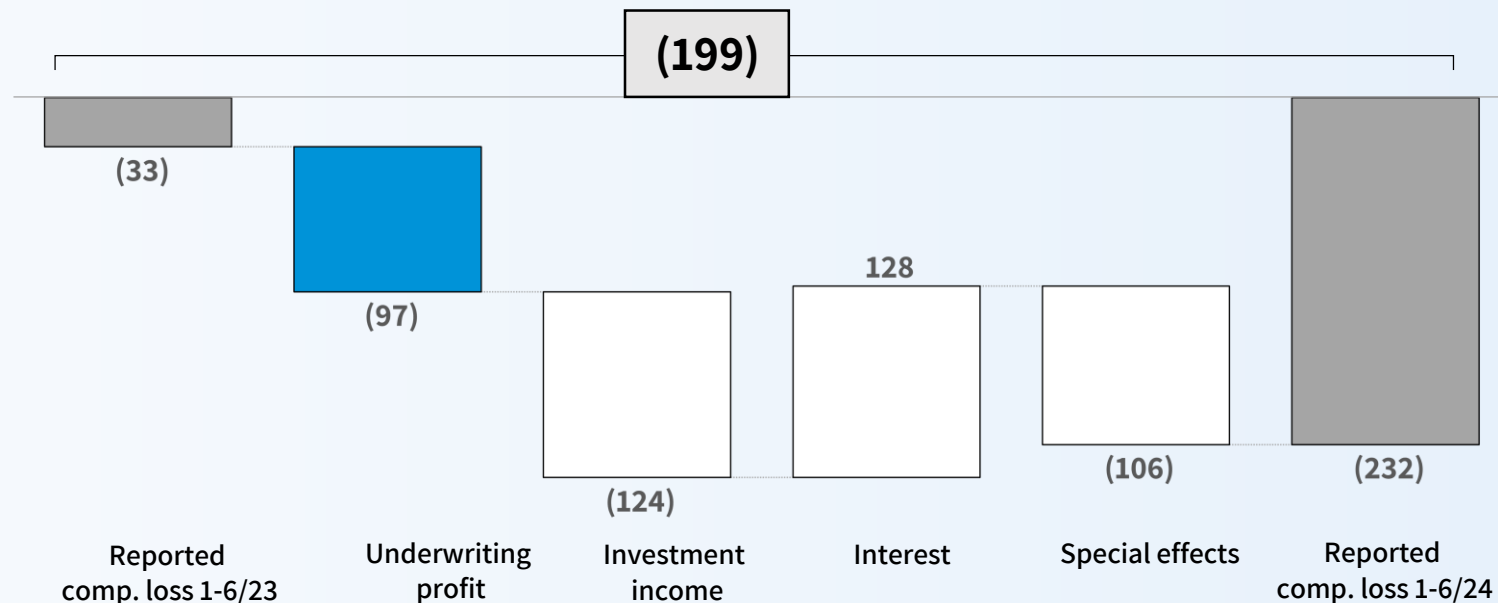


# Negative impact of investment income and War

## Change in Comprehensive Income before tax:

- Lower underwriting profit mainly in Q2.24 due to increase in the number and amounts of claims in cover for work disability (P.H.I.) as well as an increase in the number claims due to the War
- Real negative nostro yield in H1.24 compared with real zero yield in the corresponding period last year
- Interest and special effects – NIS 106 M increase in insurance liabilities due to an update of the demographic assumptions, and in contrast, NIS 128 M decrease in insurance liabilities due to the revised interest rate

Life: Change in comprehensive income H1.24 vs H1.23 NIS M before tax



	1-6/24	1-6/23	4-6/24	4-6/23
Underwriting profit	124	221	39	141
Investment income	(378)	(254)	(303)	(128)
Interest	128	0	128	0
Special effects	(106)	0	(106)	0
Reported comp. loss	(232)	(33)	(242)	13

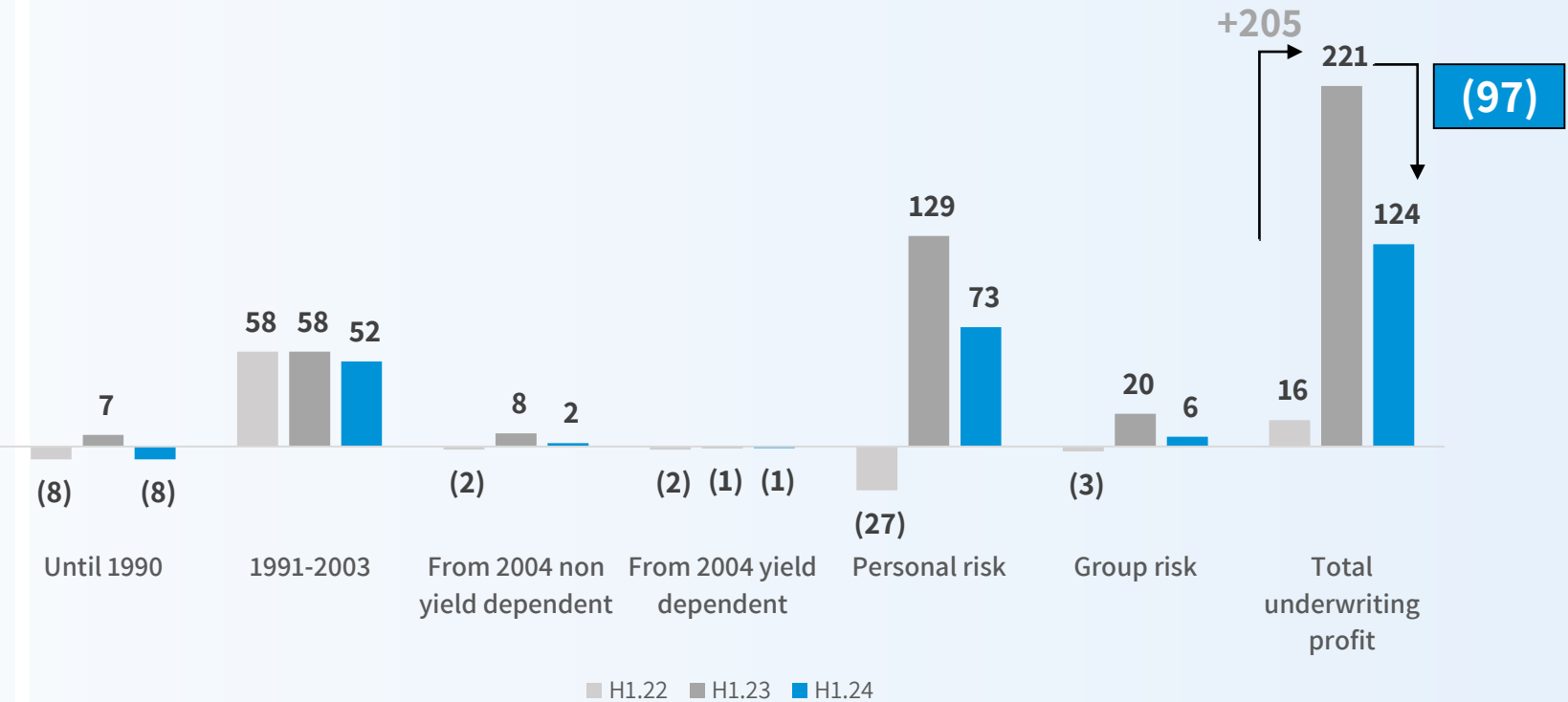
Underwriting profit in Life, Health, Non-life segments and profit in Equity segment are calculated assuming 3% real return, excluding special effects. See Appendix for full list of assumptions  
 Comprehensive income in life segment excludes contribution of investment contracts

# War impact on risk profitability and increase in PHI claims

NIS 97 M decrease in underwriting profit:

- Increase in number of risk claims personal and group, due to the War. The effect of the War was NIS 39 M in H1.24 (about NIS 9 M in Q2.24)
- Underwriting improvement due to continuous growth of activity in risk products, offset in Q2.24 by a deterioration of underwriting results due to an increase in the number and amounts of work disability (P.H.I.) claims

Life: Breakdown of underwriting profit NIS M



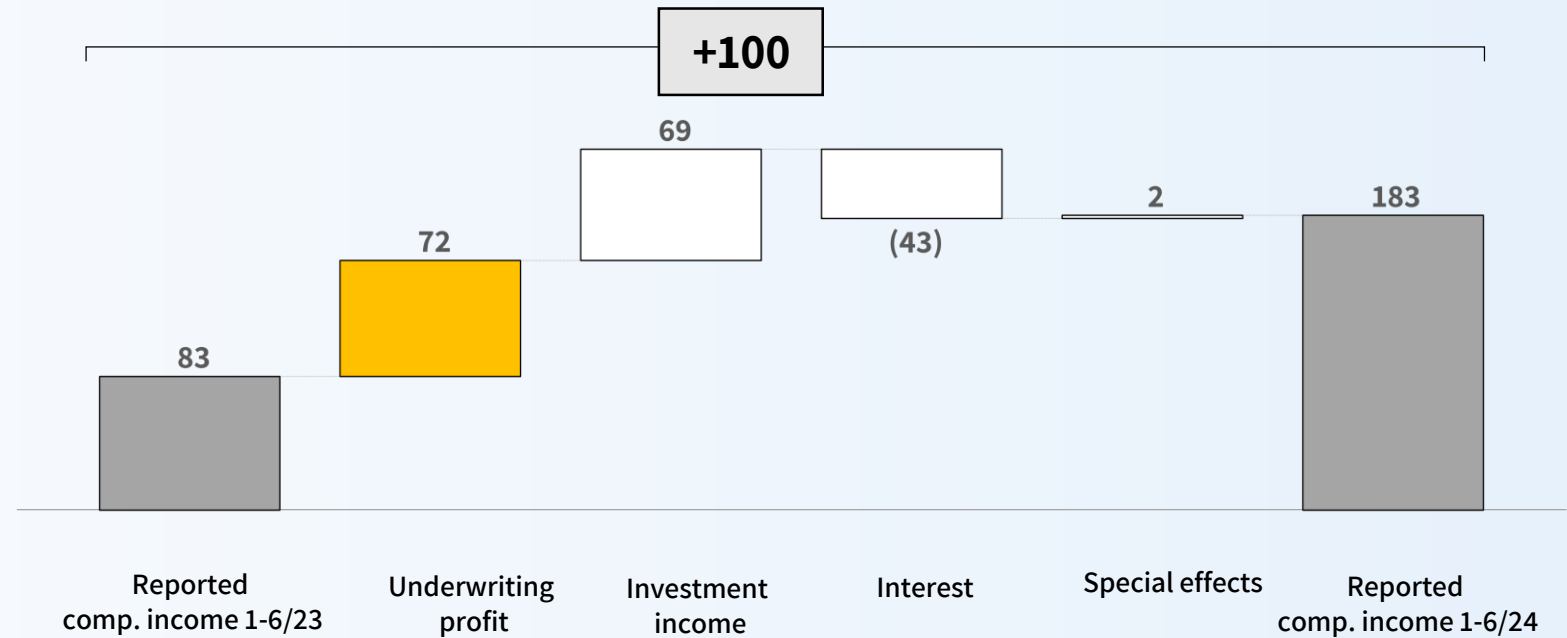
Underwriting profit in Life, Health, Non-life segments and profit in Equity segment are calculated assuming 3% real return, excluding special effects. See Appendix for full list of assumptions

# Growth in underwriting profit, lower interest rate impact

### Change in Comprehensive Income before tax

- Underwriting improvement across most sectors
- Positive real nostro yield in H1.24 compared with zero yield in corresponding period last year
- Lower interest rate impact in H1.24 compared with H1.23

### Non-life: Change in comprehensive income H1.24 vs H1.23 NIS M before tax



	Reported comp. income 1-6/23	Underwriting profit	Investment income	Interest	Special effects	Reported comp. income 1-6/24
<b>1-6/24</b>		<b>129</b>	<b>(33)</b>	<b>93</b>	<b>(6)</b>	<b>183</b>
1-6/23	83	57	(102)	136	(8)	83
<b>4-6/24</b>		<b>88</b>	<b>(98)</b>	<b>74</b>	<b>(3)</b>	<b>61</b>
4-6/23	(62)	54	(62)	(50)	(4)	(62)

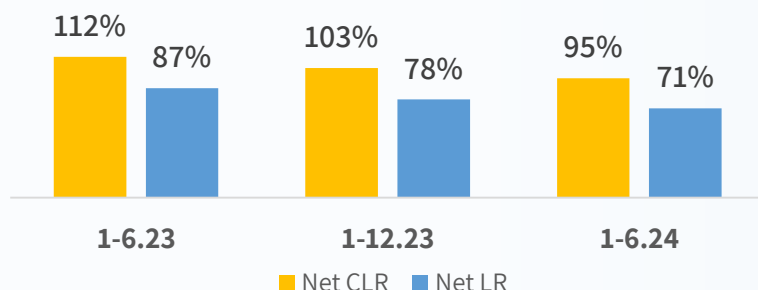
Underwriting profit in Life, Health, Non-life segments and profit in Equity segment are calculated assuming 3% real return, excluding special effects. See Appendix for full list of assumptions

# Underwriting improvement, mainly in motor property

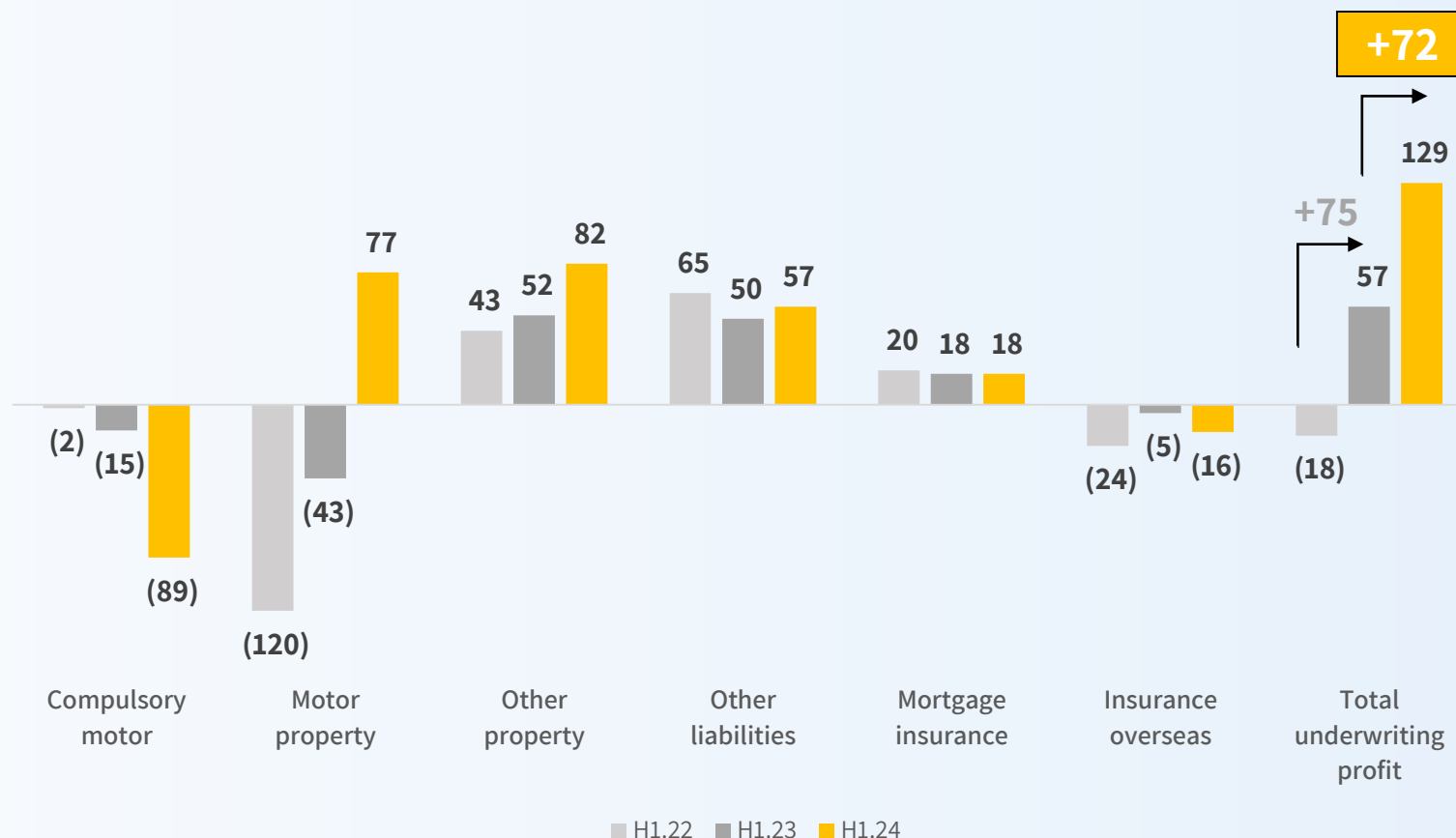
### NIS 72 M underwriting improvement:

- **Compulsory motor:** decline in underwriting profitability due to negative developments in previous years, mainly for groups whose contracts terminated as of February 2024, partially offset by continuing decline in average cost of claim
- **Motor property:** Increase in average premium and decline in average cost of claim
- **Other property:** Underwriting improvement in property loss due to activity growth

### Continuous improvement in Net Loss Ratio in motor property:



### Non-life: Breakdown of underwriting profit NIS M



Underwriting profit in Life, Health, Non-life segments and profit in Equity segment are calculated assuming 3% real return, excluding special effects. See Appendix for full list of assumptions

# Continuous growth in AUM and profitability

### Change in adjusted profit\*:

- **Pension and Provident:** increase in management fees driven by increase in AUM

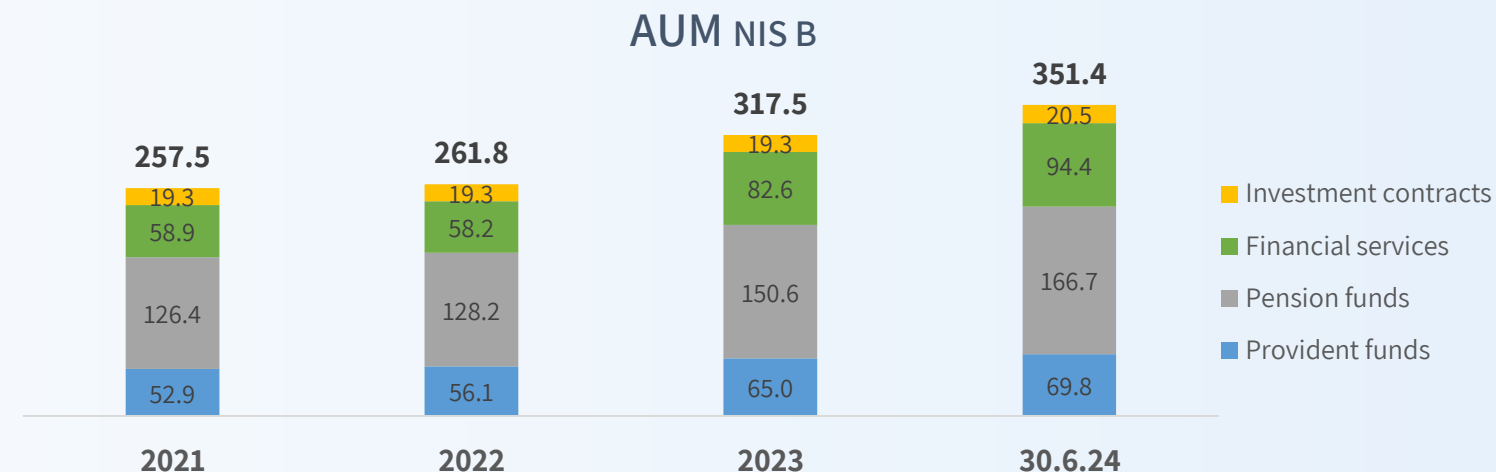
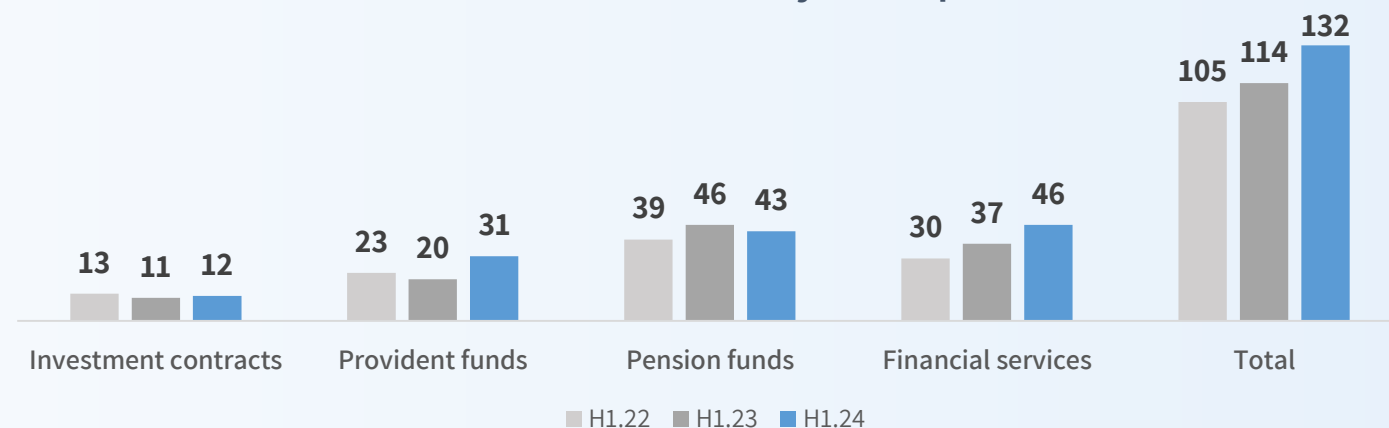
AUM NIS B	30.6.24	31.12.23	% change
Pension	167	151	11%
Provident	70	65	7%

### ➤ Financial Services by Harel Finance Investment House:

**24% increase in profit** due to further inflows and profitability improvement

AUM NIS B	30.6.24	31.12.23	% change
Harel Finance	94.4	82.6	14%

### AM: Breakdown of adjusted profit NIS M before tax



\*Adjusted profit includes special effects, which 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.  
Total special effects attributed to pension and provident was NIS 8.4 in H1.24

# Diverse and growing credit activity

Change in Comprehensive Income:

- The increase in comprehensive income in H1.24 compared with H1.23 is due to activity growth and higher financial margin

The credit segment consists of the following:

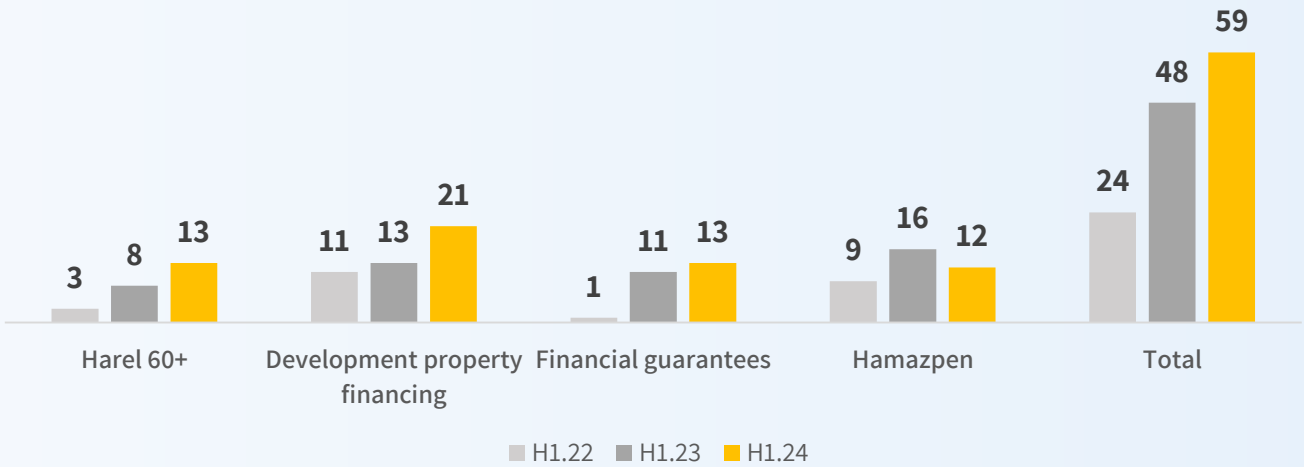
**Hamazpen:** loans to medium sized businesses

**Development property financing**

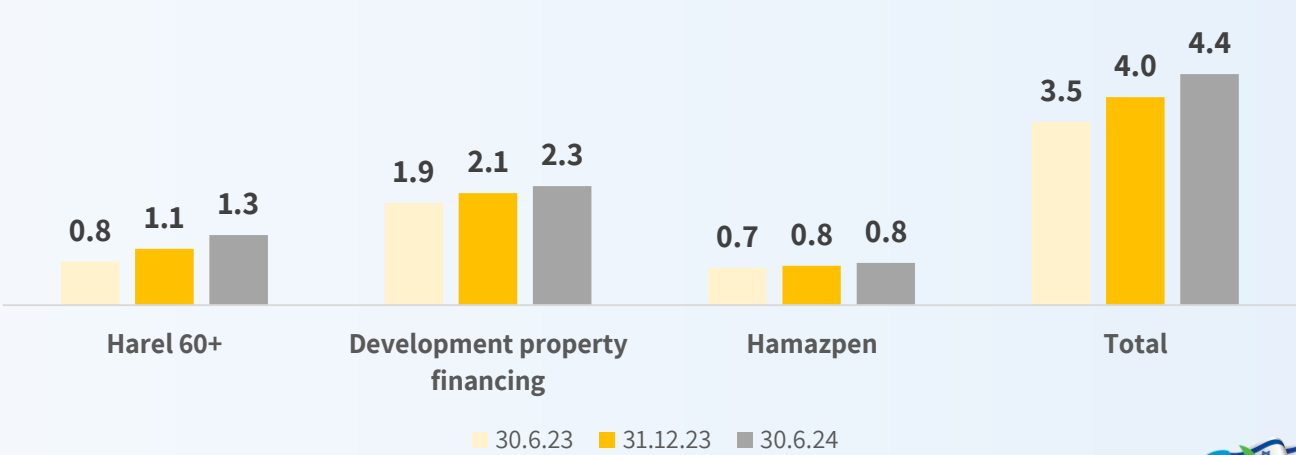
**Financial guarantees** and operation of mortgage loans insured by third parties

**Harel 60+:** Mortgages and “Reverse” Mortgages – loans to borrowers above 60 with collateral

Comprehensive income NIS M before tax



Total loans NIS B

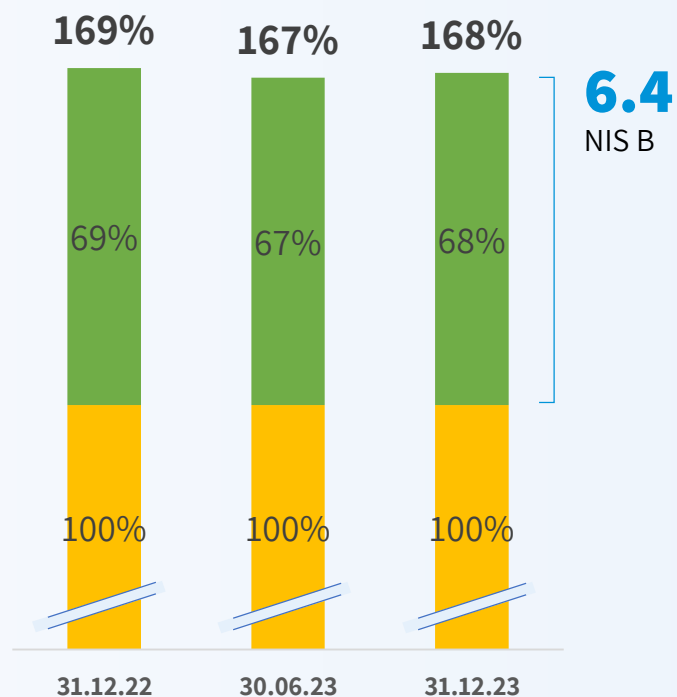


# Harel Insurance: Increase in Solvency Capital Ratio

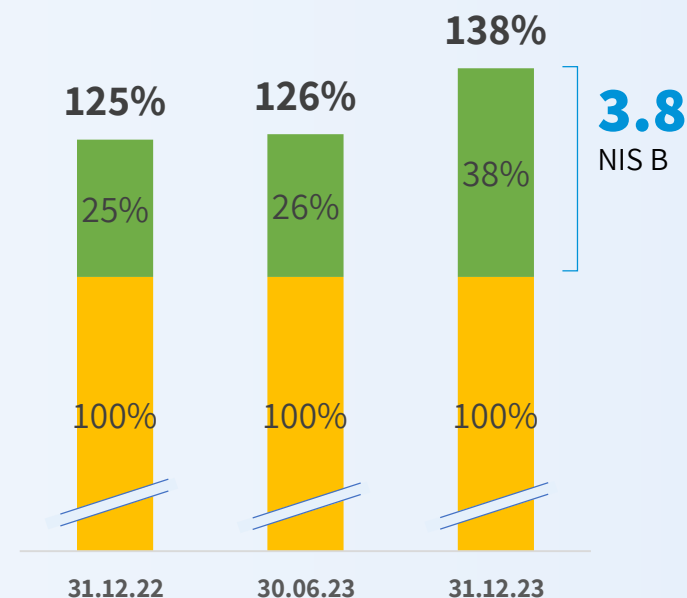
- The **Solvency Capital Ratio** of Harel Insurance at December 31, 2023 **without transitional measures increased to 138%** and capital surplus is NIS 3.8 B, compared with 126% at June 30, 2023.
- The **Solvency Capital Ratio** of Harel Insurance at December 31, 2023 **with transitional measures is 168%** and capital surplus is NIS 6.4 B, compared with 167% at June 30, 2023.
- The Solvency Capital Ratio with transitional measures at 31.12.2023, was affected, among other things, by the following\*:
  - NIS 450 M dividend distribution in June 2023
  - Material increase in non CPI linked risk free interest curve, reducing the value of some of insurance liabilities

## Solvency Capital Ratio at Harel Insurance

### With transitional measures



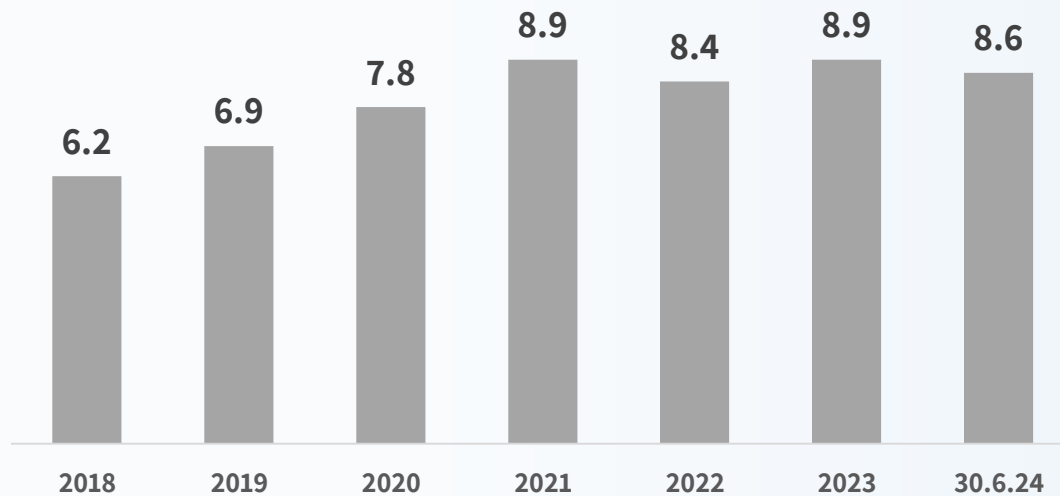
### Without transitional measures



\*The capital position of Harel Insurance is affected by the Company's ongoing business development, changes in market variables, revised demographic and operating assumptions, ongoing model updates, revised regulatory assumptions and capital activity. For information about the key changes during the course of 2023 compared with comparison figures, see Section 2 in the Solvency Ratio Report  
In June 2023, the minimum solvency ratio was updated to 110% from 105% excluding transitional measures and 135% including transitional measures

# Harel Investments: Financial stability and consistent dividend policy

Shareholders' Equity NIS B

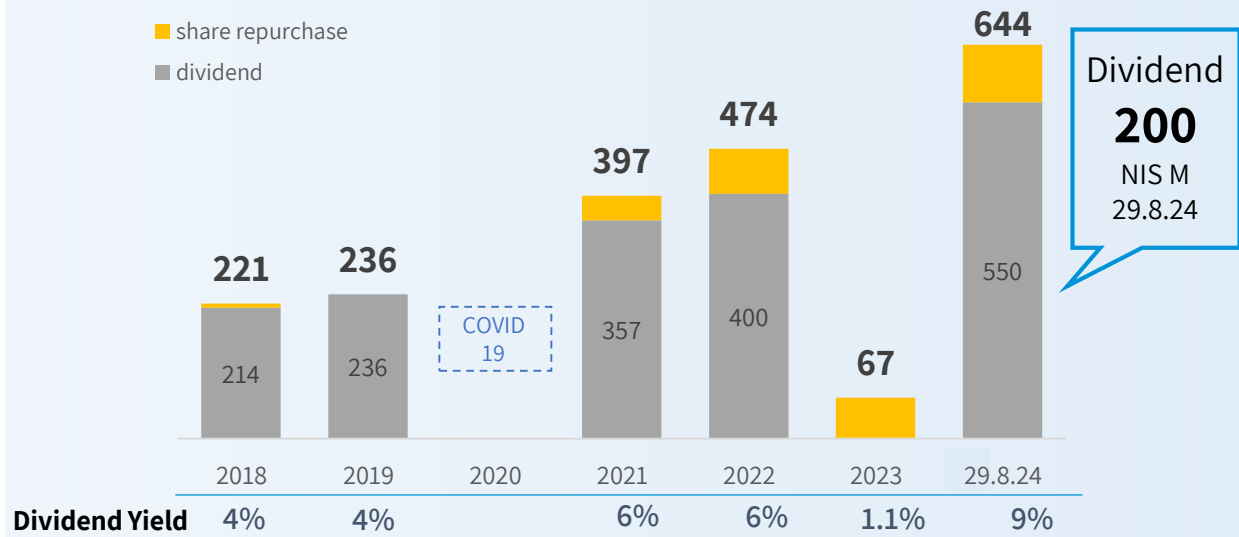


Dividend Policy

**>35%**  
Harel Insurance\*

**>30%**  
Harel Investments

Dividend in Harel Investments including share repurchase NIS M



Share repurchase: In 2021-2024 Harel executed 2 share repurchase plans, each of NIS 100 M. In January 2024 another NIS 100 M plan was approved, of which NIS 76 M was implemented.

\*Dividend payout from annual comprehensive income based on Harel Insurance financial statements, as long as the company is compliant with minimum solvency ratio for dividend distribution. Dividends paid include share repurchases of the following amounts: NIS 7 m in 2018, NIS 40 m in 2021, NIS 74 m in 2022, NIS 67 m in 2023 and NIS 94 m in 2024. At 28.3.2024 the Company announced a NIS 350 M dividend. At 29.8.2024 the Company announced a NIS 200 M additional dividend.

# To Summarize

## Comprehensive income in H1.24

NIS 125 M profit despite a loss of NIS 108 M in Q2.24, mainly due to the negative effect of the capital market

## Strategy implementation

We continue to pursue a material and permanent improvement in underwriting profitability, mainly in accuracy and controls in the claims systems and greater use of automation and digitization

## Increase in adjusted profit

Increased in Q2.24 and H1.24 in all operating segments - insurance, asset management and credit, amounting to NIS 438 M and NIS 829 M, respectively

## LT health and motor property

Most of the underwriting improvement is the result of improved profitability in long-term health, LTC and motor property, partially offset by decline in underwriting profitability in PHI and in compulsory motor

## 2026 targets

We are progressing in achieving the 2026 targets, thanks to consistent implementation of our strategy while leveraging Harel's leading position in the insurance industry and strong presence in all sectors

Underwriting profit in Life, Health, Non-life segments and profit in Equity segment are calculated assuming 3% real return, excluding special effects. See Appendix for full list of assumptions



# Thank You

For further information:

<https://pr.harel-group.co.il/>

# Agenda

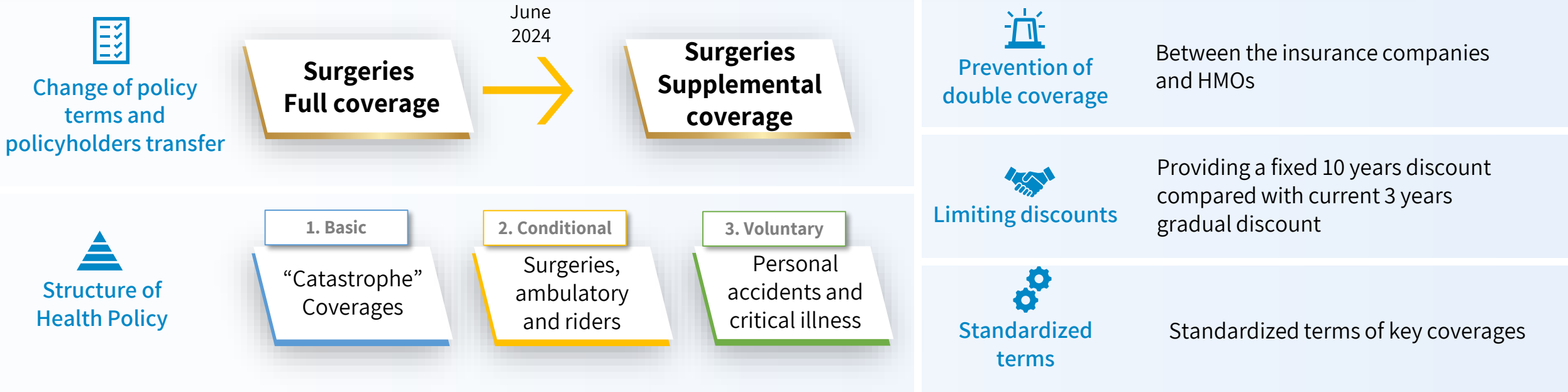
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# Health reform: Summary of key points



Harel has been active for **20 years** in supplementary coverage policies, which accounted for 60% of new sales of health policies in 2022-2023

As such, Harel enjoys a **considerable experience in operation** of this product with the HMOs, enhancing customer experience and providing it with a significant **competitive advantage**, supporting its **profitability**

In 2023

<b>Total premiums affected by the reform</b>	<b>of total personal lines health premiums</b>
<b>164</b> NIS M	<b>2.3</b> NIS B

# Health reform: What has actually happened



## About 78%

Of full coverage customers moved to supplemental coverage



## Full coverage premium

Increased based on the policyholders' age



## Surgeries premiums unchanged

Overall no material change compared with pre- reform



## Decline in cancellations

Due to less discounts – less twisting and higher retention rates. Harel has the largest health portfolio in the sector



## 5 years

Harel offers higher transition period back to full coverage due to confidence in the supplemental coverage product



## Continued leadership

Accelerate use of digital tools for customers' experience and support

# Calculation Principles

## Insurance

**Life Insurance**  
**Health Insurance**  
**Non-life Insurance**

**Underwriting Profit:** profit from the above insurance operations and presented assuming 3% real investment return, excluding special effects.

In Life segment, the profit includes financial margin in yield guaranteed policies, including a 3% yield assumption on the free portion of the portfolio, variable fees in profit participating portfolio, based on the above return assumption and fixed management fees

**Special effects:** Profit or loss outside of normal course of company's business, including actuarial changes, excess cost amortization, interest rate impact and others as stipulated in the Company's Financial Statements

**Investment Income:** the difference between the assumed 3% real return and actual return. In addition, investment income includes adjustment of variable fees as calculated based on the 3% return assumption compared with variable fees as collected

**Key forecast assumptions:** Real Nostro return of 3.0%, change in CPI 3.0%, implementation of strategic plan to improve profitability and diversify revenues. Premium growth is consistent with industry growth assuming that Harel's share is maintained. H1.24 and 2026 premiums do not include Group LTC premiums for Clalit HMO contract. Increase in AUM reflects the past deposits development (continuous growth in pension and provident funds). Fees include 124 M variable fees in 2026, in 2022-2023 and in H1.24 variable fees were not collected. Dividend inline with existing policy. Assumed tax rate is 34.746%. Actual performance may differ from forecast, due to changes in capital market returns, marco data including growth and inflation, regulatory changes and other variables.

## Asset Management

**Pension Funds**  
**Provident Funds**  
**Finance**  
**Investment Contracts**

In line with actual  
performance, excluding special  
effects

## Credit and Other

**Hamazpen**  
**Development Property Financing**  
**Harel 60+**  
**Financial Guarantees**  
**Agencies**  
**Equity**

In line with actual  
performance, excluding special  
effects

# Our Global Partners





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