

March 31, 2020

Harel Insurance and Finance Group ends 2019 **with NIS 760 million profit after tax**

This after provision of NIS 1.5 billion before tax for the declining interest-rate curve
Return on Equity for 2019 was 12%

At December 31, 2019, Harel Group's AUM was NIS 283 billion

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**Total earned premiums, gross, and benefit contributions in 2019 increased by 5% to NIS 27.5 billion compared with the corresponding period last year**

**Harel Insurance Investments and Financial Services publishes its financial statements for 2019:**

**Comprehensive profit after tax increased by 40% to NIS 760 million in 2019**, compared with NIS 542 million in the corresponding period last year. Comprehensive profit is after provision of NIS 1.5 billion before tax, arising from an increase in the insurance liabilities due to the sharp decline of the interest rate curve.

**Comprehensive profit after tax in 2019**, after adjustment for the increase recorded in the insurance liabilities due to the decline of the interest rate curve, was NIS 1.7 billion.

**Comprehensive profit after tax in Q4 2019 was NIS 309 million**, compared with NIS 5 million in the corresponding period last year. Most of the difference in results for this quarter compared with the corresponding quarter last year is attributable to capital market yields.

**Comprehensive profit after tax in Q4 2019**, after adjustment for the increase recorded in the insurance liabilities due to the decline of the interest rate curve, was NIS 541 million.

**Return on Equity in 2019 was 12% and in Q4 2019 was 20%.**

**The Group's total AUM at December 31, 2019 was NIS 282.8 billion, a 20% increase compared with December 31, 2018.**

**Equity attributed to the Company's shareholders was NIS 6.44 billion at December 31, 2019.**

**Total earned premiums, gross, and benefit contributions increased by 5% to NIS 27.5 billion in 2019**, compared with NIS 26.1 billion for the corresponding period last year.

**Total earned premiums, gross, increased by 1% to NIS 7.1 billion in Q4 2019**, compared with NIS 7 billion in the corresponding period last year.

In 2019, the Company distributed a dividend of NIS 236 million

**Michel Siboni, CEO of Harel Insurance and Finance Group:** “The Group’s financial results in 2019 were excellent and can be attributed to improved revenues in key operating segments as well as to the high yields recorded in the various investment channels in the capital market”. Siboni added: “Unfortunately, 2020 started with a whirlwind due to the global outbreak of the Corona virus which has negatively impacted all the Group’s areas of activity. Initial estimates show that plummeting prices on the capital markets following the outbreak of the Corona virus worldwide caused Harel investment losses of NIS 870 million, gross, before tax, close to the date of publication of the financial statements. Additionally, at this time, there has been a decline in the volume of the Group’s business activity. Nevertheless, the Group’s business strategy has enabled us to enter this period with strong financial robustness, and with advanced digital capabilities that we have assimilated in the past three years. These capabilities enable the Group to provide its customers and agents with the full range of services by remote access to its systems, even in these challenging times”.

Siboni emphasized that at this present time, when the Group is required to adjust its expense structure to the new reality, we are making every effort to retain our employees, who are the Group’s key resource. Furthermore, we have made decisions that enable us to find the correct balance between the Group’s business needs and concern for our customers, employees and agents. All this to enable them to survive this period in the best possible way. As we announced, at the date of publication of the reports, most of the Company’s employees are working by remote access to the Company’s systems. On March 22, 2020, about 15% of the Company’s employees were placed on unpaid leave and to help them get through the upcoming Passover holiday all such staff received a NIS 5,000 bonus.

## Long-term savings

**Comprehensive profit before tax in long-term savings activity** (life assurance, pensions, provident and education funds) **was NIS 224 million in 2019**, as against NIS 355 million in the corresponding period last year. The decrease in profit is mainly attributable to the sharp decline of the risk-free interest rate curve which led to an increase of the insurance liabilities, in contrast with an increase of the risk-free interest rate curve used for the LAT in the corresponding period last year which led to a decrease of the insurance liabilities. This decrease was partially offset by an increased collection of management fees.

**Comprehensive profit before tax in long-term savings activity** (life assurance, pensions, provident and education funds) **was NIS 170 million in Q4 2019**, compared with a comprehensive loss before tax of NIS 70 million in the corresponding quarter last year.

**Total earned premiums, gross, and benefit contributions in long-term savings activity increased by 7% to NIS.18.7 billion in 2019**, compared with NIS 17.5 billion in the corresponding period last year.

**Total earned premiums, gross and benefit contributions in long-term savings activity increased by 2% to NIS 4.8 billion in Q4 2019**, compared with NIS 4.7 billion in the corresponding quarter last year.

## Life assurance

**Revenues from management fees in life assurance** amounted to NIS 693 million in **2019**, compared with NIS 386 million in the corresponding period last year. Most of this increase is attributable to increased variable management fees to NIS 265 million, whereas the Company did not collect variable management fees in the corresponding period last year. The variable management fees are after making up for a deficit of NIS 75 million in respect of investment losses created in 2018 in the profit-sharing policies portfolios.

**Comprehensive profit before tax in life assurance was NIS 90 million in 2019**, as against NIS 228 million in the corresponding period last year. The lower comprehensive profit is mainly attributable to the sharp decline of the risk-free interest rate curve, which led to a NIS 439 million increase of the insurance liabilities, in contrast with an increase of the risk-free interest rate curve in the corresponding period last year which led to a NIS 59 million decrease of the insurance liabilities. Additionally, implementation of the circular on the measurement of liabilities relating to the mortality tables caused Harel Insurance to increase the insurance liabilities by NIS 91 million, which led to a decrease of comprehensive profit before tax by the same amount.

**Comprehensive profit before tax in life assurance was NIS 140 million in Q4 2019**, compared with a comprehensive loss before tax of NIS 102 million in the corresponding quarter last year.

**Gross earned premiums in life assurance increased by 13% to NIS 6.3 billion in 2019**, compared with NIS 5.6 billion in the corresponding period last year.

**Gross earned premiums in life assurance amounted to NIS 1.5 billion in Q4 2019**, similar to the corresponding period last year.

## Pension funds

**Comprehensive profit before tax from pension fund management in 2019 was NIS 74 million**, as against NIS 81 million in the corresponding period last year.

**Comprehensive profit before tax from pension fund management in Q4 2019 was NIS 15 million**, as against NIS 20 million in the corresponding quarter last year.

**Benefit contributions collected by the Group's pension funds increased by 7% to NIS 8.9 billion in 2019**, compared with NIS 8.3 billion in the corresponding period last year.

**Benefit contributions collected by the Group's pension funds increased by 9% to NIS 2.4 billion in Q4 2019**, compared with NIS 2.2 billion in the corresponding period last year.

**AUM in the Group's pension funds increased by 23% to NIS 75.9 billion at December 31, 2019**, compared with NIS 61.6 billion in the corresponding period last year.

## Provident funds & education funds

**Comprehensive profit before tax in the provident funds and education funds increased by 30% to NIS 60 million in 2019**, compared with NIS 46 million in the corresponding period last year.

**Comprehensive profit before tax in the provident funds and education funds increased by 25% to NIS 15 million in Q4 2019**, compared with NIS 12 million in the corresponding quarter last year.

Results in the Reporting Period were affected by an increase of AUM due to the positive yield in the funds and by net positive accrual.

**Benefit contributions collected by the provident funds and education funds were NIS 3.5 billion in 2019**, as against NIS 3.6 billion in the corresponding period last year.

**Benefit contributions collected by the provident funds and education funds were NIS 1 billion in Q4 2019**, similar to the corresponding quarter last year.

**AUM in the provident funds and education funds increased by 15% to NIS 44.9 billion at December 31, 2019**, compared with NIS 39.2 billion in the corresponding period last year.

## Health insurance

**Comprehensive loss before tax in the health insurance segment in 2019 was NIS 262 million**, as against comprehensive profit before tax of NIS 289 million in the corresponding period last year. The shift from

profit to loss is mainly attributable to the sharp decline of the interest-rate curve, which led to an increase of NIS 926 million in the insurance liabilities, mainly in respect of activity in the long-term care segment.

**Comprehensive profit before tax in the health insurance segment was NIS 64 million in Q4 2019**, as against NIS 192 million in the corresponding quarter last year.

**Gross earned premiums in the health insurance segment increased by 4% to NIS 4.9 billion in 2019**, compared with NIS 4.7 billion in the corresponding period last year.

**Gross earned premiums in the health insurance segment increased by 8% to NIS 1.3 billion in Q4 2019**, compared with NIS 1.2 billion in the corresponding period last year.

## Non-life insurance

**Comprehensive profit before tax in non-life insurance was NIS 558 million in 2019**, compared with NIS 82 million in the corresponding period last year. The increase in comprehensive profit was influenced by yields in the capital market which were higher than in the corresponding period last year, by the Supreme Court's decision regarding the discounting interest rate applicable to compensation for personal injury in torts, which led to a decrease of NIS 260 million in the insurance liabilities, and by improvements in underwriting profit due to the application of a new motor property tariff and a lower frequency of claims. The increased profit was partially offset by a decline of the interest rate curve which led to an increase of NIS 183 million in the insurance liabilities.

**Comprehensive profit before tax in non-life insurance was NIS 46 million in Q4 2019**, compared with a comprehensive loss of NIS 33 million in the corresponding quarter last year.

**Total earned premiums, gross, in 2019** amounted to NIS 3.4 billion, similar to the corresponding period last year.

**Total earned premiums, gross, in Q4 2019** amounted to NIS 0.9 billion, similar to the corresponding quarter last year.

## Harel Finance

**Harel Finance continues to consolidate its position as one of the 4 leading companies in its areas of activity.**

**The comprehensive profit before tax of Harel Finance in 2019 amounted to NIS 29 million**, as against NIS 34 million in the corresponding period last year. The reduced comprehensive profit is mainly attributable to the conversion of the ETNs to mutual funds from October 3, 2018.

**The comprehensive profit before tax of Harel Finance increased by 80% to NIS 9 million in Q4 2019**, compared with NIS 5 million in the corresponding quarter last year.

**Revenues in the capital market and financial services segment were NIS 207 million in 2019**, as against NIS 209 million in the corresponding period last year.

**Revenues in the capital market and financial services segment increased by 80% to NIS 57 million in Q4 2019,** compared with NIS 48 million in the corresponding quarter last year.

**AUM** in the capital market and financial services segment under Harel Finance Investment House increased by NIS 12.6 billion from the beginning of the year to NIS 59 billion at December 31, 2019, compared with NIS 46.4 billion at December 31, 2018. The increase in AUM in 2019 is attributable both to rising prices in the markets and to the fact that Harel Mutual Funds led the mutual funds sector in 2019 raising a net amount of NIS 6.8 billion.

## **Equity**

The capital surplus of Harel Insurance at June 30, 2019, on a consolidated basis and before the transitional provisions (in terms of 100% SCR), is NIS 780 million. Taking the transitional provisions into account, at June 30, 2019, Harel Insurance has a capital surplus of approximately NIS 4.2 billion. This capital surplus takes into account relief and changes in the directives pertaining, among other things, to the rate of compliance with the required capital in the transitional period ending December 31, 2024. It is emphasized that in its current format, the model is extremely sensitive to changes in market and other variables. At December 31, 2019, there was a further, significant decline of the risk-free interest rate curve. The implication is a significant impact on the Company's solvency ratio. Notably, the Company has not yet completed its calculation for the solvency report at December 31, 2019. This information is therefore partial and should not be construed as an estimate in connection with the results of the calculation. Immediately prior to the date of publication of the financial statements, the risk-free interest rate curve rose to above its level at .December 31, 2019

## **For additional information:**

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