

May 29, 2024

Financial Statements | Q1 2024

Harel Insurance Investments and Financial Services Ltd. has published its financial statements for Q1 2024

Comprehensive income before tax increased to NIS 366 million compared with NIS 52 million in corresponding quarter last year

Comprehensive income grew by NIS 233 million compared with NIS 33 million and ROE increased to 11%;

Profit in the insurance, asset management and credit segments increased

Underwriting profit¹ from insurance business was NIS 269 million, an improvement of NIS 178 million over the corresponding quarter last year

Premiums continued to grow and the volume of AUM increased

The economic solvency ratio of Harel Insurance at December 31, 2023, without application of the transitional provisions, increased to 138% and the capital surplus was NIS 3.9 billion

Key emphases:

- In Q1 2024, **comprehensive income after tax was NIS 233 million**, reflecting 11% ROE, compared with comprehensive income after tax of NIS 33 million in the corresponding quarter in 2023. This improvement is attributable to continuing underwriting improvement in the operating segments as well as to real, positive nostro yields compared with a real negative yield in the corresponding period last year. The growth of profit was achieved despite an increase in the cost of claims in life insurance and health insurance amounting to NIS 34 million before tax, as a result of the Swords of Iron War.
- Further **implementation of the strategic plan**, with the focus on improved profitability in the operating segments and diversification of sources of income, led to **improved profit in all operating segments** in Q1

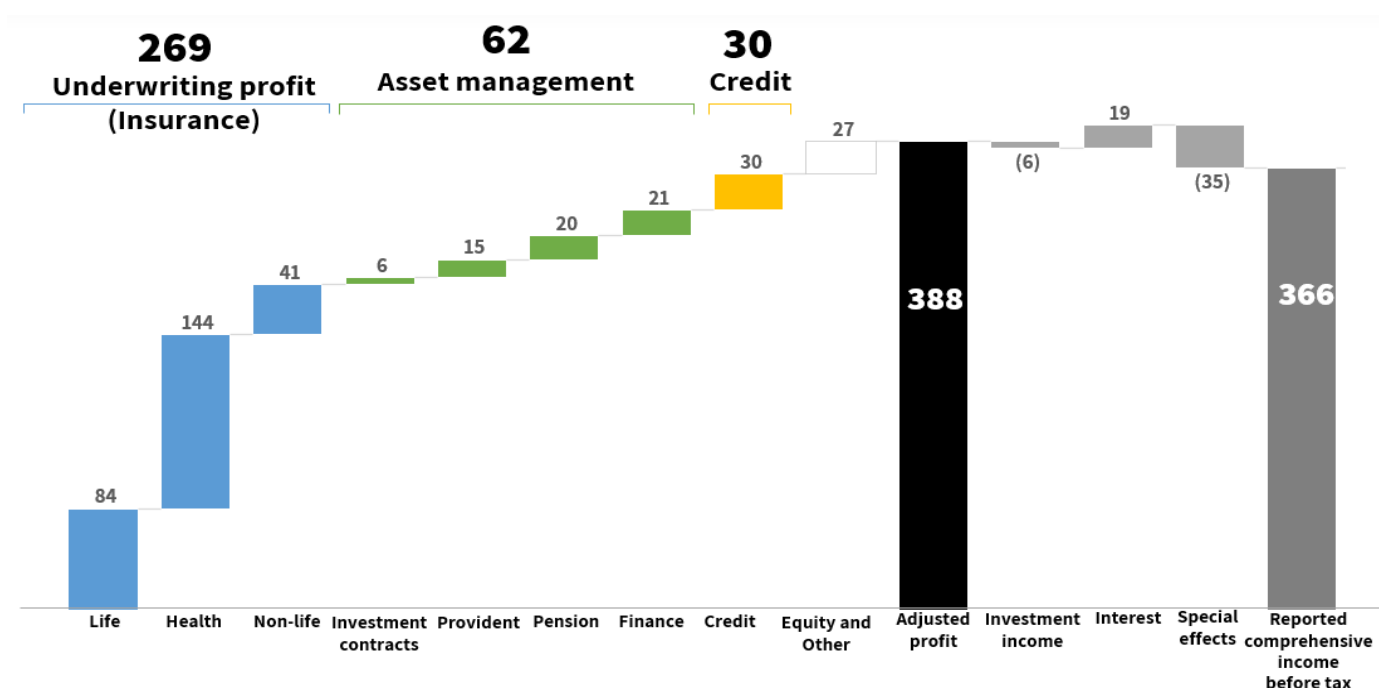
¹ The Company's underwriting profit includes an assumed real nostro yield of 3% on insurance business profitability, excluding special effects that are not part of the normal course of the Company's business, including the effects of interest and actuarial changes

2024 compared with the corresponding quarter in 2023: underwriting improvement of **NIS 178 million** in profit from insurance business to NIS 269 million, improvement of **NIS 16 million** in asset management to NIS 62 million, and an improvement of **NIS 6 million** in the credit segment to NIS 30 million.

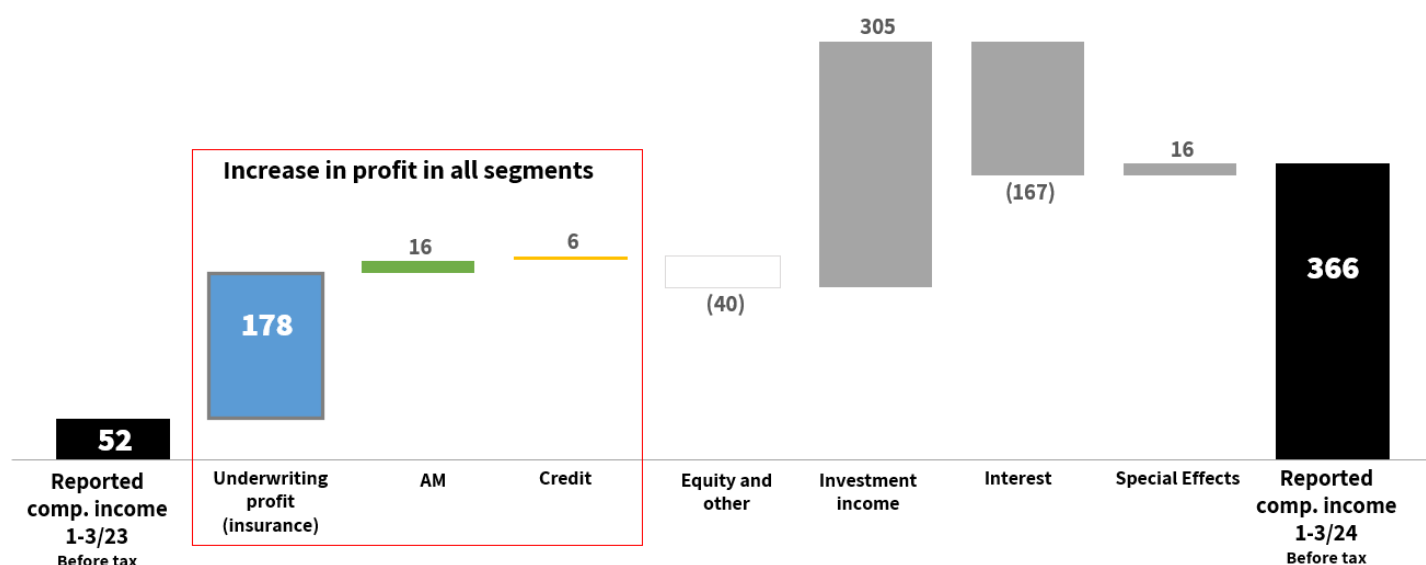
- Gross earned premiums, benefit contributions and amounts received for investment contracts continued to grow in Q1 2024, **increasing by 9% to NIS 9.9 billion**, compared with NIS 9.2 billion in the corresponding quarter in 2023.
- Further growth of the Group's AUM, which at March 31, 2024, increased by 6% from the beginning of the year to NIS 453 billion, and by 20% compared with March 31, 2023.
- At March 31, 2024, Harel Investments had equity of NIS 8.7 billion, this after the distribution of a dividend of NIS 350 million in respect of 2023 and a share repurchase of NIS 39 million. Up to April 30, 2024, the share repurchases amounted to NIS 59 million, out of a total repurchase plan of NIS 100 million announced at the beginning of the year.
- At December 31, 2023, the economic solvency ratio of Harel Insurance, without application of the transitional measures, **rose to 138%** compared with 126% at June 30, 2023. The capital surplus was NIS 3.9 billion.

At December 31, 2023, the economic solvency ratio of Harel Insurance, including the transitional measures, was 168%, compared with 167% at June 30, 2023. The capital surplus was NIS 6.4 billion.

Information about the Company's sources of revenues in the Reporting Period (NIS M):



Following is an analysis of the change in the Company's reported profit in the Reporting Period compared with the corresponding period last year (NIS M):



- **Capital market yields in the period were positive, compared with negative yields in the corresponding period last year.** The total negative effect of investment income on pre-tax profit in the Reporting Period was NIS 6 million, compared with a negative effect of NIS 311 million in the corresponding quarter of 2023.
- In Q1 2024, the effects of the interest rate reduced the insurance liabilities in non-life insurance by NIS 19 million. This contrasts with a decrease of NIS 186 million in these liabilities in the corresponding quarter in 2023.

Results by the Group's operating segments:

Insurance business:

In Q1 2024, the Company's underwriting profit from insurance business was NIS 269 million, compared with NIS 91 million in the corresponding quarter of 2023. This is mainly the result of significant underwriting improvement in the non-life, health and life insurance sectors.

Health insurance:

- **Underwriting profit in health insurance was NIS 144 million in Q1 2024**, a significant improvement of NIS 136 million over the corresponding quarter of 2023 in which underwriting profit in this segment was NIS 8 million. This is mainly the result of a decrease of the insurance liabilities (decrease in the IBNR reserve) in the personal lines and group long-term care sectors in view of the reduced interval between the occurrence of the insured event and filing the claim. Additionally, the increased profit is attributable to improved underwriting in the cover for transplants, ambulatory care and personal accidents due to a decrease in the

number of claims and the claim amounts paid out. These were partially offset by an increase of NIS 4 million in the number of claims in accidental cover following the Swords of Iron War.

- **Comprehensive income before tax in health insurance was NIS 126 million**, compared with a comprehensive loss before tax of NIS 58 million in the corresponding quarter in 2023. The improved comprehensive income is mainly attributable to improved underwriting as well as to real, positive nostro yields in the present quarter, compared with a real negative yield in the corresponding period last year.
- Results in group long-term care reflect termination of the old agreement with Clalit HMO members and application of the new outline in which the reserve fund bears the entire insurance risk. In view of the foregoing, results in the Reporting Period reflect the Company's net operating income for the new outline. Consequently, beginning in 2024, premiums are not recorded for the aforementioned agreement, and the premiums in group long-term care insurance amounted to NIS 60 million in Q1 2024, as against NIS 470 million in the corresponding quarter of 2023.

Life insurance:

- **Underwriting profit in life insurance was NIS 84 million** in Q1 2024, an improvement of NIS 4 million over the corresponding quarter of 2023 in which underwriting profit in this segment was NIS 80 million. This is mainly the result of increased profit in risk products due to the growth of activity. This underwriting improvement was partially offset by an increase in the number of claims resulting from the Swords of Iron War in the amount of NIS 30 million (personal lines and group).
- **Comprehensive income before tax in life insurance was NIS 47 million**, compared with a comprehensive loss before tax of NIS 18 million in the corresponding quarter in 2023. The improved profitability is mainly attributable to improved underwriting and improved real nostro yields: a positive yield in the quarter, compared with a negative nostro yield in the corresponding quarter of 2023.

Non-life insurance:

- **Underwriting profit in non-life insurance was NIS 41 million** in Q1 2024, an improvement of NIS 38 million over the corresponding quarter of 2023 in which underwriting profit in this segment was NIS 3 million. 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. In the motor property sector, the improved underwriting was mainly due to an increase in the average premium and a reduction in the average cost of claim. In property and other sectors, the improved underwriting was mainly attributable to the property loss sector as a result of the growth of activity. In the compulsory motor sector, the deterioration of underwriting deterioration was mainly attributable to a negative development in respect of prior years that was partially offset by the continuing decrease in the average cost of claim.
- **Comprehensive income before tax in non-life insurance was NIS 134 million**, as against NIS 154 million in the corresponding quarter in 2023. The decrease in comprehensive income is attributable to lower interest effects in the current quarter compared with the corresponding quarter in 2023, whereas on the other hand underwriting profit improved.
- In Q1 2024, changes in the interest curve and changes in the retained fair value of assets reduced the insurance liabilities by NIS 19 million compared with a reduction of NIS 186 million in the insurance liabilities in the corresponding quarter in 2023.

Asset management:

Profit from asset management, excluding special effects,² increased by 35% to **NIS 62 million** in Q1 2024, compared with NIS 46 million in the corresponding quarter in 2023. This is mainly due to increased assets under management in pension and provident and to further amounts raised by the Harel Finance money market funds. At March 3, 2024, AUM in the asset management segment increased by 8% to NIS 343 billion compared with NIS 318 billion at December 31, 2023.

Pension and provident:

- In Q1 2024, **comprehensive income before tax in pension and provident increased by 41% to NIS 31 million**, compared with NIS 22 million in the corresponding quarter in 2023. Most of the improvement is attributable to the continuing growth of AUM.
- AUM in the Group's pension funds and provident funds was NIS 161 billion and NIS 69 billion, respectively, at March 31, 2024, compared with NIS 151 billion and NIS 65 billion, respectively at December 31, 2023.

Harel Finance:

- In Q1 2024, **comprehensive income before tax from financial services activity increased by 50% to NIS 21 million**, compared with NIS 14 million in the corresponding quarter in 2023. Most of the improvement is attributable to the further amounts raised by the money market funds and improved profitability in this asset class.
- At March 31, 2024, **the volume of assets managed by Harel Finance increased by 12% to NIS 93 billion**, compared with NIS 83 billion at December 31, 2023.

Credit:

- The activity covered by the credit segment that was presented separately for the first time in the 2023 annual financial statements includes the following: Hamazpen, development property project financing, providing 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 with a lien on their home.
- **AUM in the credit sector increased by 5% to NIS 4.13 billion**, compared with NIS 3.95 billion at the end of 2023.
- In Q1 2024, **comprehensive income before tax increased by 25% to NIS 30 million**, compared with NIS 24 million in the Q1 2023. The improved profit in the quarter is attributable to the continuing growth of activity.

² 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 4.2 million in Q1 2024.

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.



Addendum: Financial data for the Group:

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

	Q1.24	Q1.23	Change	2023
Life insurance	1,339	1,520	-11.9%	6,286
Health insurance**	1,178	1,539	-23.5%	6,468
Non-life insurance*	1,366	1,158	18.0%	5,018
Total earned premiums, gross	3,883	4,217	-7.9%	17,772
Pension benefit contributions	3,569	3,148	13.4%	13,706
Provident benefit contributions	1,441	1,132	27.3%	5,065
Amounts received for investment contracts	1,047	656	59.6%	2,865
Total	9,940	9,153	8.6%	39,408

*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 the entire insurance risk. Consequently, beginning in 2024, premiums are not recorded for the aforementioned agreement.

Comprehensive income (loss) before tax by segment

	Q1.24	Q1.23	2023
Life insurance	16	(40)	124
Provident	14	8	40
Pension	17	14	73
Total long-term savings	47	(18)	237
Health insurance	126	(58)	129
Non-life insurance	134	154	279
Insurance companies overseas	(12)	(9)	(5)
Financial services	21	14	80
Credit*	30	24	103
Equity and agencies	20	(55)	(2)
Total	366	52	821

* 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

	March 31, 2024	March 31, 2023	December 31, 2023
Yield-dependent insurance contracts and investment contracts	81.9	77.9	80.6
Pension funds	160.8	133.2	150.6
Provident funds and education funds	68.6	57.9	65.0
Mutual funds	72.9	49.1	67.7
Portfolio management and other*	19.8	14.7	14.9
Total for insureds and members	404.0	332.8	378.8
Nostro**	48.9	44.0	48.9
Total	452.9	376.8	427.7

*Including financial assets issued by the Group and managed in portfolios in the amount of NIS 6.2 billion, NIS 4.1 billion, and NIS 4.2 billion at March 31, 2024, March 31, 2023 and December 31, 2023, respectively

** Including certificates of deposit issued by Harel Finance in the amount of NIS 9.4 billion, NIS 6.5 billion and NIS 9.4 billion at March 31, 2024, March 31, 2023 and December 31, 2023, respectively.