

May 31, 2018

Harel Insurance and Finance Group ends Q1 2018 with comprehensive profit of NIS 80 million

Earned premiums, gross, and benefit contributions received in Q1 2018 increased by 15% compared with the corresponding period last year, amounting to NIS 6.3 billion

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**The assets managed (AUM) by Harel Group reached a record NIS 223.7 billion**

**Harel Insurance Investments and Financial Services Ltd.** has published its financial statements for Q1 2018: **Earned premiums, gross, and benefit contributions** increased by 15% to NIS 6.3 billion in Q1 2018, compared with NIS 5.47 billion in the corresponding quarter last year.

**Comprehensive profit in Q1 2018 was NIS 80 million**, compared with NIS 253 million in the corresponding quarter last year.

**Equity attributed to the Company's shareholders** was NIS 5.54 billion at March 31, 2018.

The **Return on Equity** in Q1 2018 was 6% in annual terms.

The Group's **assets under management** in insurance, pension funds, provident funds, mutual funds and financial services increased to **NIS 223.7 billion** at March 31, 2018.

**Michel Siboni, CEO of Harel Insurance and Finance**, announced that "Harel Group concludes Q1 2018 with continuing growth in the various operating segments. First quarter financial results were mainly affected by the weak capital market. We continue to implement our new strategic plan in which digital operations, Big Data and personal relationships between agents and customers form an integral part of all areas of the Group's activity; we are also proud that our considerable investment in technology, as we continue to preserve the special human capital that characterizes Harel, has begun to make its mark on the Company's performance. We believe that these factors will also generate significant profits as time passes".

### Long-term savings

**Comprehensive profit in long-term savings activity** (life assurance, pensions, provident and education funds) was NIS 16 million in Q1 2018, as against NIS 207 million in the corresponding quarter last year. The change in profit was affected by an increase in the insurance liabilities due to a decline in the fair value of the non-marketable assets, compared with a decline in the insurance liabilities in the corresponding quarter last year and by a reduction of the variable management fees due to a decrease in the real yields attained by the Company compared with the corresponding period last year.

**Total earned premiums and benefit contributions** in long-term savings activity **increased by 20%** to NIS 4.2 billion in Q1 2018, compared with NIS 3.5 billion in the corresponding quarter last year.

### Life assurance

In Q1 2018 there was a **comprehensive loss of NIS 12 million in the life assurance segment**, as against comprehensive profit of NIS 187 million in the corresponding quarter last year.

**Total earned premiums in life assurance** increased **by 25%** to NIS 1.5 billion in Q1 2018, compared with NIS 1.2 billion in the corresponding quarter last year. The increase in premiums is mainly attributable to lump-sum deposits for savings.

## Pension funds

**Comprehensive profit from pension fund management increased by 63% to NIS 18 million in Q1 2018**, compared with NIS 11 million in the corresponding period last year. The increase in comprehensive profit was mainly affected by the increase in AUM.

**Benefit contributions collected by the Group's pension funds increased by 19% to NIS 1.9 billion in the Reporting Period**, compared with NIS 1.6 billion in the corresponding period last year.

**The volume of assets managed by the Group's pension funds increased by 21% to NIS 56.6 billion at March 31, 2018**, compared with NIS 46.6 billion in the corresponding period last year.

## Provident funds and education funds

**Comprehensive profit from pension funds and education funds increased by 11% to NIS 10 million in Q1 2018**, compared with NIS 9 million in the corresponding quarter last year.

The **benefit contributions collected by the provident funds and education funds increased by 32% to NIS 917 million in Q1 2018**, compared with NIS 678 million in the corresponding period last year.

**Assets under management held by the Group's provident funds and education funds increased by 15% to NIS 37.4 billion at March 31, 2018**, compared with NIS 32.5 billion in the corresponding period last year.

## Health insurance

**Comprehensive profit in the health insurance segment was NIS 22 million in Q1 2018**, as against NIS 23 million in the corresponding quarter last year. Profit affected by an increase in claims in the group long-term care sector for previous years (claims for the period up to December 31, 2017). The Company believes that in view of the elimination of the group long-term policies, these losses will moderate significantly in the forthcoming reporting periods.

**Total earned premiums in the health insurance segment increased by 2% to NIS 1.103 billion in Q1 2018**, compared with approximately NIS 1.078 billion in the corresponding quarter last year. The growth of activity in this segment in 2018 is mostly attributable to personal lines insurance.

## Non-life insurance

**Comprehensive profit in non-life insurance increased by 5% to NIS 65 million in Q1 2018**, compared with NIS 62 million in the corresponding period last year.

**Gross premiums earned in non-life insurance increased by 10% to NIS 829 million in Q1 2018**, compared with NIS 753 million in the corresponding quarter last year.

## Harel Finance

**Comprehensive profit in the capital market and financial services segment increased by 12% to NIS 9 million in Q1 2018**, compared with NIS 8 million in the corresponding quarter last year.

**Revenues in the capital market and financial services segment increased by 4% to NIS 52 million in Q1 2018**, compared with NIS 50 million in the corresponding quarter last year.

At March 31, 2018, Harel Finance Investment House managed assets in the capital market and financial services segment in the amount of NIS 47.5 billion, compared with NIS 42.3 billion at March 31, 2017.

## Equity

The capital surplus of Harel Insurance as at December 31, 2016, on a consolidated basis and before the transitional provisions (in terms of 100% SCR), is NIS 1.65 billion, taking into account dividends distributed by Harel Insurance until August 2017 in the amount of NIS 250 million.

Taking into account net raisings of liability notes and dividend distributions in the amount of NIS 250 million, the capital surplus will be NIS 1.85 billion.

Taking the transitional provisions into account, Harel Insurance has a capital surplus of approximately NIS 5.1 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 scheduling period ending December 31, 2024.

It should be emphasized that the model in its current format is extremely sensitive to changes in market and other variables.