No long-standing insurance company

has a future that outstands ours

HAREL
Insurance & Finance



Strategy Presentation

April 2nd, 2024



Disclaimer and forward looking statement

This presentation is not an offer to purchase the Company's securities or an invitation to accept such offers, and it is intended solely to provide information as part of the explanations provided about the Company.

The presentation was prepared solely for the purpose of convenience and brevity and it is not intended to replace a perusal of the reports published by the Company (including of the Company's financial statements), that include complete information about the Company, prior to making a decision concerning an investment in the Company's securities.

In any case of a contradiction or inconsistency between the information in the presentation and the information in the Company's financial statements or reports to the public, the information in the Company's financial statements and reports shall prevail.

This presentation contains information about business strategy and targets, including forecasts, evaluations, estimates and other information relating to future events and affairs, the materialization of which is uncertain and is not within the Company's exclusive control (forward-looking information). The key facts and data forming the basis for this information are those pertaining to the Company's present position and business (such as the volume of sales, profitability, manpower, business agreements, etc.), facts and data pertaining to the current situation in Israel and worldwide for the areas of activity in which the Company operates (such as sector-based economic developments, regulatory environment, competitors, technology developments, reinsurance market, etc.), and macro-economic facts and data (such as the economic situation in Israel and worldwide, yield rates on the capital markets, political and social developments, etc.), all as they are known to the Company at this time.

The forward-looking information contained above in this presentation is based materially, in addition to the information available to the Company, on current projections and estimates of the Company regarding future developments in each of the aforementioned parameters, and the extent to which these developments are interconnected. This presentation sets out the key assumptions that formed the basis for the Company's forecasts, the main points of which are: the real Nostro yield, change in the Consumer Price Index, application of the stages of the strategic plan to improve profitability and diversify revenues, premium growth rate assuming that Harel maintains its share of the insurance industry, growth of AUM based on the historic development of deposits, collection of variable management fees, dividend based on the dividend policy and expected tax rate.

There is no certainty that the Company's forecasts and estimates will in fact materialize, and the Company's results may differ materially from the estimated or inferred results noted above, in part due to changes in any of the above-mentioned factors, including a change in the key assumptions applied by the Company (as specified above) arising from capital market performance, macroeconomic data including growth and inflation, trends and regulation in the insurance industry as well as other variables.



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.



Agenda

- Overview
- Strategy
- KPIs
- Harel 2026

Key Strengths

Stable ownership and long-term view

Almost 90 years of experience with stable family ownership and long-term view

Largest company in the sector

With premiums and deposits of NIS 39.4 B, AUM of NIS 428 B in 2023 and market share leadership in most segments

Highly liquid

High financial flexibility with above NIS 3 B cash and excess cash on financial debt at Harel Investments

Robust capitalization at Harel Insurance

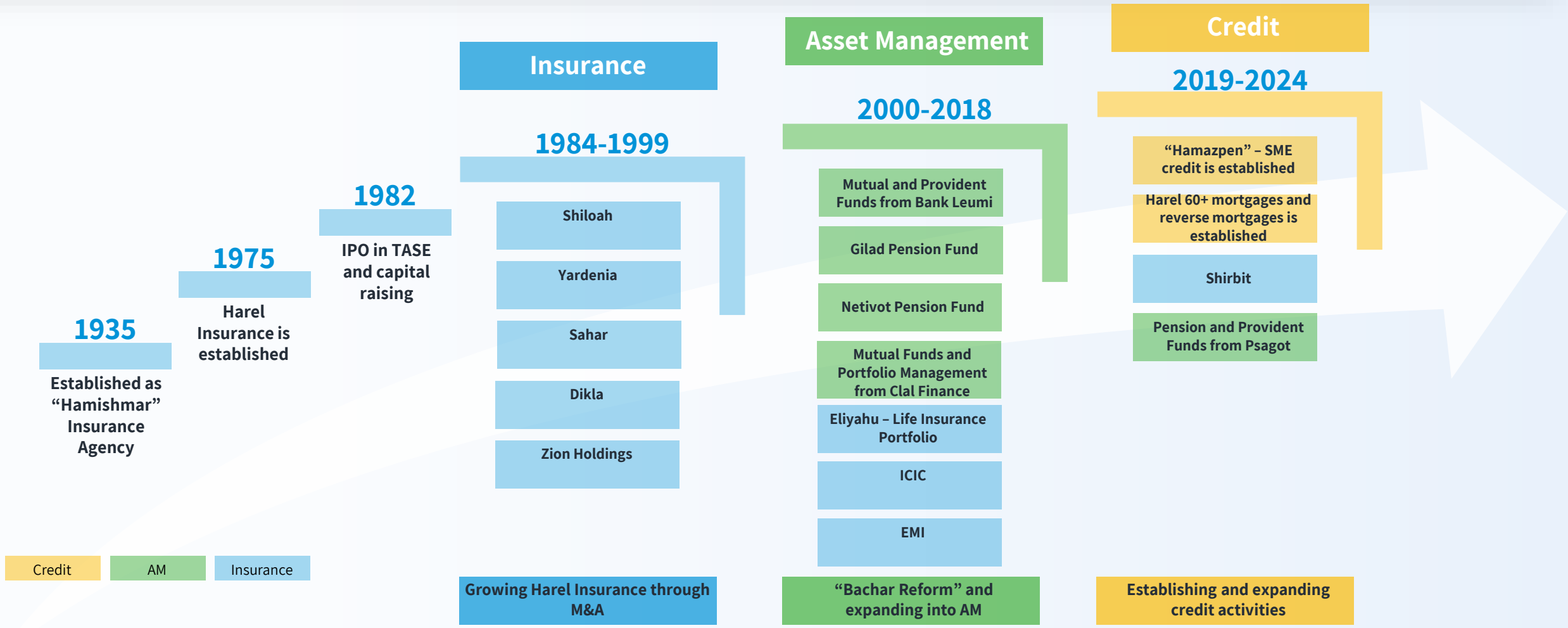
Solvency Capital Ratio of 167%, with transitional measures, reflecting surplus of NIS 6.3 B at Harel Insurance, as of 30.06.2023

Increase in embedded Nostro return

Due to increase in yields in capital markets in the past two years, the embedded return in the Nostro portfolio is higher than in previous years

Our Journey

From insurance agency to largest insurance and financial group in Israel



Experienced and Professional Leadership



Yair Hamburger
Chairman Harel Investments and Director in Harel Insurance



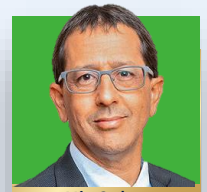
Ben Hamburger
Vice Chairman Harel Investments and Director in Harel Insurance



Gideon Hamburger
President Harel Investments and Director

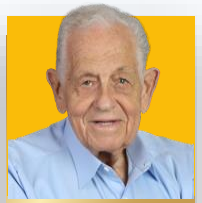


Yoav Manor
Chairman Harel HaMishmar Computers and Director in Harel Investments and Harel Insurance



Nir Cohen
CEO
Harel Investments and Harel Insurance

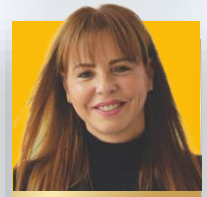
Board Harel Investments



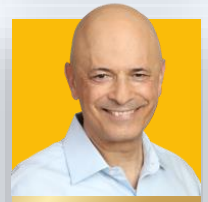
Joseph Ciechanover
Director
Harel Investments



Naim Najar
External Director
Harel Investments



Dr. Ayelet Ben Ezer
External Director
Harel Investments



Doron Cohen
Director
Harel Investments



Efrat Yavetz
External Director
Harel Investments



Eli Defes
Director
Harel Investments and Harel Insurance



Michel Siboni
Director Harel Investments and Harel Insurance

Board Harel Insurance



Dr. Guy Rotkopf
Chairman
Harel Insurance



Michel Dahan
Independent Director
Harel Insurance



Miri Lent Sharir
Independent Director
Harel Insurance



Liora Kvoras Hadar
Director
Harel Insurance



Yoni Tal
Independent Director
Harel Insurance



Dvorah Vizel
Independent Director
Harel Insurance



Prof. Udi Nisan
Independent Director
Harel Insurance

The largest insurance and financial group in Israel

39.4
Premiums and Deposits
NIS B

428
AUM
NIS B

8.9
Equity
NIS B

600
Comprehensive Income after tax
NIS M

7%
ROE

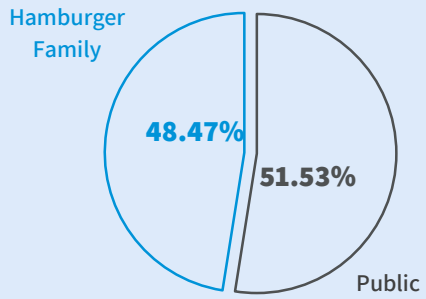
167%
Solvency Ratio
As of 30.06.23 ,
including transitional measures

~4 million
Customers

~5,000
Employees

~2,000
Agents

Ownership Structure



~90 years of experience

S&P Maalot
ilAA+/Stable
Harel Insurance

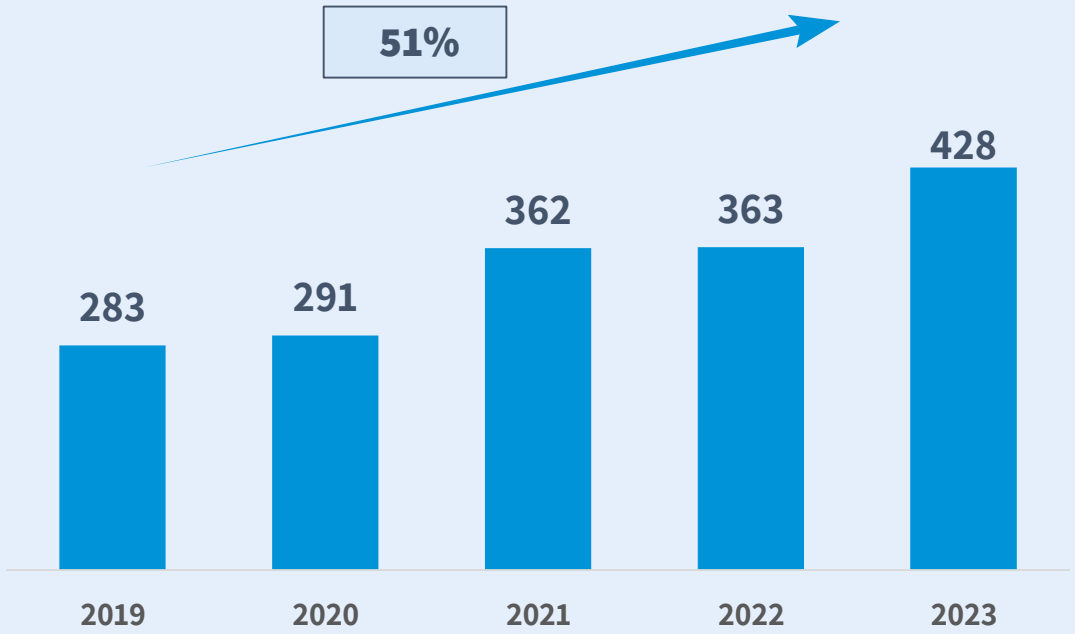
Midroog
Aa1.il stable
Harel Insurance
Aa2.il stable
Harel Investments

Maala CSR
Platinum Plus
Harel Investments

All financial data- as of 31.12.2023. Equity and Comprehensive income: attributed to shareholders
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 30.09.2023

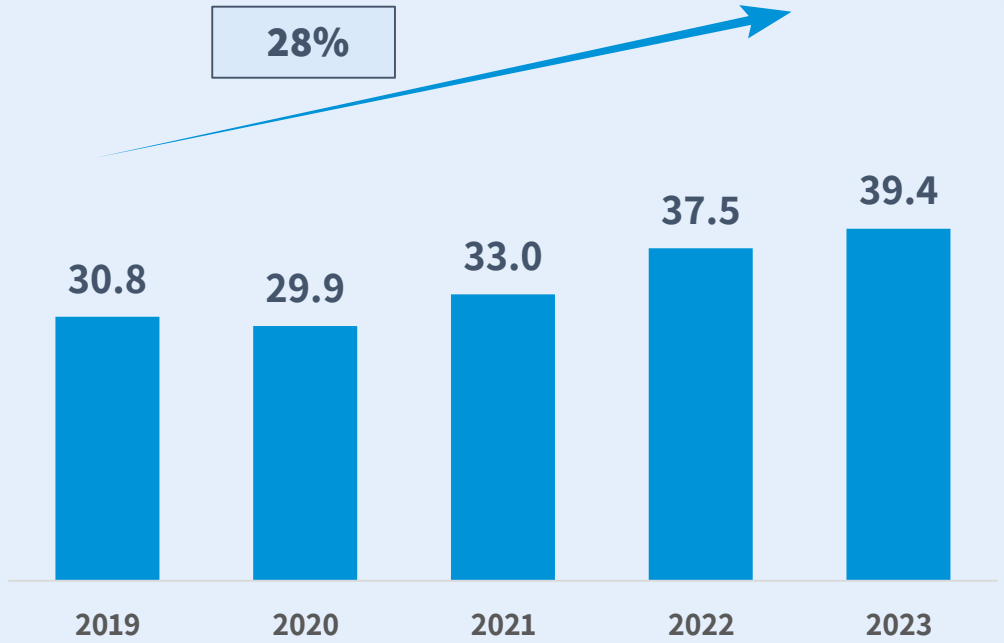
Consistent growth in premiums and AUM

AUM NIS B



Premiums and Deposits* NIS B

Market Share #1



Market share – in terms of gross premiums earned as of 30.09.2023
* Gross premiums earned and contributions to pension funds and provident funds and amounts received for investment contracts

Harel Investments: Excess cash and consistent dividend policy

NIS 2 B Excess Cash

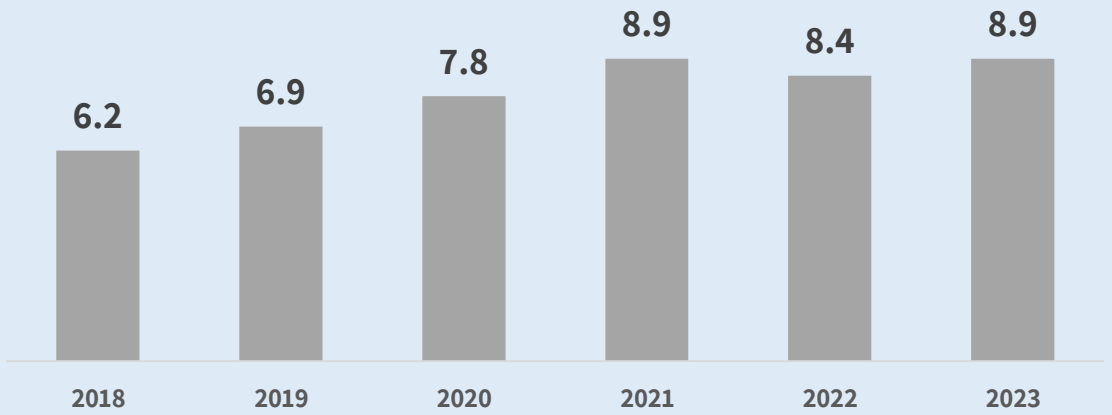
NIS million 31.12.2023	Harel Investments	Company B	Company C	Company D	Company E
Bank loans and bonds	(1,260*)	(1,896)	-	(1,514)	(170)
Cash and other financial investments	3,336	439	3	1,020	356
Excess cash (debt), net	**2,076**	**(1,457)**	**3**	**(494)**	**186**

Dividend Policy

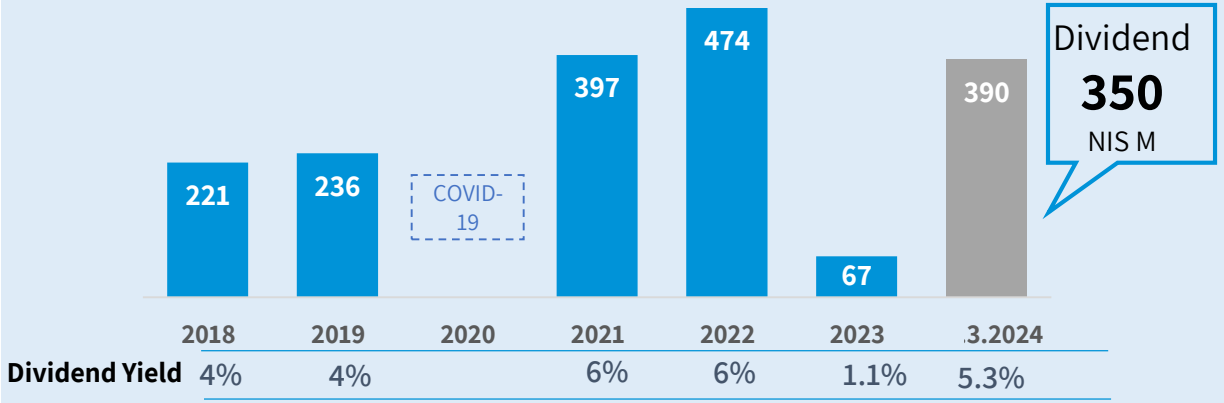
>30%
Harel Investments

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 21 M was implemented

Equity Harel Investments NIS B



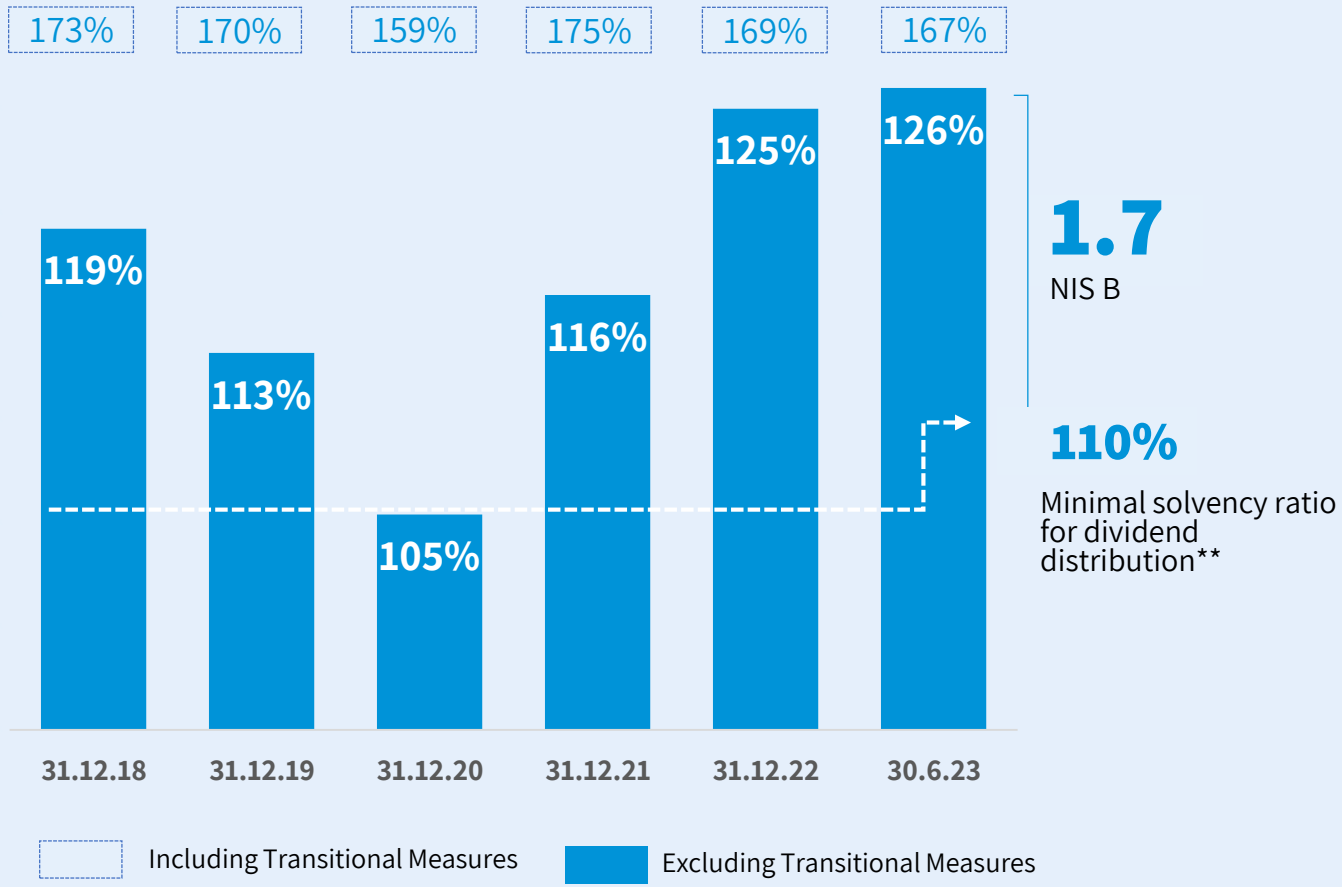
Harel Investments Dividend (including share repurchase)



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 40 m in 2024. At 28.3.2024 the Company announced on a NIS 350 M dividend. Companies B- E: The Phoenix, Migdal, Clal, Menorah. Source: Respective Financial Statements as of 31.12.2023
*including derivatives

Harel Insurance: Surplus above regulatory capital requirments

Harel Insurance: Solvency Capital Ratio



Dividend Policy

>35%

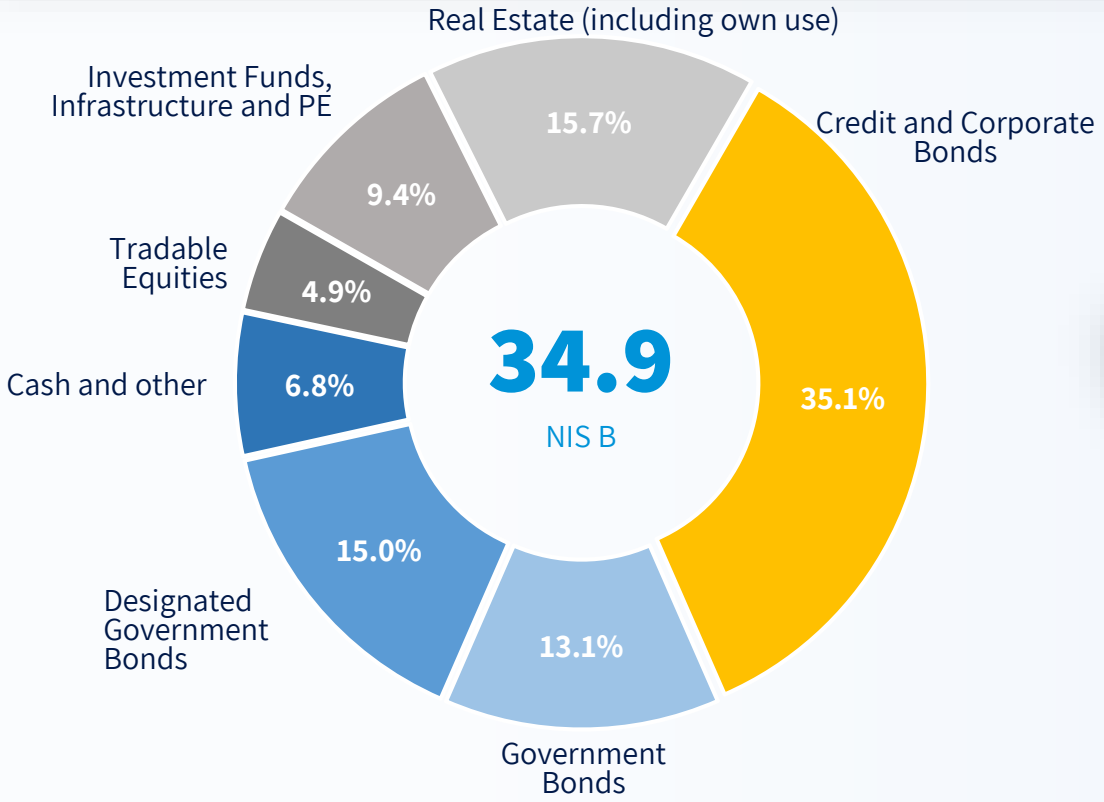
Harel Insurance*

*Dividend payout from annual comprehensive income based of Harel Insurance financial statements, as long as the company is compliant with minimum solvency ratio for dividend distribution

** As decided by the board. In June 2023, the minimum solvency ratio was updated to 110% from 105% excluding transitional measures and 135% including transitional measures

Harel Insurance: Increase in embedded Nostro returns

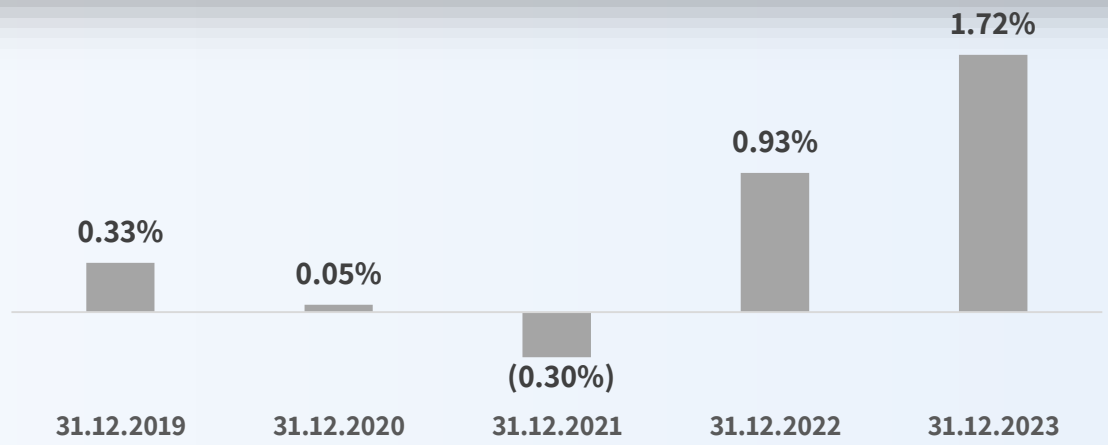
Breakdown of Nostro portfolio by asset classes (31.12.2023)



Real Investment Yield

2023	10-Y Average
0.7%	3.7%

Increase in yield to maturity of 20-Y CPI-linked government bonds*



Harel Insurance Nostro portfolio: Assets held to cover insurance liabilities in Life, Non-life and Health Insurance and against Equity.
*Source: Bank of Israel

Our Story

Brand, Human Capital and Customers

Leading brand, committed and professional leadership, employees and agents – focused on providing the best service to our customers

Ready to adopt tech innovation

We developed an infrastructure to connect legacy core systems to advanced services and products on the cloud

New Strategy Aug 2022

Permanent profitability improvement, enhancing growth in profitable segments and revenue diversification

Implementation has started

Growing use of digitalization, automation and management tools: for accurate pricing and claims processes and to leverage marketing efficiency in all distribution channels

NIS 785 M underwriting improvement in 2023

As a result of underwriting improvement in Non-life, Life and Health insurance

Set targets for 2026

NIS 1.5 B profit after tax and ROE of 13.5% reflecting additional permanent improvement of NIS 500 M after tax

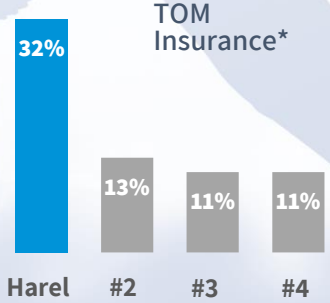
HAREL Insurance & Finance

Our Strengths

Brand

Leading Insurance brand

HAREL Insurance & Finance



Human Capital

Unique DNA evident in professional and committed employees, agents and management teams

Top 50 desired companies



The only insurance company in Globes Brands Index



Top 800 employers in the world



Customers

Broad customer base, creating substantial growth potential

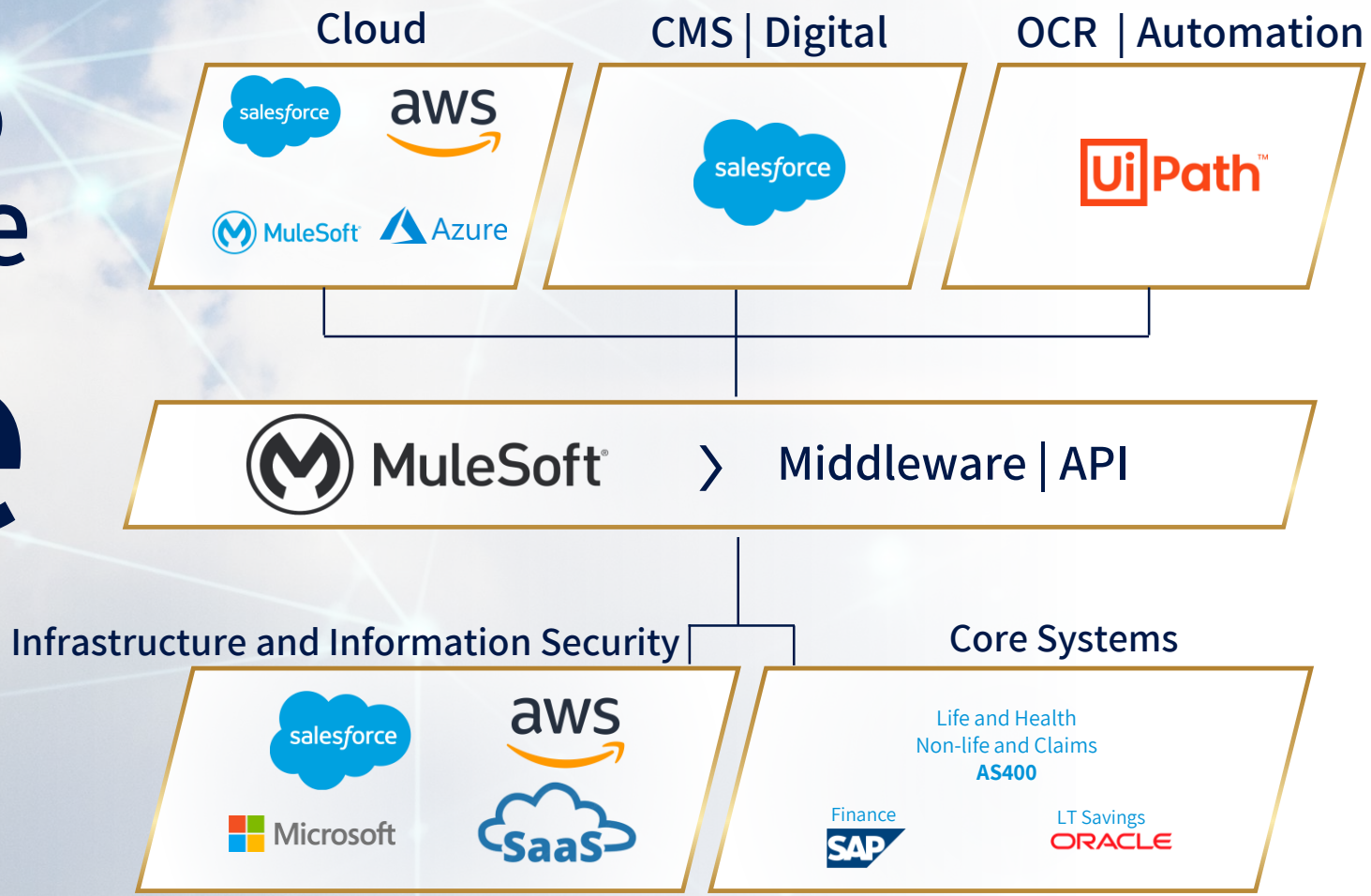
~4 million
Customers

*TOM – Top of Mind Awareness- indicator of customer awareness of the brand

HAREL Insurance & Finance

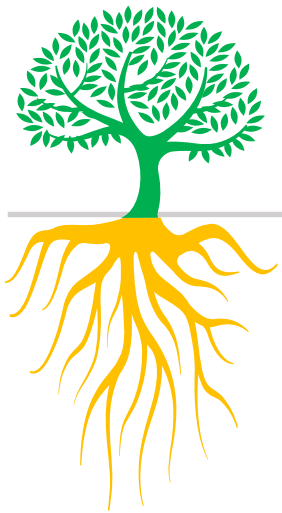
Ready to Challenges of the Future

Advanced Technological Infrastructure



OCR- Optical Character Recognition; CMS – Content Management Systems; API –Application Programming Interface

Formulating the strategic focus August 2022



‘Fix the core’

Fixing core performance
and profitability in insurance

‘Scale the core’

Improving distribution engines
to scale insurance production

‘Expand outside the core’

Diversifying revenue sources

Performance Transformation (IDP/BUP*)

- Technical performance
- Operational Excellence
- Customer Intimacy

Bold moves – focus today

*IDP – Independent Diligence; BUP – Bottom up planning

Strategic Focus

Improving Profitability and Diversifying Revenues

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

Strategy Implementation





Improving insurance profitability

- Accurate Pricing and Efficient Claims Management
- Process Automation
- “Measurable Organization”



Continue growing in profitable products

- Strengthening relationships with customers by providing superior service in a variety of channels
- Increasing product offering to existing customers
- Advanced services to agents

Continuous improvement in motor property and 'long tail'

Operational Excellence

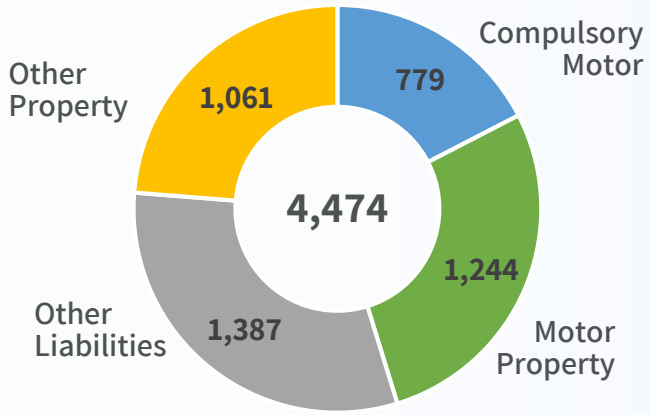
Strengthening managerial tools and controls in claims handling processes

Customers

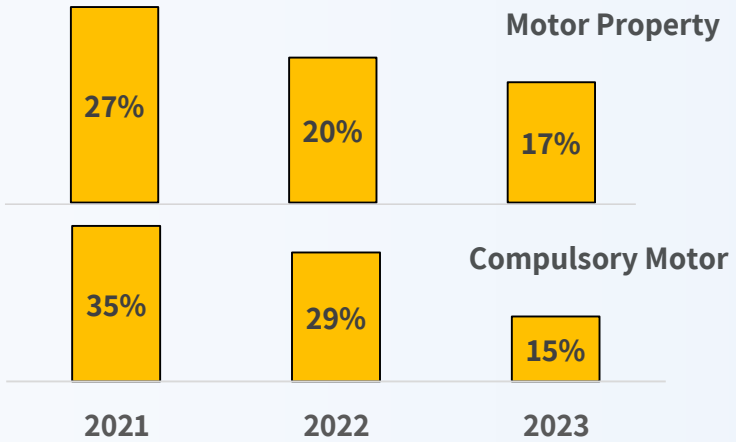
Ongoing focus on personal lines and leveraging interaction with customers to add more products and services

Further potential for additional improvement in profitability

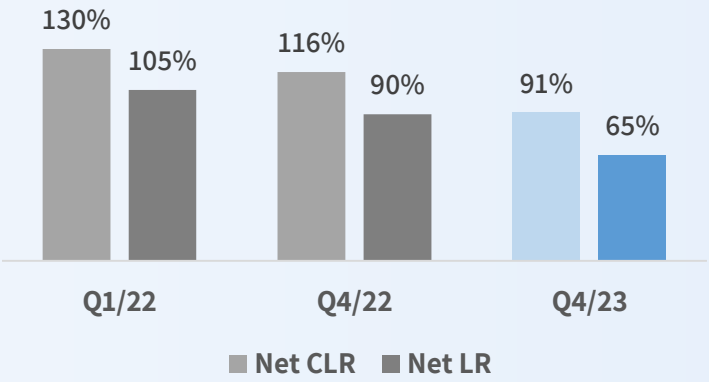
Breakdown of 2023 Non-life Gross Premiums Earned* NIS m



Declining share of Group premiums in Motor



Continuous Improvement in Motor Property Loss Ratio



*Including NIS 3 m premiums in mortgage insurance, excluding insurance overseas

Focus on personal-lines risk

Operational Excellence

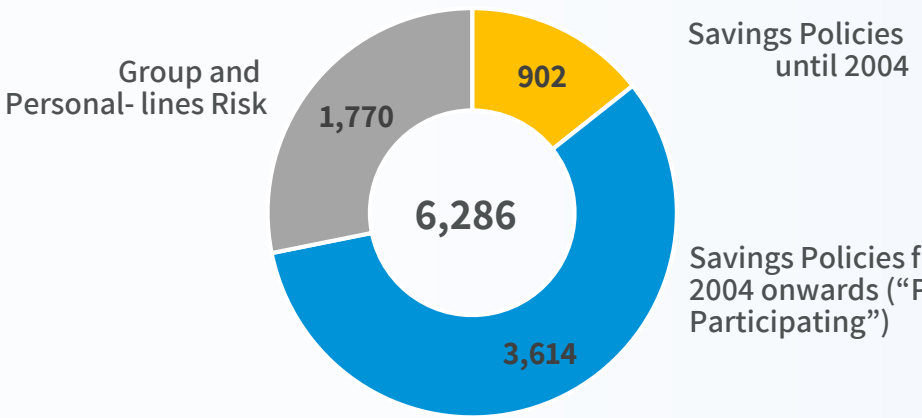
Accurate claims process especially in disabilities

Customers

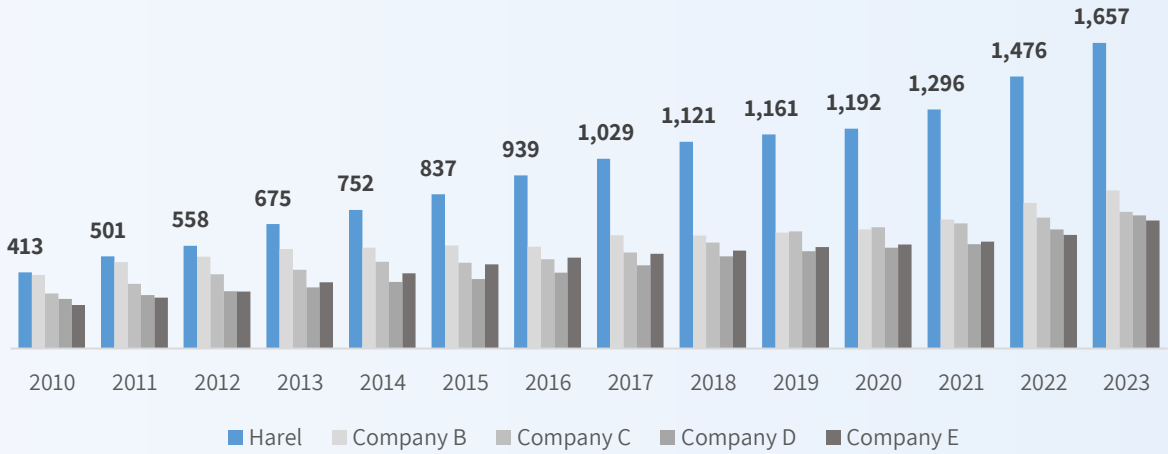
Unlocking growth potential in risk products with existing customers

Personal-lines Risk: Harel is the largest company, growing while improving profitability

Breakdown of 2023 Life Insurance Premiums NIS m



Personal-lines Risk premiums 2010 - 2023*



*Source: EYTool. The data presented regarding the other companies were not reviewed independently by Harel, and it is not therefore responsible for their correctness. Companies B- E: Clal, Migdal, Menorah, The Phoenix

Focus on personal lines, terminating exposure to group LTC

Operational Excellence

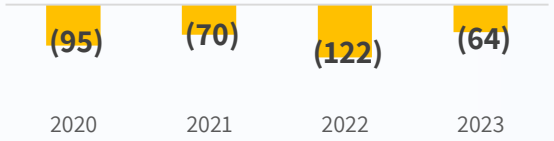
Enhanced usage in automation and digitalization to strengthen profitability of personal and group lines

Customers

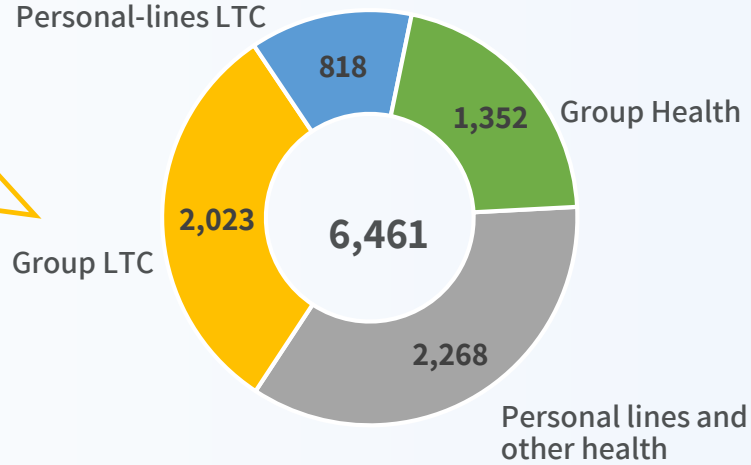
Developing marketing tools for activity with existing customers

Continue leading in Health Insurance

Comprehensive Loss Group LTC NIS M



Breakdown of 2023 Health Insurance Premiums NIS m



Health Reform: Shift from Full Cover for surgery to Supplementary Cover

Total Full Cover Premiums will become Supplementary Cover in June 2024 amounted to NIS164 M in 2023

- Long term presence in Supplementary Cover product
- Supplemental Cover sales comprised 60% of new sales of health policies in the past two years
- Lower capital requirements for Supplementary Cover
- Expectation for reduction of cancellations due to change in discounts structure

Unlocking benefits of scale

Operational Excellence

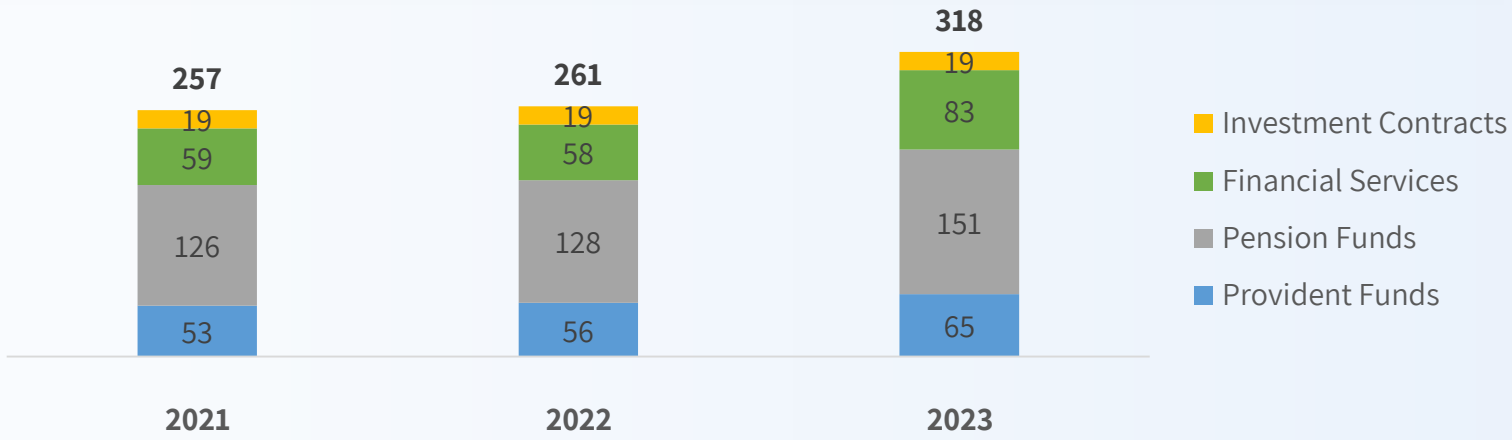
Material sales potential to customers with one product only

Customers

Increase automation allowing for improved profitability while unlocking benefits of scale

Growth potential in Asset Management

AUM in Pension Funds, Provident Funds, Financial Services and Investment Contracts NIS B



Assets Under Management presented in this segment do not include Nostro and Yield Dependent Insurance and Investment Contracts



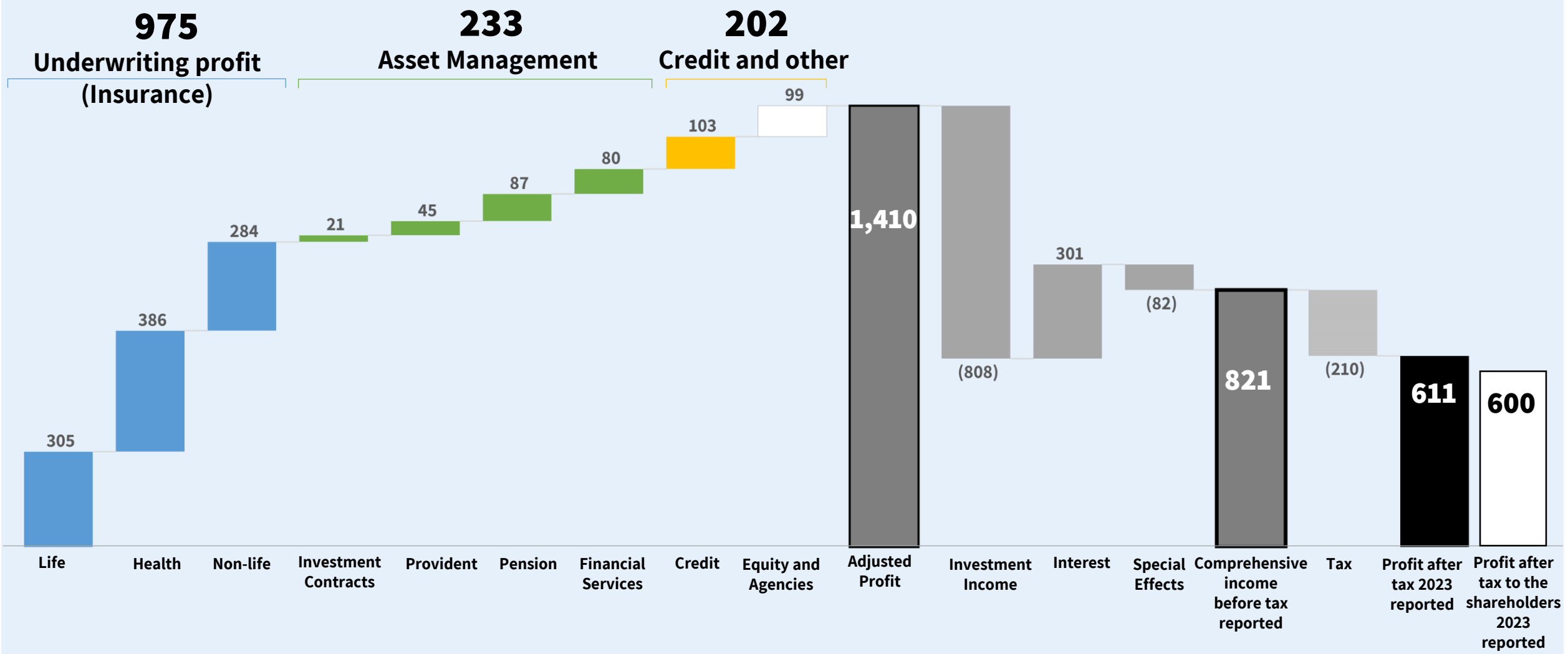
Expanding non-insurance activities

Acceleration of growth in existing non-insurance activities:

- Hamazpen
- Development property financing
- Harel 60+
- Financial guarantees
- Investment in agencies

Exploring additional investment opportunities to increase revenue diversification

Composition of comprehensive income 2023 NIS M



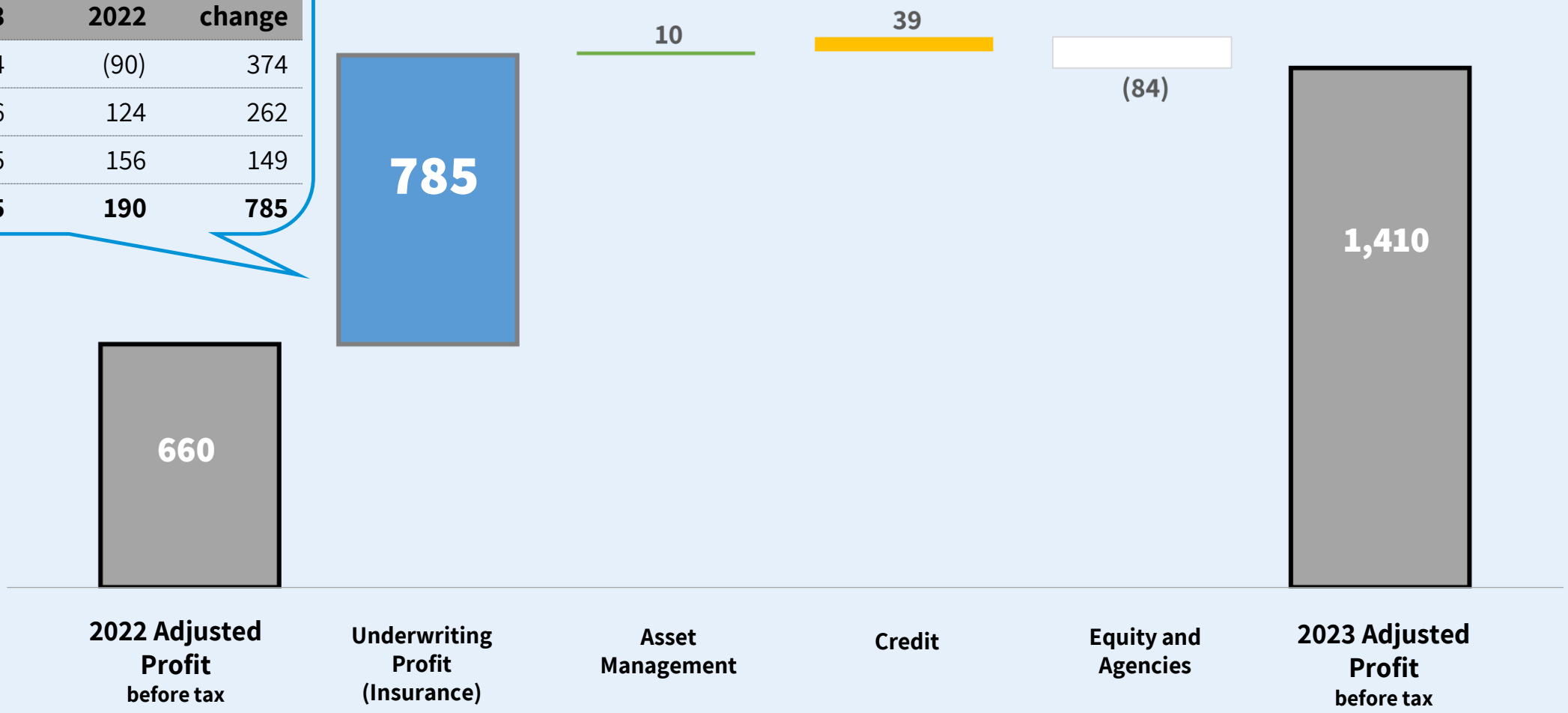
Underwriting profit in Life, Health, Non-life segments and profit in Equity segment are calculated assuming 3% real return, excluding special effects. See Appendix for full list of assumptions

NIS 785 M underwriting improvement in 2023

Underwriting Improvement 2023 vs 2022

NIS M	2023	2022	change
Non-life	284	(90)	374
Health	386	124	262
Life	305	156	149
total	**975**	**190**	**785**

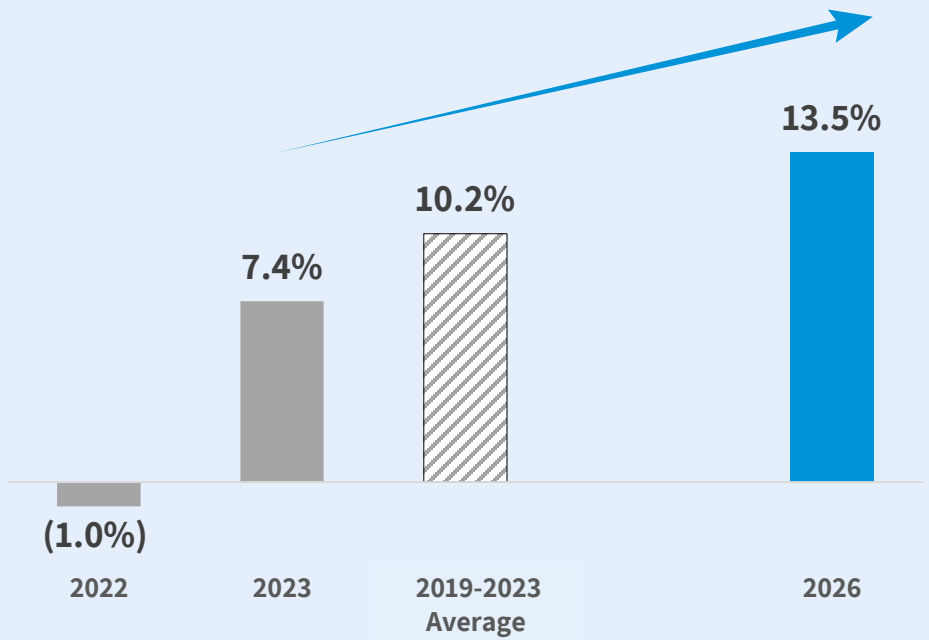
Change in adjusted profit 2023 vs 2022 NIS M before tax

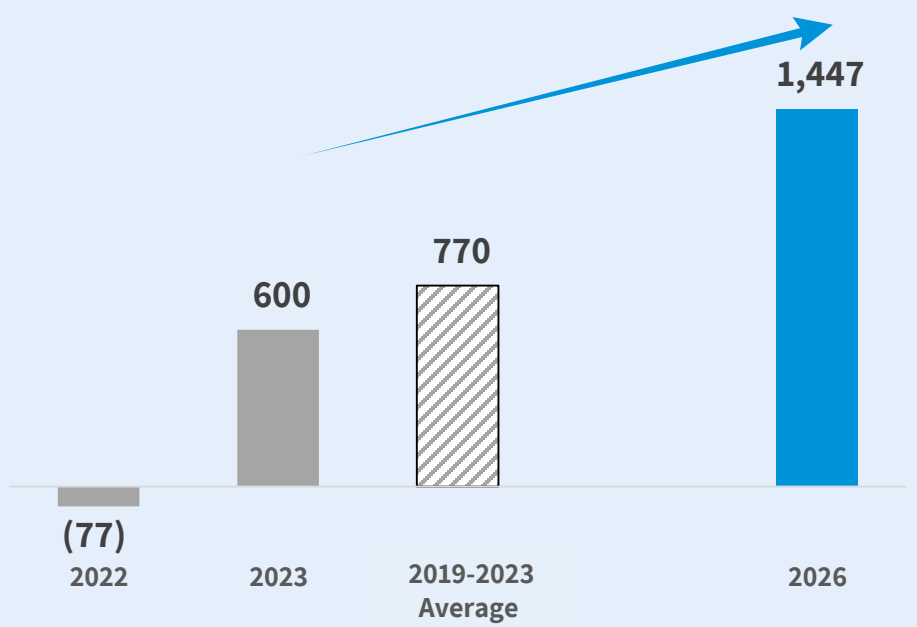


Underwriting profit in Life, Health, Non-life segments and profit in Equity segment are calculated assuming 3% real return, excluding special effects. See Appendix for full list of assumptions

Our targets:

Harel 2026

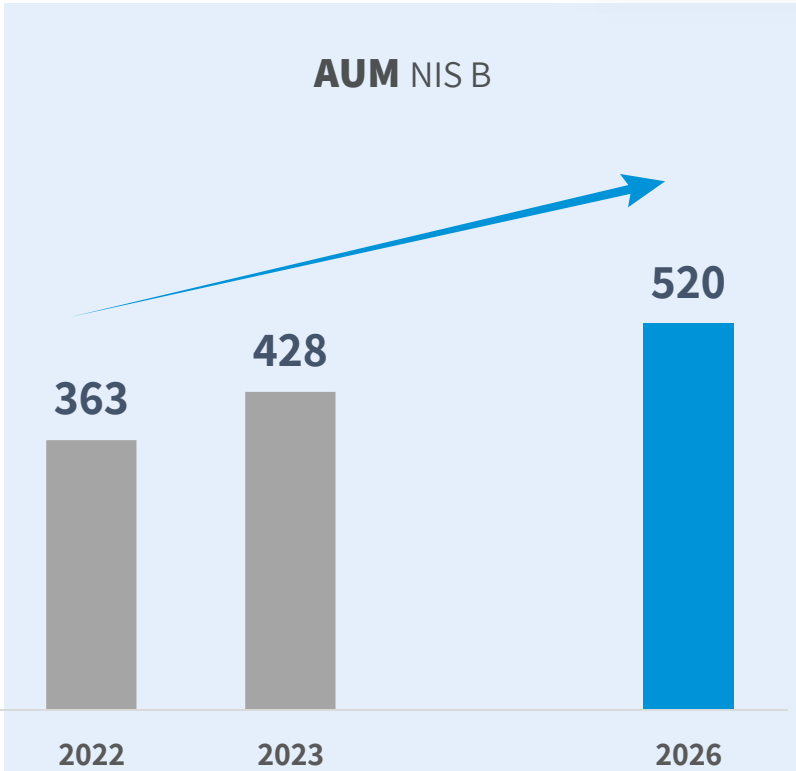


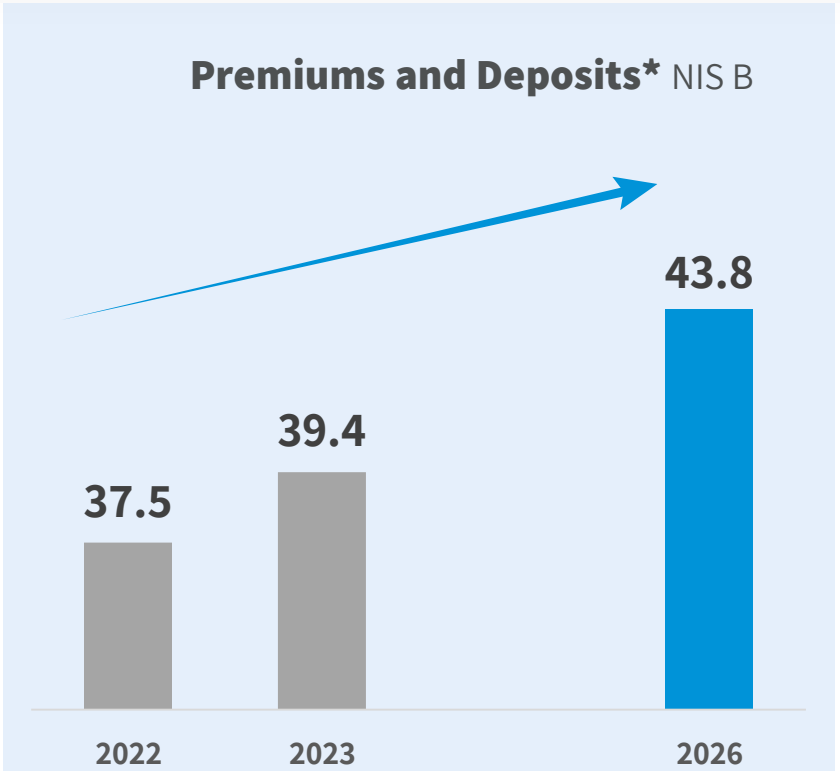


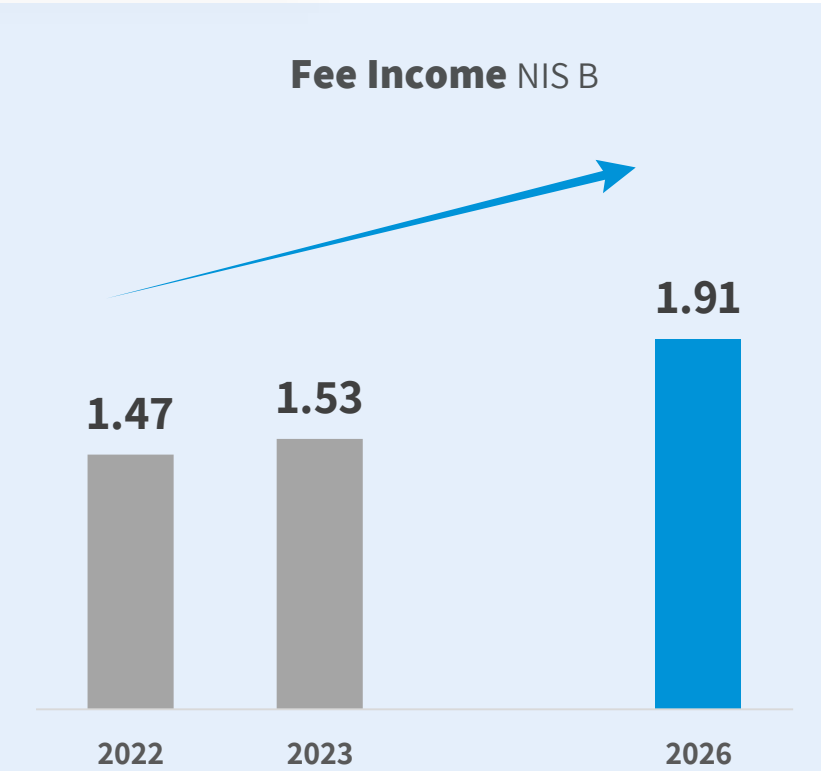
Key forecast assumptions: Real Nostro return of 3.0%, change in CPI 3.0%, implementation of strategic plan to improve profitability and diversify revenues. Premium growth is consistent with industry growth assuming that Harel's share is maintained. 2026 premiums do not include Group LTC premiums for Clalit HMO contract Increase in AUM reflects the past deposits development (continuous growth in pension and provident funds). Fees include 126 M variable fees in 2026, in 2022-2023 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.

Our targets:

Harel 2026







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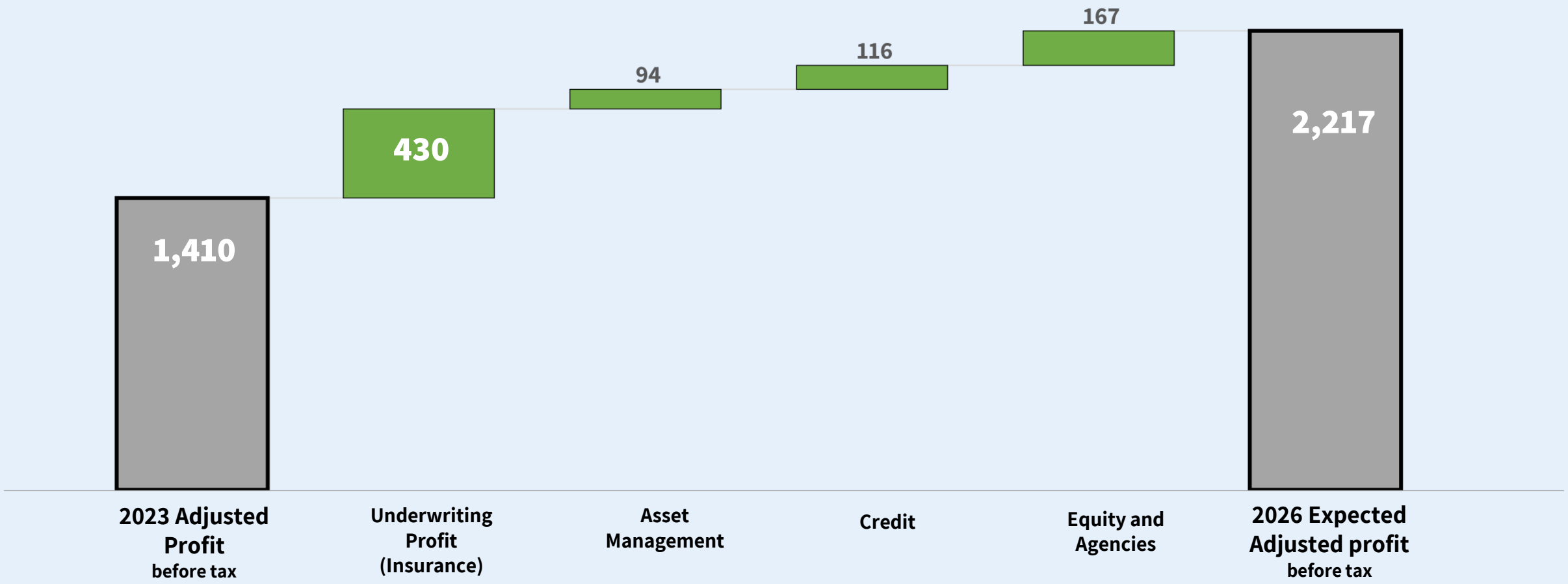
*Gross premiums earned and contributions to pension funds and provident funds and amounts received for investment contracts

Additional improvement of NIS 800 M before tax until 2026

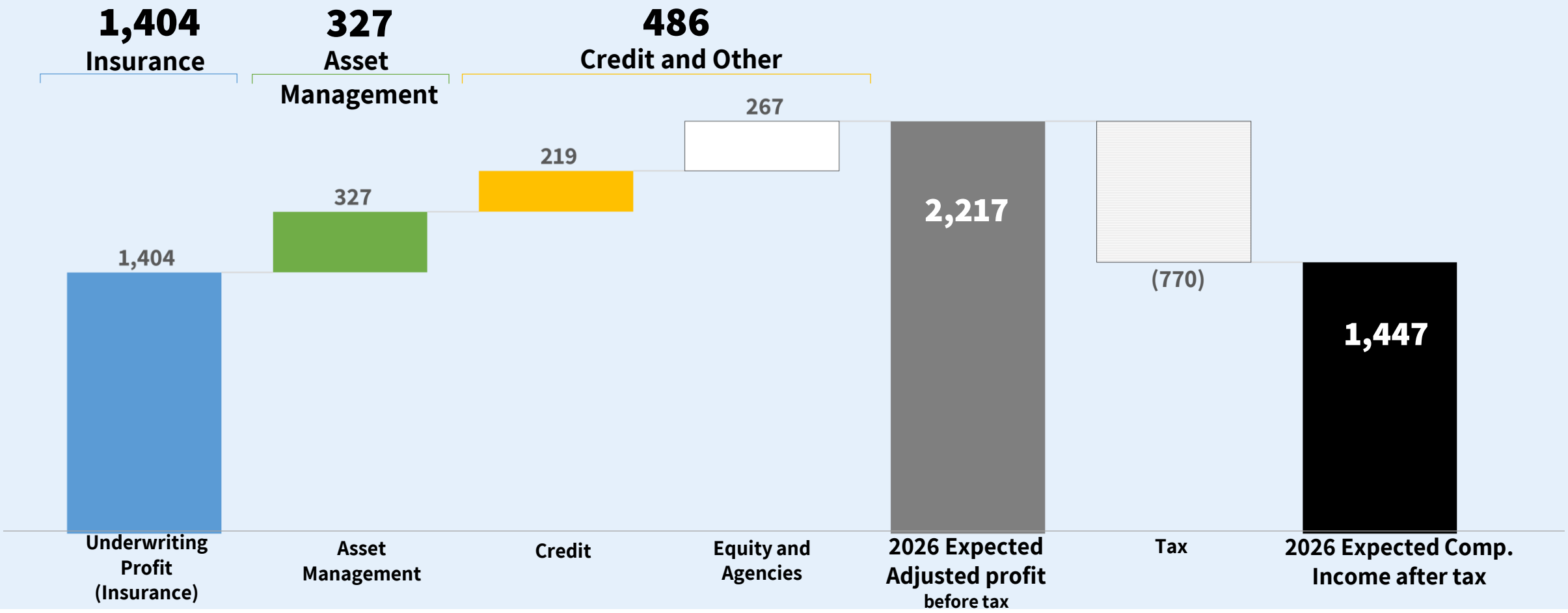
Change in adjusted profit 2026 vs 2023 NIS M before tax



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. 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 126 M variable fees in 2026, in 2022-2023 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.
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

2026: NIS 1.5 B profit after tax

Composition of 2026 Expected Comprehensive Income NIS M after tax



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To Summarize

Solid history and fundamentals

Almost 90 years of experience with stable family ownership and long term view, leading brand, committed and professional management, employees and agents teams

Growth and market share

In recent decades Harel established its leading market position and expanded its activities through M&As in the insurance and asset management segments

Profitability and diversification

Now, with the implementation of the new strategy, we aim to achieve material and permanent improvement in underwriting profitability and to diversify revenues

We started in 2023

NIS 785 M underwriting improvement in 2023 in Non-life, Life and Health Insurance, and we expect additional improvement in the coming years

2026 targets

2026: NIS 1.5 B comprehensive Income and 13.5% ROE, reflecting additional permanent improvement of NIS 500 B after tax

HAREL Insurance & Finance

Appendix

Calculations 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

Asset Management

Pension Funds

Provident Funds

Finance

Investment Contracts

Inline with actual performance, excluding special effects

Credit and Other

Hamazpen

Development Property Financing

Harel 60+

Financial Guarantees

Agencies

Equity

Inline with actual performance, excluding special effects

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

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The Israel's spirit **is our insurance**

For further information:

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