

May 29 2013

Harel ends Q1 2013 with comprehensive profit of NIS 200 million

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**In 2012, the Group's EV (Embedded Value), which includes Harel Insurance, pension activity and Dikla, increased by 25% to NIS 9.17 billion**

**VIF (Value in Force) increased by 17% to NIS 6.5 billion, compared with the previous year**

**VNB (Value of New Business) for the Group during the reporting period increased by 48% to NIS 994 million**

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Earned premiums and benefit contributions in the first quarter of 2013 increased by 18% to NIS 3.73 billion compared with the corresponding period last year

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At March 31, 2013, the Group held total assets under management of NIS 128.2 billion - not including the assets of Clal Finance, the acquisition of which was completed in April

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Harel Insurance Investments and Financial Services published its financial statements for the first quarter of 2013:

Net profit for Q1 2013 increased by 15% to NIS 222 million, compared with NIS 193 million for the corresponding period last year.

Comprehensive profit for Q1 2013, which consists of profit after tax for the reporting period plus the net change in a capital fund in respect of available-for-sale financial assets and other changes in shareholders' equity, totaled NIS 200 million, compared with NIS 288 million for the corresponding period last year. The decline in comprehensive profit is mainly due to the effect of the capital market, where the yields reported for the reporting period were lower than those for the corresponding quarter last year.

Earned premiums and benefit contributions for Q1 2013 increased by 18% to NIS 3.7 billion, compared with NIS 3.2 billion last year.

Shareholders' equity attributed to the Company's shareholders at March 31, 2013 increased to NIS 4.3 billion.

The Group's EV (Embedded Value) - comprising Harel Insurance, pension activity and Dikla increased by 25%, totaling NIS 9.17 billion at the end of 2012. The Group's VNB (Value of New Business) during this period increased by 48% to NIS 994 million.

VIF (Value in Force) increased by 17% to NIS 6.5 billion, compared with the previous year.

At March 31, 2013, the Group's **total assets under management** in insurance, pension funds, provident funds, mutual funds and financial services **increased by 20% to NIS 128.2 billion**, compared with assets under management of NIS 106.6 billion at March 31, 2012.

Michel Siboni, Co-CEO of Harel Insurance Investments & Financial Services: "The increase in the volume of assets under management, in premiums and benefit contributions, together with the large increase in EV and VNB are the result of on-going implementation of Harel's strategic focus. Harel Group's recent acquisitions, including the life assurance business of Eliahu, the mutual fund and the portfolio management activity of Clal Finance, as well as the increase in Harel's share of ICIC, will contribute to further improving Harel's business parameters and bolster its growth in the long-term as well".

Long-term savings:

Comprehensive profit in life assurance and long-term savings totaled NIS 152 million in the reporting period, compared with NIS 184 million for the corresponding period last year. The decline in profit can be attributed mainly to the impact of the capital market, in which yields were lower than those for the corresponding period last year, and to a decline in profitability of provident fund activity due to the reform of management fees. These effects were partially offset in that during the reporting period, the Company collected variable management fees of NIS 63 million whereas it did not collect any variable management fees in the corresponding quarter last year.

Pre-tax profit in the life assurance and long-term savings segment increased by 26% to NIS 169 million in the reporting period, compared with NIS 135 million for the corresponding period last year.

Earned premiums and benefit contributions for long-term savings activity (life assurance, pension, provident and education funds) in Q1 2013 increased by 23% to NIS 2.2 billion, compared with NIS 1.8 billion in Q1 2012.

Pension funds

Comprehensive profit in the pension funds in Q1 2013 totaled NIS 10 million, similar to the corresponding period last year.

The Group's pension funds collected **benefit contributions** increased by 37% to NIS 886 million during the reporting period, compared with NIS 645 million for the corresponding period last year.

At March 31, 2013, the Group's **pension funds held assets under management increased by 38%** to NIS 20.7 billion, compared with NIS 15 billion at March 31, 2012. The increase compared with the previous year is due, in part, to the agreement with the IDF regarding the pension arrangement for career soldiers, as well as an increase in the amounts of provision made by members and the yield attained during the reporting period.

Life assurance

Comprehensive profit from life assurance totaled NIS 134 million in Q1 2013, compared with NIS 160 million for the corresponding period last year.

For the first time, the activity of Eliahu was included in the life assurance segment during the reporting period. The total earned premium in the life assurance segment, including the activity of Eliahu, **increased by 16%** to NIS 934 million in Q1 2013, compared with NIS 803 million for the corresponding period last year. The earned premium in the life assurance segment, after adjustment for the premium earned in respect of Eliahu, increased by 9% to NIS 878 million. Premiums earned during the reporting period accounted for 37% of all premiums earned by the Group during the reporting period.

Provident funds & education funds

Comprehensive profit from provident funds and education funds in Q1 2013 totaled NIS 8 million, compared with NIS 14 million for the corresponding period last year.

The Group's provident and education funds collected benefit contributions increased by 11% to NIS 344 million during the reporting period, compared with NIS 310 million for the corresponding period last year.

At March 31, 2013, the Group's **provident funds held assets under management increased by 8.7%** to NIS 25 billion, compared with NIS 23 billion at March 31, 2012.

Insurance activity:

Health insurance

Comprehensive profit in the health insurance segment for Q1 2013 increased by 32% to NIS 59 million, compared with NIS 45 million for the corresponding period last year. The increase in comprehensive profit during the reporting period, relative to the corresponding period last year can be attributed mainly to the improvement in underwriting profit which was achieved despite the fact that investment revenues during the reporting period were lower than those for the corresponding period last year.

The total earned premium in the health assurance segment, including the activity of Eliahu, increased by 16% to NIS 759 million as compared to NIS 656 million for the corresponding period last year.

Non-life insurance

Comprehensive profit in the non-life insurance segment for Q1 2013 totaled NIS 61 million, compared with NIS 107 million for the corresponding period last year. The decrease in comprehensive profit in the reporting period is due mainly to the effect of the capital market, where yields were lower than those in the corresponding period last year.

Gross premiums in Q1 2013 increased by 19% to NIS 1.1 billion, compared with NIS 906 million for the corresponding period last year. This increase is due mainly to the increase in Harel Insurance's share of the insurance of the vehicles of state employees during the reporting period compared with the corresponding period last year.

The insurance companies in the **overseas operating segment posted a comprehensive loss** of NIS 7 million in Q1 2013, compared with NIS 2 million for the corresponding period last year. Insurance companies in **the overseas operating segment earned total premiums** of NIS 43 million in Q1 2013, compared with NIS 45 million for the corresponding period last year. Total premiums earned by the insurance companies operating overseas for the Reporting Period account for just 2% of all premiums earned by the Group.

Harel Finance:

At March 31, 2013, the **assets under management held by the capital market and financial services segment held increased by 23.5%** to NIS 32 billion, compared with NIS 26 billion at March 31, 2012. Most of this increase is due to the growth of assets under management in the mutual funds and to a **significant increase in the Company's index-linked certificate assets** to NIS 8 billion in the reporting period, compared with NIS 4.1 billion in the corresponding period last year.

The capital market and financial services segment posted a pre-tax loss of NIS 0.9 million in Q1 2013, as compared to a pre-tax profit of NIS 5.5 million for the corresponding period last year. The shift from profit to loss is mainly the result of a decline in management fees due to lower average management fees from the mutual funds.

On April 4, 2013, Harel Finance completed **the acquisition of all the shares of Clal Mutual Fund Management Ltd. and the portfolio management activity of Clal Finance**. In this transaction, Harel Finance absorbed assets held in mutual funds and investment portfolios in the total amount of NIS 15 billion, thus increasing the volume of company assets to **NIS 50 billion**. Of this amount, NIS 31 billion are managed by the mutual fund company Harel-Pia, which subsequent to the transaction, became the **third-largest player in the mutual fund sector, with managed assets of NIS 31 billion and a market segment of 16%**.