

March 30, 2014

Harel presents 15% growth of total earned premiums and benefit contributions to NIS 15.9 billion in 2013

Harel continues to post high profits: 2013 ended with stable comprehensive profit of NIS 686 million

Net profit increased by 51% to NIS 681 million in 2013

Comprehensive profit for Q4 2013 increased by 20% compared with Q4 2012 to NIS 253 million

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**Assets under management held by the Group increased by 35% in 2013, and reached a record NIS 161 billion**

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Return on Equity for the shareholders was 16% in 2013

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**Harel will distribute a dividend of NIS 106 million to its shareholders**

**Harel Insurance Investments and Financial Services** has published its financial statements for 2013.

**Comprehensive profit for 2013 increased** was NIS 686 million, compared with NIS 705 million for 2012. **Comprehensive profit in Q4 2013 increased by 20%** to NIS 253 million, compared to NIS 210 million in the corresponding quarter last year. The increase in comprehensive profit can be attributed mainly to the collection of variable management fees in the amount of NIS 94 million in Q4 2013, compared with NIS 63 million in the corresponding quarter last year, to an increase in the contribution of investments and financial margins and improved underwriting results in some operating segments. These trends were partially offset by the need to revise the capitalizing interest rate on life assurance annuity reserves, due to the low interest environment in the economy.



**Net profit increased by 51% in 2013** to NIS 681 million, compared with NIS 451 million in 2012. **Net profit in Q4 2013** increased by 106% to NIS 231 million, compared with NIS 112 million in the corresponding quarter last year.

**Total earned premiums and benefit contributions in 2013 increased by 15%** to NIS 15.9 billion, compared with NIS 13.9 billion last year. For the first time, total earned premiums from insurance business for the Reporting Period included the premium earned from the life assurance activity acquired from Eliahu Insurance Company.

**Equity** attributed to the Company's shareholders at December 31, 2013 totaled NIS 4.5 billion.

**The return on equity** for the shareholders in 2013 was 16% in annual terms.

At December 31, 2013, **the Group's assets under management** in insurance, pension funds, provident funds, mutual funds and financial services **increased by 35%** to a **record NIS 161 billion**, compared with assets under management of NIS 119 billion at the end of 2012. The increase was influenced, in part, by the acquisition of the mutual funds of Clal Finance and of the life assurance portfolio of Eliahu.

Together with the Financial Statements, **the Board of Directors also approved a dividend distribution of NIS 106 million** by Harel Investments, as a continuation of the dividend of NIS 300 million distributed in 2013. The subsidiary Harel Insurance will distribute a dividend of NIS 85 million.

**Michel Siboni, Co-CEO of Harel Insurance Investments and Financial Services** said that "in 2013 Harel continued to post high profits, leadership and direction, and consistent growth of premiums and benefit contributions. The Company's robustness is the outcome of its strategic focus on the expansion of core activities through natural growth, the ability to exploit business opportunities and make strategic acquisitions, including: the acquisition of Eliahu's life assurance business, the mutual fund and portfolio management activity of Clal Finance, and the increase in Harel's share of ICIC, all of which took place during the course of 2013".

**Long-term savings:**

**Comprehensive profit in the long-term savings segment** (life assurance, pension, provident funds and education funds) **in 2013 increased by 21%** to NIS 432 million, compared with NIS 357 million in 2012. The increase in comprehensive profit can be attributed mainly to the collection of variable management fees of NIS 208 million, compared with NIS 63 million collected in 2012. This increase was partially offset by a low financial margin during the Reporting Period compared to that of the corresponding period last year. **In Q4 2013,**

**comprehensive profit** in the life assurance and long-term savings segment was NIS 120 million, compared with NIS 150 million in the corresponding quarter last year. This decrease is largely the result of the need to revise the annuity reserves for life assurance and the reduced profitability of provident fund activity due to the reform of management fees. These trends were partially offset by the collection of variable management fees in the amount of NIS 94 million in Q4 2013, compared with NIS 63 million of management fees that were collected in the corresponding period last year, and by an increase in the contribution made by investments and financial margins.

**Total earned premiums and benefit contributions** in the long-term savings segment in 2013 increased by 19% to NIS 9.5 billion, compared with NIS 8 billion in 2012. **In Q4 2013, total earned premiums and benefit contributions** in this segment increased by 13% to NIS 2.6 billion, compared with NIS 2.3 billion for the corresponding period last year.

#### Life assurance

**Comprehensive profit from life assurance in 2013 increased by 38%** to NIS 346 million, compared with NIS 250 million in 2012. The increase can be attributed mainly to the collection of variable management fees amounting to NIS 208 million, compared with NIS 63 million, the effect of which was partially offset by a low financial margin during the Reporting Period compared with that in the corresponding period last year. **In Q4 2013, comprehensive profit** from life assurance was NIS 95 million, compared with NIS 121 in the corresponding quarter last year. This decline is mainly due the result of the need to revise life assurance annuity reserves. These trends were partially offset by the collection of variable management fees in the amount of NIS 94 million in Q4 2013, compared with NIS 63 million collected in the corresponding quarter last year and by the increase in the contribution made by investments and financial margins.

**Total earned premiums** from life assurance in 2013 increased by 15.6% to NIS 3.8 billion, compared with NIS 3.3 billion in 2012. The premiums earned during the Reporting Period accounted for 37% of all premiums earned by the Group during this period. During the Reporting Period, premiums earned in the life assurance segment for the activity of Eliahu were included for the first time. **Total earned premiums from life assurance in Q4 2013 increased by 10%** to NIS 983 million, compared with NIS 891 million in the corresponding quarter last year.

#### Pension funds

**Comprehensive profit from pension fund management in 2013** was NIS 57 million compared with NIS 51 million in 2012. **Comprehensive profit from pension fund management in Q4 2013** totaled NIS 15 million, similar to the corresponding quarter in 2012.

At December 31, 2013, the **pension funds** managed by the Group had 800,000 **members**, of which 431,000 are active members, a **7% increase** compared with the number of active members at December 31, 2012.

**The benefit contributions** collected by the Group's pension funds in **2013 increased by 27%** to NIS 4.1 billion, compared with NIS 3.2 billion in 2012. In **Q4 2013**, the Group's pension funds collected benefit contributions of NIS 1.15, an **increase of 18%** compared with NIS 972 million for the corresponding quarter last year.

At December 31, 2013, the pension funds held **assets under management** amounting to NIS 25.4 billion, an **increase of 31%** compared with NIS 19.4 billion at December 31, 2012. The increase in relation to the corresponding period last year can be attributed to an increase in the amounts of provision made by members and the yield attained during the Reporting Period.

### **Provident funds**

**Comprehensive profit from provident funds and education funds in 2013** totaled NIS 29 million, compared with NIS 56 million in 2012. In **Q4 2013, comprehensive profit from provident funds and education funds** totaled NIS 10 million, compared with NIS 14 million for the corresponding quarter last year. The decline is mainly due to the erosion of management fees resulting from the management fees reform.

**Benefit contributions** collected by the provident funds and education funds in 2013 **increased by 11%** to NIS 1.6 billion, compared with NIS 1.4 billion in 2012. In **Q4 2013**, the Group's pension funds collected benefit contributions of NIS 510 million, an 11% increase compared with NIS 460 million for the corresponding period last year.

At December 31, 2013, the **provident funds and education funds** managed by the Group held assets under management which **increased by 12%** to NIS 27.2 billion, compared with NIS 24.2 billion at December 31, 2012.

### **Health insurance**

**Comprehensive profit in the health insurance segment in 2013** totaled NIS 202 million compared with NIS 225 million in 2012. The decline can be attributed mainly to the erosion of

premiums on group policies due to stronger competition and an increase in the rate of claims in these policies, as well as to the effect of the capital market where yields were lower than those in the corresponding period last year. In **Q4 2013, comprehensive profit in the health insurance segment** totaled NIS 66 million, compared with NIS 31 million for the corresponding quarter last year. **The increase in profit can be attributed to a non-recurring deterioration that was included in the underwriting results for the corresponding period last year.**

**Earned premiums in the health insurance segment in 2013 increased by 12%** to NIS 3.2 billion, compared with NIS 2.9 billion in 2012. **Total premiums earned in the health insurance segment account for 31% of all premiums earned by the Group in 2013.** In **Q4 2013**, earned premiums in the healthcare insurance segment **increased by 12%** to NIS 832 million, compared with NIS 741 million for the corresponding quarter last year.

### **Non-life insurance**

**Comprehensive profit from non-life assurance in 2013** totaled NIS 219 million, compared with NIS 317 million in 2012. **Comprehensive profit from non-life insurance for Q4 2013** totaled NIS 80 million compared to NIS 100 million in the corresponding quarter last year. The decline is due mainly to the effect of the capital market, where yields were lower than those in the corresponding period last year, to the fact that during the corresponding period last year the surplus revenues released in the compulsory motor segment for previous periods were higher than those released in the Reporting Period, on account of an extraordinary claim in the liabilities branch during the Reporting Period.

**Gross premiums in non-life insurance increased by 5% in 2013** to NIS 3.1 billion, compared with NIS 2.9 billion for the corresponding period last year. In **Q4 2013**, gross premiums in the non-life insurance segment **increased by 8%** to NIS 744 million, compared with NIS 687 million in the corresponding quarter last year.

### **Insurance companies overseas**

**In 2013, the insurance companies in the overseas operating segment** posted a comprehensive loss of NIS 12 million compared with a comprehensive loss of NIS 20 in 2012. In **Q4 2013**, the insurance companies operating overseas reduced their comprehensive loss to NIS 2 million, compared with a loss of NIS 13 million for the corresponding quarter last year. This reduced loss can be attributed mainly to improved underwriting performance by Turk Nippon.

**In 2013, earned premiums** from the insurance companies in the overseas operating segment **increased by 3%** to NIS 177 million, compared with NIS 172 million in 2012. During the Reporting Period, premiums earned by the insurance companies operating overseas account for 2% of all premiums earned by the Group. **In Q4 2013**, premiums earned by the insurance companies in the overseas operating segment amounted to NIS 44 million, compared with NIS 42 million in Q4 2012.

**Harel Finance:**

At December 31, 2013, **the assets under management held by the capital market and financial services segment through the Harel Finance Investment House grew by 88% to NIS 53.5 billion**, compared with NIS 28.4 billion at December 31, 2012. This increase can be attributed mainly to the acquisition of the portfolio management and mutual fund activity of Clal Finance, which was completed on April 4, 2013, to the growth of assets under management in the mutual funds, as well as to the further expansion of activity in ETNs and deposit certificates. As a result of the transaction, Harel-Pia, which absorbed mutual funds in the amount of NIS 15 billion, became the third-largest operator in the mutual fund sector, with managed assets of NIS 32.9 billion.

**Revenues in the capital market and financial services segment increased by 30% in 2013** to NIS 254 million, compared with NIS 195 million in 2012. The increase in revenues during the Reporting Period, compared with the corresponding period last year, is mainly due to the acquisition of the portfolio management and mutual fund activity of Clal Finance and to further expansion of activity in ETNs and deposit certificates by Harel Sal and Harel Financial Products.

**Comprehensive profit in the capital market and financial services segment in 2013 increased by 69%** to NIS 27 million, compared with NIS 16 million in 2012. **In Q4 2013**, comprehensive profit in the capital market and financial services segment amounted to NIS 10 million, compared with NIS 3 million in the corresponding quarter last year.