

Press release

Harel Insurance & Finance Group ended Q12012 with a comprehensive profit totaling NIS 288 Million, an increase of 265% in comparison to Q1 2011

Net profit in Q12012 increased by 75% in comparison to Q1 2011 and totaled NIS 192 million

The Group's embedded value (EV) including Harel Insurance, Pension Funds activity and Dikla increased by 6% in comparison to the previous year and totaled NIS 7.4 billion.

The value in force (VIF) totaled NIS 5.6 billion, an increase of 15% in comparison to Q1 2011

The group's value of new business (VNB) increased by 30% in comparison to Q1 2011 and totaled NIS 671 Million

The premiums earned in Q12012 increased by 9% in comparison to Q1 2011 and totaled NIS 3.2 billion

Harel Insurance Investments and Financial Services published today its financial reports for the Q1 2012:

Comprehensive profit (consisting of profit after tax in addition to net change in capital fund in respect of available for sale financial assets and other changes in equity) totaled NIS 288 million, in comparison to comprehensive profit of NIS 79 million in the corresponding period last year, an **increase of 265%**.

Net profit in Q1 2012 totaled NIS 192 million in comparison to net profit of NIS 110 in the corresponding period last year, a **75% increase**.

The sharp increase in the comprehensive profit and net profit affected mainly of the capital market, in which yields were significantly higher than the yields in the corresponding period last year, and revaluation of real estate property of Harel Insurance whose value increased after obtaining additional construction rights.

Total premiums earned and benefit fees in Q1 2012 increased by 9% and totaled NIS 3.2 billion in comparison to NIS 2.9 billion in Q1 2011.

The total premiums earned and benefit fees in long term saving activities (Life Assurance, Pension Funds, provident fund and study fund) in Q1 2012 increased by 10% and totaled NIS 1.8 billion in comparison to NIS 1.6 billion in Q1 2011.

Benefit fees collected by the Group's pension funds in Q1 2012 increased by 22% and totaled NIS 645 million in comparison to NIS 530 million in Q1 2011.

Total premiums earned in life assurance in the Q1 2012 increased by 3% and totaled NIS 803 million in comparison to NIS 777 million in Q1 2011. Premiums earned in Life Assurance constituted 36% of the overall premiums earned by the Group.

The total amount of the premiums earned in the Health Insurance sector, a sector in which the Group is the largest and most prominent Group in Israel, increased by 13% and totaled NIS 656 million in Q1 2012 as opposed to NIS 582 million in Q1 2011. The total premiums earned in the Health Insurance sector accounts for 30% of the overall premiums earned by the Group in the reporting period.

Michele Siboni, Co-CEO of Harel Insurance & Finance: "The results of Harel Group as in the results of Q1 2012, the EV results of 2011 and VNB results of 2011 are very good and reflect the strategy of focusing on growing and profitable areas of activity together with high quality services provided to customers and agents, and sensible and responsible investment management. At the same time, we should keep in mind that we operate in a business environment characterized by considerable fluctuations in the capital market, a global economic crisis and decrease of margins in current activities. These circumstances require us to examine our activities at all times in order to maintain the Group's relative advantage."

Comprehensive profit in Long Term Saving activities in Q1 2012 totaled NIS 184 million as in comparison to NIS 81 million in Q1 2011, an increase of 126%.



Comprehensive profit in Life Assurance in Q1 2012 totaled NIS 160 million in comparison to NIS 54 million in Q1 2011, an increase of 196%. Increase mainly stems from the influence of the capital market in which yields were high in comparison to the corresponding period and improvement of the financial margin mainly due to the positive yields and the zero rate index that was recorded in the reporting period as opposed to a positive index at a rate of 0.87% in the corresponding period last year. The variable management fees that Harel Insurance will not collect on yield-dependent policies until the investment losses in respect of these policies are covered, was significantly reduced and as of the end of April 2012 it totals NIS 18 million.

Comprehensive profit from Pension Funds management in Q1 2012 totaled NIS 10 million in comparison to NIS 8 million in Q1 2011, an increase of about 20%. **The scope of managed assets by the Group's pension funds** as of March 31, 2012 totaled about NIS 15 billion in comparison to NIS 12.4 billion as of March 31 2011, a 21% increase.

Comprehensive profit from study and provident funds management in the first quarter of 2012 totaled NIS 14 million as opposed to NIS 19 million in the corresponding period last year. Decrease in comprehensive profit in the study and provident funds activities mainly stems from a reduction the Company performed following the reform in management fees and the expected damage to income from management fees in this sector. **The scope of managed assets in the Group's study and provident funds** as of March 31, 2012 totaled NIS 23 billion, as opposed to NIS 23.5 billion as of March 31, 2011.

Comprehensive profit in the health insurance sector in the first quarter of 2012 totaled NIS 45 million as opposed to comprehensive profit of NIS 40 million in the corresponding period last year, an 11% increase. Increase in comprehensive profit in the reporting period in relation to the corresponding period last year stems from the influence of the capital market, in which yields were higher than the yields in the corresponding period last year, the zero rate index in the reporting period as opposed to the positive index in the corresponding period last year, which affected reserves (which are index linked) and was affected adversely due to continued increase in the number of claims.

Comprehensive profit in General Insurance sector in Q1 2012 totaled NIS 107 million as comparison to NIS 10 million in Q1 2011. **Gross premiums in the general insurance sector** in Q1 2012 totaled NIS 906 million in comparison to NIS 934 million in Q1 2011. **Retained premiums** in the general insurance sector totaled NIS 563 million in Q1 2012 in comparison to NIS 583 million in Q1 2011.

The comprehensive loss in overseas insurance companies sector in Q1 2012 totaled NIS 2 million in comparison to NIS 4 million in Q1 2011. The comprehensive amount of **premiums earned in Q1 2012** in the overseas insurance companies sector **increased by about 47%** and totaled NIS 45 million, in comparison to NIS 30 million in 2011.

The scope of assets under management in the **capital market and financial services** sector, neutralizing managed assets of other Group members, as of March 31 2012, totaled NIS 26 billion, in comparison to NIS 26.3 as of March 31, 2011. Comprehensive profit from operations in the capital market and financial services sector in Q1 2012 totaled NIS 5 million in comparison to NIS 11 million in Q1 2011.

The Group's **Shareholders Equity** as of March 31, 2012 totaled NIS 3.82 billion.

The total Capital Surplus of Harel Insurance, including capital raising performed after the Report date, with regard to the applicable capital requirements, totaled NIS 799 million as of March 31 2012.

The total Assets under Management managed by the Group (in insurance, pension funds, provident funds, study funds, mutual funds and financial services) totaled NIS 107 billion as of March 31, 2012.

The Group's embedded value (EV), including Harel Insurance, pension activities and Dikla increased by 6% as opposed to the previous year and totaled NIS 7.4 billion.

The value in force (VIF) totaled NIS 5.6 billion, an increase of 15% in comparison to the previous year.

The Group's value of new business (VNB) increased by 30% in comparison to the previous year and totaled NIS 671 million.