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translation thereof.**



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**In contrast to 2008, this time the public didn't panic
Says Harel co-CEO Shimon Elkabetz. The insurance and financial company
posted a profit of NIS 95 million for the second quarter.**

Ron Stein

Harel Insurance and Finances Services Ltd., controlled by the Hamburger family and jointly run by Michel Siboni and Shimon Elkabetz, today reported a good financial report and balance sheet statement. The company posted a net profit of NIS 205 million for the first half of 2011, a small 4% increase over the corresponding half. Second quarter net profit soared in comparison with the first half, to NIS 95 million.

Nonetheless, taking into account the losses accruing to the capital funds, the total net profit of the company shrank by 54% to NIS 92 million for the first half and NIS 13 million for the second quarter, although seems that Harel can be proud of presenting any profit at all.

“These are fairly solid and balanced results, which demonstrate the soundness of Harel, which is growing and expanding in all areas of its business,” says Siboni. His partner, Elkabetz, adds, “We now the results of the measures taken in the preceding years, such as entering into provident funds in 2006, which reduced the dependence on the overall performance of the capital market.”

Harel reported that while the hole in the company's variable management fees for participating life insurance policies was NIS 52 million at the end of June, as of August 18 the figure totaled NIS 148 million. The company also estimates that the reduction in value in its marketing investments portfolio from the end of the second quarter until mid-August cut the company's equity by NIS 118 million.

Nonetheless, Harel says that the markets plunge this summer is not the same as in the 2008 crisis in terms of the public's conduct. “There was panic in 2008, and we saw a sharp change in the public's investment portfolio. This time, however, while calls to us are above normal, there are not at a level reflecting panic,” says Elkabetz.

“The Supervisor's measures are in the right direction”

Commenting on the main measures that the Supervisor of Insurance is taking now, Siboni says, “The Supervisor's measures, combined with the insurance coverage for risk in provident funds and the issue of group nursing insurance, are in the right direction. That said, the Supervisor will have to find a solution for the hundreds of thousands of customers in group nursing insurance policies who will have to pay up to 5-6 times their current premiums. I believe that a quarter of them are pensioners who will unquestionably

struggle and are liable to end up without any nursing insurance coverage when they need it. The correct solution for these people is a nursing pension fund.”

Due to the non-collection of variable management fees and the capital market yields in the first half, the life insurance segment posted a loss of NIS 23 million for the second quarter, resulting in a total profit of NIS 31 million in the first half, thanks to a 12% increase in premiums.

Most of the first half profit in the long-term savings segment came from provident funds – NIS 33 million – while the pensions segment generated a profit of NIS 20 million.

Harel’s health insurance business posted a total profit of NIS 85 million in the first half (a drop of 18%), alongside a total profit of NIS 14 million for non-life insurance (down 86%), and an expected loss of NIS 14 million in Greece and Turkey.

The financial and capital market segment posted a profit of NIS 18 million (an increase of 17%) and a 10% increase in revenue to NIS 123 million.

Harel’s results (in millions of shekels)

	1-6 2011	1-6 2010	Change
Profitable premiums	4,136	3,764	10%
Net profit*	204	196	4%
Total profit*	92	201	-54%
	4-6 2011	4-6 2010	
Net profit*	95	15	532%
Total profit*	13		-141%

* Profit attributable to majority shareholders