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translation thereof.**

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Harel Finance extends its asset management operations:

**Harel set to acquire the portfolio management activity and
mutual fund company from
Clal for NIS 210 M**

Harel Finance is expanding its asset management activity: over the coming months, it is expected to complete the acquisition of the portfolio management activity and the mutual fund company from Clal for NIS 210 million. This transaction is a further dimension in the expansion and reinforcement of Harel's position in the financial sector.

Shimon Alkabetz, Chairman of Harel Finance and CEO of Harel Investments said that: "Consistent with Harel Group's strategy, we have decided to continue to focus on our core businesses which are insurance and asset management, utilizing our superior manpower to provide our customers with professional service. We recently completed the acquisition of the operations of Eliahu Insurance and sold our TASE member activity in the process of applying this strategy". **Alkabetz** commented on the financial robustness and professional standards of Harel Group, enabling it to expand its various operations and at the same time continue to look into possible mergers and acquisitions, subject to suitable and appropriate prices. Alkabetz noted: "We check out potential transactions from time to time, and in this particular instance we have identified quality activity with professional personnel, which fits in well with the core business activity of Harel Finance". **Alkabetz** also stressed that Harel is preparing to absorb the activity, to retain the customers, and integrate professional infrastructures so as to continue to provide quality service: "Harel Finance's proven capability and reputation as well as the advantages which Harel has to offer in the scale of its operations, service and quality investment management will work for the benefit of the customers of Clal's mutual funds and portfolio management activity".

According to the purchase agreement, Harel Finance will acquire the shares of Clal Mutual Funds, a mutual fund management company, in accordance with the Joint Investments in Trust Law, 1994 ("the Funds Law"), and which manages about 90 mutual funds. According to the financial statements of Clal Finance, at September 30, 2012, the mutual funds of Clal Mutual Funds hold assets under management in the amount of NIS 10 billion. Likewise, Harel Finance's portfolio management company will acquire the portfolio management activity of Clal Finance, which includes all the portfolio management activity of Clal Finance, excluding the asset management activity of financial savings policies, for which Clal Insurance is responsible. According to the financial statements of Clal Finance, at September 30, 2012, Clal Finance portfolio management activity consists of assets under management of about NIS 8 billion (not including the management of financial savings policies for Clal Insurance), of which about NIS 3 billion is invested in the mutual funds of Clal Mutual Funds.

Harel Finance intends to merge the portfolio management activity of Clal Finance Batucha with that of Harel Portfolio Management, and subject to the provisions of any law, to merge Clal Mutual Funds with Harel-Pia Mutual Funds Ltd. ("Harel Pia"), a mutual fund management company which is wholly owned by Harel Finance. The total consideration to be paid for acquisition of the object of sale is NIS 210 million, as follows: (a) NIS 185 million for the acquisition of Clal Mutual Funds; (b) NIS 25 million for the acquisition of the portfolio management activity. Payment is subject to certain adjustments to be made in the event of a decline in the volume of the assets which are the subject of the sale, within a limitation of NIS 5 million. Payment will be made upon completion of the transaction, subsequent to meeting the suspensive conditions stipulated in the agreement (see below).

Sami Babkov, CEO of Harel Finance reported: "Since its establishment six years ago, Harel Finance has become one of Israel's largest investment houses, thanks to consistent growth in those areas of activity which form its core business. The investment house's mutual funds continue to dominate the mutual funds industry in Israel. The portfolio management company holds assets under management of about NIS 5.5 billion and the volume of assets held by the index-linked certificate company which was established just four years ago has passed the NIS 6 billion mark. All this is thanks to superior human capital and correct strategy. By focusing on the core business by acquiring relevant operations, selling the TASE Member, as well as discontinuing the underwriting activity several years ago, we will be able to expand and grow consistently, while further encouraging our human capital and commitment to values such as honesty, professionalism and providing a quality service experience".

The transaction is contingent on the completion of suspensive conditions which include: approval from the Antitrust Authority, court approval, approval of the Securities Authority, and approval of the trustee of the funds to be acquired.

Upon completion of the transaction, the total assets under management of Harel Insurance and Finance will increase to about NIS 140 billion.