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Harel shows good quarter results with the help of the capital market: NIS 192M profit

Harel wrote off the remaining investment in the Egyptian gas supplier EMG in the amount of NIS 53M, about half of its original investment

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Harel Insurance and Finance Group presents a strong first quarter in which it enjoyed the positive influence of the capital market that helped improve its results especially in the life insurance sector – the participating portfolio and old policies. In the first three months of 2012 the company, controlled by the Hamburger family, saw an increase of 75% in net profits totaling NIS 192M. Weighting investment profits recognized in capital, the Company, managed by Co-CEOs Michel Siboni and Shimon Elkabetz, saw an overall increase of 264% in the comprehensive profit in the first quarter which totaled NIS 287M.

According to Co-CEO Siboni, “The results of Harel Group are very good and reflect the strategy of focusing on growing and profitable areas of activity...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.”

The improvement in the company’s results stemmed mostly from the influence of the capital market, in which yields were higher in comparison to the corresponding period last year. Income from net investments and income from financing activities increased to NIS 1.32 billion in comparison to NIS 569M in the corresponding period last year.

Main profit: from life insurance

All sectors and areas of activity yielded profit, except for initial international activities, in Greece and Turkey that resulted in minor losses.

Main profit stems from life insurance which yielded comprehensive profit of NIS 160M in the quarter. The capital market and financial services sector presented NIS 5.5M profit before tax – a decrease of 50% in comparison to the corresponding period last year, mainly stemming from reduction of management fees as a result of the decrease in the scope of assets managed by mutual funds.

At the same time, the Company announced that its embedded value (EV) in life and health insurance policies and Harel Insurance and Dikla pension totaled NIS 7.37 billion in 2011. This amount is almost three times higher than the company’s value in the stock exchange and constitutes an increase of 6% in

comparison to the corresponding period last year excluding the company's value from general insurance, finance, goodwill and more.

The first quarter reports also contain the painful writing off of the remaining investment Harel made in EMG shares, the Egyptian gas vehicle set up by Yossi Maiman. Harel invested in EMG as part of an investment made by a number of institutional bodies in 2007 in 4.3% of the Egyptian gas supplier, according to inflated value of 2.2 billion dollars.

Harel purchased directly 1.2% of EMG shares and it holds indirectly an additional 0.7% of the company's shares, purchased by Israel Infrastructures Fund (in which Harel holds about 28%). Lately, this investment came to a dead end after the Egyptian government canceled unilaterally the gas supply agreement.

In its first quarter financial statements Harel reports that it wrote-off its remaining investment in EMG in the amount of NIS 53M, about half of its original investment. The remaining said investment was recorded as follows: about NIS 8M in the company's nostro funds, NIS 20M in life insurance and about NIS 25M in provident funds and pension funds.

Harel Investments results

In million NIS

	1-3/2012	1-3/2011	Change
Total premiums	2,214	2,085	6%
Profits from net investments	1,317	569	132%
Net profit *	192	110	75%
Comprehensive profit*	287	79	264%
Harel Insurance and Dikla embedded value	2,011	2,010	
EV in life, health and pension insurance	7,366	6,920	6%
New business value (NVB)	671	515	30%
* Attributable to shareholders			