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translation thereof.**

November 26, 2012

**Harel posted comprehensive profit of NIS 493 million for the first nine months of 2012**

**Harel Group's comprehensive profit for 2012 Q3 amounted to NIS 262 million**

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**Net profit for the first nine months of 2012 was up 135% at NIS 337 million**

**Net profit in the third quarter of 2012 was NIS 166 million**

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**Harel Insurance covered the entire shortfall from management fees and was the first company in the market to resume the collection of variable management fees**

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**Total premiums earned and benefit contributions in the first nine months of 2012 rose 12% compared with the corresponding period last year, amounting to NIS 10 billion**

**Total premiums earned and benefit contributions in the third quarter of 2012 rose 14% compared with the corresponding period last year, amounting to NIS 3.6 billion**

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**The Group held total assets under management of NIS 115 billion**

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Harel Insurance Investments and Financial Services published its financial statements today for the first nine months and third quarter of 2012:

**Comprehensive profit in the first nine months of 2012** was NIS 493 million, compared with a comprehensive loss of NIS 70 million for the corresponding period last year. The shift from loss to profit is mostly due to the effect of the capital market, where yields were higher than those of the corresponding period last year.

**Net profit for the first nine months of 2012** was NIS 337 million compared with net profit of NIS 143 million for the corresponding period last year, **an increase of 135%**.

**Comprehensive profit in the third quarter of 2012** was NIS 262 million, compared with a comprehensive loss of NIS 162 million for the corresponding quarter last year. The shift from comprehensive loss to comprehensive profit is mostly due to the effect of the capital market, where yields were higher than those of the corresponding period last year.

**Net profit in the third quarter of 2012** was NIS 166 million, compared with a net loss of NIS 61 million for the corresponding quarter last year.

**Michel Siboni, co-CEO of Harel Insurance Investments and Financial Services:** "The Harel Group's dominance of three key areas of insurance - health insurance, general insurance and pension insurance, reinforces the Group's robustness and positions it as the country's leading insurance and finance company". Siboni added that "the upbeat capital market together with the considerable efforts invested by Harel's management and employees in implementing its strategy in each of the Company's areas of activity have produced excellent results".

**Total premiums earned and benefit contributions in the first nine months of 2012 rose 12%, amounting to NIS 10 billion**, compared with the NIS 9 billion for the corresponding period last year. Total premiums earned and benefit contributions were **14% up** in the third quarter of 2012, amounting to NIS 3.6 billion, compared with NIS 3.1 billion for the third quarter of 2011.

**Total premiums earned and benefit contributions in the long-term savings segment (life assurance, pension, provident funds, and education funds) rose 14% in the first nine months of 2012**, amounting to NIS 5.6 billion, compared with NIS 5 billion for the first nine months of 2011. Total premiums earned in this segment account for 35% of all premiums earned by the Group. **Total premiums earned and benefit contributions in the long-term savings segment in the third quarter of 2012, were 19% up** in the third quarter of 2012, amounting to NIS 2 billion, compared with NIS 1.7 billion for the third quarter of 2011.

**Total premiums earned in the health insurance segment**, in which the Group is the largest and most prominent in Israel, rose 16%, amounting to NIS 2.1 billion for the first nine months of 2012, compared with NIS 1.8 billion for the first nine months of 2011. Total premiums earned in this segment account for 31% of all premiums earned by the Group.

**Comprehensive profit in long-term savings activity** in the first nine months of 2012 was NIS 207 million, compared with a comprehensive loss of NIS 53 million for the first nine months of 2011. The shift from loss to profit is mainly the result of the yields in the capital market which were higher during the Reporting Period than during the same period last year, and which were partially offset by the one-time increase in the reserve for annuity liabilities, due to the announcement by the Commissioner of Insurance on revised longevity and future improvements in longevity.

**Comprehensive profit in life assurance in the first nine months of 2012** was NIS 129 million, compared with a comprehensive loss of NIS 135 million for the corresponding period last year. **Total premiums earned on life assurance in the first nine months of 2012** were NIS 2.4 billion, compared with NIS 2.3 billion for the same period last year, **a 6% increase**. Premiums earned in life assurance accounted for 35% of all premiums earned by the Group during the Reporting Period. During the Reporting Period, Harel covered the entire shortfall from management fees and was the first company in the market to resume the collection of variable management fees. Consequently, the on-going positive yields in the capital market are expected to further boost profit from life assurance during subsequent reporting periods.

**Comprehensive profit from the management of pension funds in the first nine months of 2012** was NIS 36 million, compared with NIS 35 million for the corresponding period last year. At September 30, 2012, **assets under management held the Group's pension funds rose by 41%** to NIS 18 billion, compared with NIS 12.8 billion at September 30, 2011. The increase is due to the effect of the capital market, where yields were higher than those of the corresponding period last year, to an increase in the amounts of provision by members, and to a non-recurring deposit of NIS 1 billion which was received from the IDF. **During the first nine months of 2012, the Group's pension funds collected contributions** of NIS 2.3 billion, compared with NIS 1.8 billion for the same period last year, **a 27% increase**.

**Comprehensive profit from the management of provident funds and study funds in the first nine months of 2012** was NIS 43 million, compared with NIS 47 million for the corresponding period last year. At September 30, 2012, the provident funds and study funds managed by the Group held assets under management of NIS 23.5 billion, compared with NIS 21.9 billion at September 30, 2011, **a 7.3% increase**.

**Comprehensive profit in the health insurance segment in the first nine months of 2012** was NIS 194 million, compared with NIS 105 million for the corresponding period last year, **an 86% increase**.

**Comprehensive profit in general (non-life) insurance in the first nine months of 2012** was NIS 217 million, compared with a comprehensive loss of NIS 18 million for the corresponding period last year. The shift from loss to profit is mostly due to the effect of the capital market, where yields were higher than those of the corresponding period last year. **Gross premiums in the general insurance segment in the first nine months of 2012** were NIS 2.3 billion, compared with NIS 2.2 billion for the corresponding period last year, an increase of 3%. **Premiums on retention in general insurance in the first nine months of 2012** were NIS 1.3 billion, similar to the corresponding period last year.

**Comprehensive profit on mortgage insurance in the first nine months of 2012** was NIS 24 million, compared with a comprehensive loss of NIS 11 million for the corresponding period last year. The volume of new sales in this branch was adversely affected by the directives of the Supervisor of Banks, aimed at lowering the demand for real estate by limiting the availability of highly financed mortgages. EMI has insurance obligations for many years ahead, which it will continue to service. Accordingly, the effect on EMI's on-going profit for the coming years is not expected to be significant. Based on an initial review

prepared by an external appraiser, the value of the asset recorded in Harel's books is unlikely to be affected by the acquisition of EMI.

**The insurance companies in the overseas operating segment posted a comprehensive loss of NIS 7 million for the first nine months of 2012**, compared with a comprehensive loss of NIS 27 million for the corresponding period last year. **Total premiums earned in the insurance companies' overseas operating segment in the first nine months of 2012** were NIS 130 million, compared with NIS 110 million for the corresponding period last year, **an 18% increase**.

At September 30, 2012, the volume of assets under management held in the capital market and financial services segment rose by 16% to NIS 28 billion, compared with NIS 24.2 billion at September 30, 2011. Most of this increase can be attributed to the growth of assets under management in the mutual funds due as well as due to the Group expanding its ETF activity. Comprehensive profit from activity in the capital market and financial services in the first nine months of 2012 was NIS 13 million, compared with NIS 24 million in the corresponding period last year.

The Group's shareholders' equity attributed to the Company's shareholders at September 30, 2012, amounts to about NIS 3.95 billion.

At September 30, 2012, Harel Insurance held surplus equity in the amount of NIS 896 million, relative to the capital requirements which apply to it.

At September 30, 2012, the Group's total assets under management in insurance, pension funds, provident funds, mutual funds and financial services amounted to NIS 115 billion.