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March 19, 2013

Harel ends 2012 with comprehensive profit of NIS 703 million compared with NIS 45 million in the previous year

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**Net profit for 2012 was up 106% at NIS 448 million, compared with NIS 218 million in 2011**

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Q4 comprehensive profit was up 83% at NIS 210 million

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**Earned premiums and benefit contributions rose 12% in 2012**

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The Group's equity at December 31, 2012, attributed to the Company's shareholders, was NIS 4.154 billion

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### **Harel Insurance Investments & Financial Services posts results for 2012:**

**Comprehensive profit in 2012** was NIS 703 million, compared with NIS 45 million for the corresponding period last year. **Comprehensive profit in Q4 2012** was NIS 210 million, compared with NIS 115 million in the corresponding quarter last year, **an 83% increase**.

**Net profit in 2012** was NIS 448 million compared with NIS 218 million for the corresponding period last year, up 106%. **Net profit in Q4 2012** was NIS 112 million, compared with NIS 75 million for the corresponding period last year, **up 50%**.

**Total earned premiums and benefit contributions in 2012 rose 12%** to NIS 13.9 billion, compared with NIS 12.4 billion in 2011. **Total earned premiums and benefit contributions in Q4 2012** amounted to NIS 3.9 billion, compared with NIS 3.4 billion in the corresponding quarter last year.

**The Group's equity**, attributed to the Company's shareholders at December 31, 2012 amounted to NIS 4.154 billion.

**The Group held total assets under management** in insurance, pension funds, provident funds, mutual funds and financial services of **NIS 119 billion** at December 31, 2012, a **17% increase** over the corresponding period last year.

**Michel Siboni, Co-CEO of Harel Insurance Investments & Financial Services:** "The Group's operations and performance reflect Harel's continuing strategic focus on those sectors which facilitate profitable growth and returns in the capital market. Our robustness enabled us to make two significant acquisitions this year, investing hundreds of millions of shekels in the life assurance segment of Eliahu and the mutual funds and portfolio management of Clal Finance. These acquisitions will also contribute to strengthening the Harel Group's position in the long term. We are embarking on a new period of many important changes in the insurance market, such as lower management fees on provident activity and managers insurance, and elimination of the guaranteed coefficient in managers' insurance. Harel's existing strengths in the healthcare insurance sector, pensions and personal lines insurance, together with the large, quality infrastructure of agents, and the meticulous service it offers customers and agents, give Harel a head start in facing the foreseeable challenges in coming years."

### Ten-fold plus increase in comprehensive profit from long-term savings activity

**Comprehensive profit** from long-term savings activity (life assurance, pensions, provident funds, and education funds) in 2012 was NIS 357 million, compared with NIS 35 million in 2011. **Comprehensive profit in Q4 2012 was NIS 150 million, as against NIS 88 million in the corresponding quarter last year.**

**Total earned premiums and benefit contributions** from long-term savings activity in 2012 were **14% up**, at NIS 8 billion, compared with NIS 7 billion in 2011.

#### Pension funds:

**Comprehensive profit** from pension fund management in 2012 was NIS 51 million, compared with NIS 44 million for the corresponding period last year, a **15% increase**. **Comprehensive profit from pension fund management and the operation of an old pension fund in the fourth quarter** was NIS 15 million, as against NIS 9 million in the corresponding quarter last year.

Pension funds managed by the Group had 700,000 **members** at December 31, 2012, of which 400,000 are active members, a **15% increase**.

**Total benefit contributions** collected by the Group's pension funds in 2012 amounts to NIS 3.2 billion, compared with NIS 2.5 billion in 2011, a **30% increase**.

**The volume of assets under management** held by the Group's pension funds at December 31, 2012 was NIS 19.4 billion, compared with NIS 13.8 billion at December 31, 2011, a **40% increase**. The increase can be attributed to an increase in on-going management fees as well as a non-recurring deposit of NIS 970 million in the Group's pension funds for the **IDF transaction**.

#### Life assurance:

**Comprehensive profit from life assurance** amounted to NIS 250 million in 2012, as against a loss of NIS 45 million in the corresponding period last year. The shift from comprehensive loss in the corresponding period last year to comprehensive profit in the Reporting Period is mainly due to the effect of the capital market, where yields were higher than those in the corresponding period last year, and to the fact that variable management fees of NIS 62 million were collected during the Reporting Period while no variable management fees were collected in the corresponding period last year. **Comprehensive profit from life assurance in Q4 2012** amounted to NIS 121 million, compared with NIS 89 million in the corresponding quarter last year.

**Total earned premiums on life assurance** in 2012 amounted to NIS 3.3 billion, compared with NIS 3.18 billion in 2012, a 3.5% increase. Earned premiums on life assurance accounted for 36% of all the premiums earned by the Group in the Reporting Period.

On January 1, 2013, a **transaction was completed in which Harel Insurance entered into agreement to acquire the life assurance operating segment of Eliahu Insurance Company in consideration of NIS 210 million**. The transaction includes all the rights and obligations of the life assurance activity of Eliahu Insurance, including the life and healthcare insurance branches, and including the rights and obligations towards policyholders, reinsurers, agents, etc. The total amount of assets transferred in this transaction is NIS 1.7 billion and the annual premium is NIS 280 million.

#### Provident funds and education funds:

**Comprehensive profit from the management of provident funds and education funds** in 2012 was NIS 56 million, compared with NIS 37 million for the corresponding period last year, up 54%. The increase in comprehensive profit from provident and education fund activity can be attributed mostly to a non-recurring write down of NIS 25 million (before the effect of tax) performed by the Company during the corresponding period last year equal to the activity of the provident funds as a consequence of the reform of management fees. **Comprehensive profit** in Q4 2012 was NIS 14 million, as against a comprehensive loss of NIS 10 million in the corresponding quarter last year.

**The volume of assets under management** held by the Group's provident and education funds at December 31, 2012, amounted to NIS 24.2 billion, compared with NIS 22.2 billion at December 31, 2011, an **increase of 9%**.

## Growth and expansion in all insurance operating segments in 2012

### Life assurance:

**Comprehensive profit** in the healthcare insurance segment in 2012 was NIS 225 million, compared with NIS 162 million for the corresponding period last year, a **39% increase**. This increase in comprehensive profit compared with the corresponding period last year is mainly the result of improved underwriting performance on group insurance transactions and the effect of the capital market where yields were higher than those of the corresponding period last year. **Comprehensive profit in Q4 2012** was NIS 31 million, as against NIS 57 million for the corresponding quarter last year.

**Total earned premiums from the healthcare insurance segment** in 2012 amounted to NIS 2.9 billion, compared with NIS 2.5 billion in 2011, an **increase of 15%**. Total earned premiums in the healthcare insurance segment during the Reporting Period account for 31% of all premiums earned by the Group in the Reporting Period.

### Non-life insurance:

**Comprehensive profit** in general (non-life) insurance in 2012 was NIS 317 million, compared with NIS 17 million for the corresponding period last year, **more than 18 times higher**. The increase in comprehensive profit during the Reporting Period is mostly due to the effect of the capital market, where yields were higher than those of the corresponding period last year. **Comprehensive profit in Q4 2012** amounted to NIS 100 million, compared with NIS 34 million for the corresponding period last year.

**Gross premiums** from the non-life insurance segment in 2012 amounted to NIS 2.9 billion, compared with NIS 2.8 billion for the corresponding period last year. **Premiums on retention** in non-life insurance amounted to NIS 1.7 billion in 2012, similar to the corresponding period last year.

**The comprehensive loss in the insurance companies overseas segment** in 2012 amounted to NIS 20 million, compared with NIS 38 million for the corresponding period last year. Total **earned premiums in the insurance companies overseas segment** in 2012 amounted to NIS 172 million, as against NIS 154 million in 2011, **up 11%**.

### Harel Finance:

**The volume of assets under management in the capital market and financial services segment ("Harel Finance")** at December 31, 2012, amounted to NIS 28.4 billion, as against NIS 24.2 billion at December 31, 2011, **up 18%**. Most of this increase in this operating segment can be attributed to an increase in assets under management in the mutual funds and to the further expansion of index-linked certificate activity and deposit certificate activity.

**Comprehensive profit from capital market and financial services activity** in 2012 amounted to NIS 16 million, compared with NIS 29 million in the corresponding period last year. **Comprehensive profit** in Q4 2012 was NIS 3 million, as against NIS 5 million in the corresponding quarter last year.

On January 7, 2012, Harel Finance signed an agreement to **acquire all the issued share capital of Clal Mutual Funds Management Ltd. and the portfolio management activity of Clal Finance, in consideration of NIS 210 million**. In this transaction, Harel Finance will absorb the assets of old funds in the amount of NIS 15 billion.