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HAREL POSTS Q1 2017 COMPREHENSIVE EARNINGS OF 253 MILLION SHEKELS, COMPARED WITH LAST YEAR'S TOTAL OF 14 MILLION SHEKELS

Increase in comprehensive earnings as a result of an increase in variable management fees, non-repetition of the provision made in the corresponding period last year for the Winograd recommendations, an increase in the risk-free interest rate and a reduction in the company tax rate which resulted in tax income

According to its first quarter reports released last week, **Harel** posted comprehensive earnings of 253 million shekels in Q1 2017, compared with 14 million shekels in the same period last year. The company says that the increase in earnings was due to: a significant increase in variable management fees (55 million shekels, compared with 15 million shekels last year), provisions made in the first quarter of 2015 for the Winograd findings, which were not repeated in the current report period (96 million shekels, before tax), an increase in the risk-free interest rate during the report period and a lowering in the company tax rate, which generated tax income for the company.

Harel Group CEO **Michel Siboni**: "According to the results for the first quarter of 2017, the Harel Group continues to maintain its position as the leading group in its sector in the Israeli economy. The changing business environment requires us to be continuously thinking and adjusting the business strategy to the changing circumstances, and accordingly, Harel put together a new strategy, called "Route Recalculation". This strategy is being implemented following a year of preparatory work, with the aim of supporting Harel's future growth and development in the changing digital environment".

Siboni explained: "Within the framework of the new strategic program, based on placing the customer at the forefront, emphasis is being placed on the use of digital processes and in developing data analysis capabilities, which enable the company, in close collaboration with the agents, to offer tailor-made solutions and in all stages of working with him – sales, receiving information, handling claims and renewals".


Harel Group CEO Michel Siboni

Comprehensive earnings from **long term savings** (life insurance, pensions, provident and study funds) totaled 208 million shekels, compared with a 37 million shekel loss in the same period last year. Earned premiums and benefits contributions totaled 3.5 billion shekels, compared with 2.9 billion shekels in Q1 2015 – an increase of 21%.

The **health insurance** sector posted comprehensive earnings of 23 million shekels, compared with earnings of 27 million shekels in the corresponding period last year –a 15% drop. Premiums totaled 1.1 billion shekels in the report period, compared with 996 million shekels last year – up 8%.

The **general insurance** sector posted a 66 million shekel profit, compared with a 51 million shekel loss in the same period last year. The move from loss to profit was due mainly to the non-repetition of the impact of the Winograd findings which was felt in the first quarter of 2015, resulting in Harel increasing its insurance liabilities by 150 million shekels before tax. Gross general insurance premiums increased by 3% - from last year's figure of 961 million shekels to 990 million shekels in the current report period.

According to the IQIS5 exercise carried out by Harel, the company has a capital surplus in accordance with the Solvency 2 regime that the Finance Ministry intends implementing, at the end of 2015 on a consolidated basis and before the transitional instructions. Taking into account the transitional instructions, the company has a capital surplus of 1.5 billion shekels.

The company says that the capital surplus is expected to increase significantly to 2.7 billion shekels with the publication of the new capital regulations as approved by the Knesset Finance Committee. Harel estimates that implementation of these regulations improves its capital ratio, so that relative to the full calculation (as at 31.12.15) it will be 131% (instead of 122%) and relative to the calculation without the transitional instructions will be 128% (instead of 113%).