

May 20, 2014

Further growth for Harel:

The comprehensive profit of Harel Insurance & Finance rose by 40% to NIS 281 million in Q1 2014, compared to the corresponding quarter last year

Earned premiums and benefit contributions increased by 10% to NIS 4.1 billion, compared to the corresponding quarter last year

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**The Group's EV (Embedded Value) rose by 21% to NIS 11.1 billion in 2013**

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VIF (Value in Force) of the portfolio increased by 26% to NIS 8.2 billion in 2013 relative to the previous year

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**The Group's VNB (Value of New Business) rose by 23% to NIS 1.2 billion in 2013**

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Assets under management held by the Group reached a record NIS 168.3 billion at the end of the quarter

Harel Insurance Investments and Financial Services has published its financial statements for Q1 2014:

Comprehensive profit in Q1 2014 **increased by 40% to NIS 281 million**, compared to NIS 200 million in the corresponding quarter last year. The increase can be attributed mainly to the impact of the capital market where yields during the Reporting Period were higher than those of the corresponding quarter last year, to an increase in the volume of variable management fees collected during the Reporting Period relative to the corresponding period last year, and to the effect of inflation which was a negative 0.7% in the Reporting Period, compared to positive inflation of 0.02% in the corresponding quarter last year.



Total earned premiums and benefit contributions in Q1 2014 increased by 10% to NIS 4.1 billion, compared with NIS 3.7 billion corresponding quarter last year.

Equity attributed to the Company's shareholders was NIS 4.7 billion at March 31, 2014, a 9% increase, compared to NIS 4.3 billion at the end of the first quarter last year.

EV for the Group's business, including life assurance, pension and health insurance activity, grew by **21%**, amounting to **NIS 11.1 billion** at December 31, 2013. The **VNB** included in the Group's EV grew by **23%** to NIS 1.2 billion in 2013.

VIF increased by 26% to NIS 8.2 billion at December 31, 2013, in relation to 2012.

At March 31, 2014, **the Group's assets under management** in insurance, pension funds, provident funds, mutual funds and financial services **increased by 5%** to a **record NIS 168.3 billion**, compared to NIS 161 billion at December 31, 2013.

Michel Siboni, Co-CEO of Harel Insurance Investments and Financial Services: "Harel continues to post consistently high and stable profitability over time on premiums, managed assets and all components of EV, thanks to its strategy of spreading the sources of profit among its core operations. The marked improvement in financial services activity confirms the success of the strategic move to acquire the mutual fund and portfolio management activity of Clal, and this as an integral part of our policy to exploit business opportunities that contribute to Harel's improved business parameters and consolidate its position as a leader in the sector".

Long-term savings:

Comprehensive profit in the long-term savings segment (life assurance, pension, provident funds and education funds) **in Q1 2014** was NIS 143 million, compared with NIS 152 million in the corresponding period last year. The decline can be attributed mainly to an increase in the reserves of NIS 21 million, stemming from a continuing decline in interest rates. The increased reserve was partially offset by performance in the capital market, where yields in the Reporting Period were higher than those in the corresponding quarter last year. Variable management fees amounting to NIS 83 million were collected in the Reporting Period, compared to NIS 63 million in the corresponding period last year, and the effect of inflation which was negative in the Reporting Period, compared to positive inflation in the corresponding quarter last year.

Total earned premiums and benefit contributions from long-term savings activity **increased by 9%** to NIS 2.4 billion in Q1 2014, compared with NIS 2.2 billion in the corresponding quarter last year.

Pension funds

Comprehensive profit from pension fund management in Q1 2014 increased by 68% to NIS 17 million, compared with NIS 10 million in the corresponding period last year.

The benefit contributions collected by the Group's pension funds in the Reporting Period **increased by 23%** to NIS 1.09 billion, compared with NIS 886 million in the corresponding period last year.

At March 31, 2014, the **pension funds held assets under management** amounting to NIS 26.9 billion, an **increase of 6%**, compared with NIS 25.4 billion at December 31, 2013. The increase in relation to the previous year can be attributed to an increase in the provisions made by members and the yield attained during the Reporting Period.

Life assurance

Comprehensive profit from life assurance in Q1 2014 was NIS 115 million, compared with NIS 134 million in the corresponding period last year. The decline can be attributed mainly to a revision of the reserves in the amount of NIS 21 million, stemming from a decline in risk-free interest. This was partially offset by performance in the capital market where yields in the Reporting Period were higher than those in the corresponding period last year, the volume of variable management fees collected during the period amounting to NIS 83 million, compared with NIS 63 million in the corresponding period last year, and the effect of inflation which was negative during the reporting period, compared to positive inflation in the corresponding quarter last year.

Total earned premiums from life assurance in Q1 2014 were NIS 957 million, compared with NIS 934 billion in the corresponding period last year. The premiums earned during the Reporting Period accounted for 36% of all premiums earned by the Group in the Reporting Period.

Provident funds and education funds

Comprehensive profit from provident funds and education funds in Q1 2014 totaled NIS 11 million, compared with NIS 8 million in the corresponding period last year.



Benefit contributions collected by the provident funds and education funds in Q1 2014 increased by 16% to NIS 398 billion, compared with NIS 344 million in the corresponding period last year.

At March 31, 2014, the **provident funds and education funds** managed by the Group held assets under management which **increased by 3%** to NIS 28 billion, compared with NIS 27.2 billion at December 31, 2013.

Health insurance

Comprehensive profit in the health insurance segment in Q1 2014 totaled NIS 59 million, similar to that of the corresponding period last year.

Total earned premiums in the health insurance segment in Q1 2014 **increased by 11%** to NIS 845 million, compared with NIS 759 million in the corresponding period last year. Total premiums earned in the health insurance segment **account for 32% of all the Group's earned premiums** in the Reporting Period.

Non-life insurance

Comprehensive profit from non-life insurance in Q1 2014 increased by 141% to NIS 147 million, compared with NIS 61 million in the corresponding period last year. The increase is due mainly to the effect of the capital market, where yields were higher than those in the corresponding period last year, and to the effect of negative inflation of -0.7% in the Reporting Period relative to positive inflation of 0.02% in the corresponding quarter last year.

Gross premiums in non-life insurance increased by 8% in Q1 2014 to NIS 1.2 billion, compared with NIS 1.1 billion for the corresponding period last year. The increase can be attributed mainly to the increase in the percentage of vehicles of state employees insured by Harel Insurance during the Reporting Period, relative to the corresponding period last year.

Comprehensive profit in the insurance companies overseas segment in Q1 2014 totaled NIS 2 million, compared with a comprehensive loss of NIS 7 million in the corresponding period last year.

Total earned premiums in the overseas operating segment in Q1 2014 increased by 13% to NIS 49 million, compared with NIS 43 million in the corresponding period last year.



Harel Finance:

At March 31, 2014, **the assets under management held by the capital market and financial services segment through Harel Finance Investment House grew by 5% to NIS 56.3 billion**, compared with NIS 53.5 billion at December 31, 2013. Most of this increase can be attributed to the increase in managed assets held by the mutual funds and to the further expansion of activity in ETNs and deposit certificates.

In 2013, Harel-Pia completed the integration of the mutual fund and portfolio management activity of Cal Finance, in the amount of NIS 15 billion, thus becoming the third-largest operator in the mutual fund sector, with assets under management of NIS 35 billion at March 31, 2014.

Revenues in the capital market and financial services segment increased by 65% in Q1 2014 to NIS 70 million, compared with NIS 42 million in the corresponding period last year. This increase is mainly due to the acquisition of the portfolio management and mutual fund activity of Clal Finance.

Comprehensive profit in the capital market and financial services segment in Q1 2014 was NIS 11 million, compared with a loss of 1 million in the corresponding period last year. The shift from loss to profit can be attributed to the impressive growth of ETN and deposit certificate activity, as well as to the acquisition of the portfolio management and mutual fund activity of Clal Finance.