

August 24, 2011

- NOTICE TO INVESTORS -

Harel Group: Net profit for the second quarter of 2011 increased to about NIS 95 million; comprehensive profit for the second quarter totaled about NIS 13 million

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**Total premiums earned for the second quarter of 2011 increased by 11% to about NIS 2.05 billion**

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Total assets managed by the group as of June 30, 2011 totaled about NIS 103.8 billion

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The Harel Insurance Investments and Financial Services Group announced today its financial reports for the first half and second quarter of 2011. The following are the key points of the financial reports:

**General**

- **Total premiums earned by the Harel Group for the second quarter of 2011** totaled about NIS 2.05 billion, compared to NIS 1.85 billion for the same period the previous year, an increase of about 11%.
- **Profit before tax for the second quarter of 2011** totaled about NIS 146 million, compared to profit before tax of about NIS 22 million for the same period the previous year.
- **Net profit for the second quarter of 2011** totaled about NIS 95 million, compared to a net profit of about NIS 14 million for the same period the previous year, an increase of about 680% compared to the same period the previous year.
- **Comprehensive profit for the second quarter of 2011** totaled about NIS 13 million, compared to a loss of about NIS 33 million for the same quarter the previous year.
- **Total premiums earned by the Harel Group during the first half of 2011** totaled about NIS 4.13 billion, compared to NIS 3.76 billion for the first half of 2010, an increase of about 10%. **Profit before tax for the first half of 2011** totaled about NIS 316 million, similar to the same period the previous year.
- **Net profit for the first half of 2011** totaled about NIS 205 million, compared to a net profit of about NIS 201 million for the same period the previous year, an increase of about 2%.
- **Comprehensive profit for the first half of 2011** totaled about NIS 92 million, compared to a comprehensive profit of about NIS 207 million for the same period the previous year.
- The decrease in the comprehensive profit, relative to the comprehensive profit for the same period the previous year, resulted from the influence of the capital market, in which yields were significantly less in relation to the same period the previous year, and also from the increase in the rate of inflation compared to the same period the previous year.
- **Harel Group's equity attributed to company shareholders**, as of June 30th, 2011, totaled about NIS 3.6 billion.
- **The Group's total balance-sheet** at the end of the first half of 2011 totaled about NIS 54.5 billion, compared to about NIS 52.3 billion at the end of 2010.
- **Total assets managed by the group** as of June 30th, 2011 totaled about NIS 103.8 billion.

## Activity sectors

### Life insurance and long-term savings sector:

- **Total premiums earned in the life insurance and long-term savings sector during the second quarter** of 2011 totaled about NIS 747 million, compared to about NIS 666 million for the same period the previous year, an increase of about 12%.
- **Profit before tax in the life insurance and long-term savings sector during the second quarter** of 2011 totaled about NIS 43 million, compared to a loss of about NIS 46 million for the same period the previous year.
- **Profit before tax** in the life insurance and long-term savings sector during the **first half** of 2011 totaled about NIS 141 million, compared to a profit before tax of about NIS 101 million for the same period the previous year, an increase of about 40%.
- **Total comprehensive profit before tax** in the life insurance and long-term savings sector for the **first half** of 2011 totaled about NIS 84 million, compared to a comprehensive profit of about NIS 120 million for the same period the previous year.

The decline in comprehensive profit resulted mainly from the influence of the capital market, in which yields were lower compared to the same period the previous year, and from the inflation for the report period, which was higher than the inflation for the same period the previous year. As a result, the financial margin for the report period was negative, and was lower than the financial margin for the same period the previous year.

- Due to the negative yields achieved during the report period, Harel Insurance did not collect variable management fees during the report period for yield-linked policies issued between 1991 and 2003, similarly to the non-collection of variable management fees for the same period the previous year.
- As of June 30, 2011, Harel Insurance will not collect variable management fees totaling about NIS 52 million, until the investment loss charged to members has been covered.
- **Total premiums earned and benefit fees for all areas of operation in the long-term savings sector in the first half of 2011** totaled about NIS 3.24 billion, compared to about NIS 2.76 billion for the same period the previous year, an increase of about 17%.
- **Total premiums earned** in the life insurance and long-term savings sector increased by about 12%, for the **first half** of 2011, and totaled about NIS 1.52 billion, compared to about NIS 1.36 billion for the same period the previous year.
- **The number of members in the pension funds managed by the Harel Group** as of the June 30, 2011, was 549 thousand, of which about 330 thousand were active members, an increase of about 4% in the number of active members compared to December 31, 2010.
- **Total assets managed in pension funds by the Harel Group** as of June 30, 2011 totaled about NIS 12.8 billion, compared to about NIS 9.8 billion as of June 30, 2010, an increase of 31%, and an increase of about 9% compared to December 31, 2010. The increase resulted, *inter alia*, from the increase in the number of active members, and from the increase in members' rate of allocation in compulsory pension funds.
- **Total benefit fees collected by the group from pension activities for the first half** of 2011 totaled about NIS 1,116 million, compared to about NIS 869 million during the first half of 2010, an increase of about 28%.
- **Total assets managed by Harel's provident funds** as of June 30, 2011 totaled about NIS 23.1 billion, compared to about NIS 21.7 billion as of June 30, 2010, an increase of about 6.5%.

### Health insurance sector:

- **The total sum of premiums earned** in the health insurance sector increased during the second quarter of 2011 to about NIS 577 million, compared to about NIS 480 million for the same period the previous year, an increase of about 20%.
- **Profit before tax** in the health insurance sector for the **second quarter** of 2011 totaled about NIS 56 million, compared to about NIS 43 million for the same period the previous year, an increase of about 30%.
- **Comprehensive profit before tax** in the health insurance sector for the **second quarter** of 2011 totaled about NIS 44 million compared to about NIS 39 million for the same period the previous year.
- **The total sum of premiums earned** in the health insurance sector increased by 22%, during the **first half** of 2011 to about NIS 1,159 million, compared to about NIS 948 million for the same period the previous year. Total premiums earned in the health insurance sector comprises of about 28% of all premiums earned by the group during the report period.
- **Profit before tax** in the health insurance sector for the **first half** of 2011 totaled about NIS 103 million, compared to about NIS 97 million for the same period the previous year, an increase of about 6%.
- **Comprehensive profit before tax** in the health insurance sector for the **first half** of 2011 totaled about NIS 85 million, compared to about NIS 104 million for the same period the previous year, a decrease of about 18%.
- The decrease in comprehensive profit resulted mainly from the influence of the capital market, in which yields were lower compared to the same period for the previous year, from the increase in the rate of inflation compared to the same period the previous year, which influenced the Reserves as a result of the increase in claims, mainly in collective nursing insurance.

### General insurance sector:

- **Total gross premiums** in the general insurance sector for the second quarter of 2011 totaled about NIS 653 million, compared to about NIS 638 million for the same period the previous year, an increase of about 2%.
- **Profit before tax** in the general insurance sector for the **second quarter** of 2011 totaled about NIS 40 million, compared to about NIS 26 million for the same period the previous year, an increase of about 54%.
- **Comprehensive profit before tax** in the general insurance sector **for the second quarter** of 2011 totaled about NIS 5 million, compared to about NIS 25 million for the same quarter the previous year.
- **Total gross premiums** in the general insurance sector for the **first half** of 2011 totaled about NIS 1.58 billion, compared to about NIS 1.62 billion for the same period in 2010, a decrease of about 3%.
- The decrease resulted mainly from the decrease in Harel's share in the vehicle insurance of government employees, and from the influence of one-time premiums during the same period the previous year on the "Liabilities and others" branches.
- **Profit before tax** in the general insurance sector for the **first half** of 2011 totaled about NIS 78 million, compared to about NIS 86 million for the same period the previous year.
- **Comprehensive profit before tax in the general insurance sector for the first half of 2011** totaled about NIS 14 million, compared to about NIS 103 million for the same period the previous year.
- The decrease resulted mainly from the influence of the capital markets, in which yields were lower than the same period the previous year, and from the rate of increase in inflation, which was higher than the rate of increase for the same period the previous year.

## **International Sector:**

- **Total premiums** earned in the international insurance companies sector for the **second quarter of 2011** totaled about NIS 38 million, compared to about NIS 20 million for the same period the previous year, an increase of about 90%.
- **Loss before tax** in the international insurance companies sector for the **second quarter** of 2011 totaled about NIS 12 million, compared to a loss of about NIS 10 million for the same period the previous year.
- **Comprehensive loss before tax** in the international insurance companies sector for the **second quarter** of 2011 totaled about NIS 10 million, compared to a loss of about NIS 11 million for the same quarter the previous year.
- **Total premiums earned** in the international insurance companies sector **for the first half of 2011** totaled about NIS 69 million, compared to about NIS 42 million for the same period the previous year, an increase of about 63%.
- **Loss before tax** in the international insurance companies sector for the **first half** of 2011 decreased by about 32% and totaled about NIS 13 million, compared to a loss before tax of about NIS 19 million for the same period the previous year.
- **Comprehensive loss before tax** in the international insurance companies sector for the **first half** of 2011 totaled about NIS 14 million, compared to a comprehensive loss before tax of about NIS 18 million for the same period the previous year.

## **Capital market and finances sector:**

- **Income in the capital market and financial services sector** for the **second quarter** of 2011 totaled about NIS 58 million, compared to about NIS 55 million for the same quarter the previous year, an increase of about 5%.
- **Profit before tax in the capital market and financial services sector** for the **second quarter** of 2011 totaled about NIS 7 million, compared to about NIS 6 million for the same quarter the previous year.
- **Income in the capital market and financial services sector** for the **first half** of 2011 totaled about NIS 123 million, an increase of about 10% compared to the same period the previous year, in which income totaled about NIS 112 million. The increase in income resulted from an increase in total assets managed in mutual funds, relative to the same period in 2010.
- **Income before tax in the capital market and financial services sector** for the **first half** of 2011 totaled about NIS 18.3 million, compared to about NIS 15.6 million for the same quarter the previous year, an increase of about 17%.
- **Total assets managed in the capital market and financial services sector** as of June 30, 2011 increased by about 23%, and totaled about NIS 26.7 billion, compared to about NIS 21.7 billion as of June 30, 2010, and about NIS 26.1 billion as of December 31, 2010.
- The increase in total assets resulted mainly from the increase in assets managed in mutual funds, and from the continued expansion of activities in the area of ETN's (Exchanged Traded Notes).