

August 27, 2013

Harel ends first half of 2013
with comprehensive profit of NIS 289 million,
distributes a dividend of NIS 255 million

Comprehensive profit for the second quarter 2013 totaled NIS 89 million.

Net profit increased by 94% to NIS 336 million in the first half of 2013, compared with the corresponding period last year.

Total earned premiums and benefit contributions in the first half of 2013 increased by 19% to NIS 7.7 billion, compared with the corresponding period last year.

The volume of the Group's assets under management increased by 36% compared with the corresponding period last year, to a record NIS 146.4 billion.

During the first half of 2013, Harel invested half a billion shekels in three significant and successful acquisitions for its core operations: the life assurance portfolio of Eliahu, the portfolio management and mutual fund activity of Clal Finance, and an increase in its stake in ICIC.

Harel also announces a dividend of NIS 255 million, in addition to the dividend of NIS 53 million which was distributed in April 2013.

Harel Insurance Investments and Financial Services has published its financial statements for the first half and second quarter of 2013:

Comprehensive profit for the first half of 2013 increased by 24% to NIS 289 million, compared with NIS 233 million for the corresponding period last year. Comprehensive profit for Q2 2013 was NIS 89 million compared to a loss of NIS 56 million in the corresponding quarter last year. The increase in comprehensive profit can be attributed

mainly to the effect of the capital market, where yields during the Reporting Period were higher than those of the corresponding period last year, to the CPI which was lower during the Reporting Period than it was during the corresponding period last year, and that during the corresponding period last year Harel Insurance revised its estimates with regard to its obligations for annuity which reduced the comprehensive profit.

Comprehensive profit for **Q2 2013** totaled NIS 89 million, compared with a loss of NIS 56 million for the corresponding quarter last year.

Total earned premiums and benefit contributions in the first half of 2013 **increased by 19%** to NIS 7.7 billion, compared with NIS 6.5 billion for the corresponding period last year.

Shareholders' equity attributed to the Company's shareholders at June 30, 2013 totaled NIS 4.4 billion.

Additionally, the Board of Directors approved a **dividend distribution** in the amount of NIS 255 million by Harel Investments and NIS 185 million by Harel Insurance, to be distributed in September.

At June 30, 2013, **the Group's assets under management** in insurance, pension funds, provident funds, mutual funds, index-linked certificates and financial services **increased by 36%** to a **record NIS 146.4 billion**, compared with assets under management of NIS 107.8 billion at the end of the first half of 2012, and an **increase of 23%** compared with assets of NIS 119.1 billion at the end of 2012.

Michel Siboni, Co-CEO of Harel Insurance Investments & Financial Services: "The financial results reflect further advances made by the Harel Group in solidifying its position as the key insurance and finance company in the Israeli market. The Group continues to present significant growth in assets under management, premiums and benefit contributions. All this in addition to the Group's acquisitions during the first half of 2013 to the tune of half a billion shekels, which include: the life assurance business of Eliahu, the mutual fund and the portfolio management activity of Clal Finance, as well as the increase in Harel's share of ICIC. These transactions will contribute to further improvement of Harel's business parameters and also bolster its long-term growth. The Group's financial results made these acquisitions possible, as well as the distribution of dividends of more than NIS 300 million since the beginning of the year".

Long-term savings:

Comprehensive profit in life assurance and long-term savings in the first half of 2013 totaled NIS 213 million, compared with NIS 73 million for the corresponding period last year. **Comprehensive profit in the life assurance and long-term savings segment in the second quarter** totaled NIS 61 million, compared with a comprehensive loss of NIS 111 million in the corresponding quarter last year. The increase in profit in the first half of the year relative to the corresponding period last year can be attributed mainly to the effect of the capital market, where yields during the Reporting Period were higher than those of the corresponding period last year, to the fact that during the Reporting Period the Company collected variable management fees of NIS 68 million whereas it did not collect any management fees in the corresponding period last year, to the CPI which was lower during the Reporting Period than it was during the corresponding period last year, and that during the corresponding period last year Harel Insurance revised its estimates with regard to its obligations for annuity which reduced the comprehensive profit.

Total earned premiums and benefit contributions in the long-term savings segment (life assurance, pension, provident and education funds) in the first half of 2013 **increased by 25%** to NIS 4.5 billion, compared with NIS 3.6 billion in corresponding period last year. Total earned premiums in this segment account for 38% of all premiums earned by the Group. **In Q2 2013**, total earned premiums and benefit contributions in the long-term savings segment **increased by 27%** to NIS 2.4 billion, compared with NIS 1.8 billion for the second quarter of 2012.

Pension funds

Comprehensive profit in the pension funds in the first half of 2013 increased by 25% to NIS 27 million compared with NIS 21 million for the corresponding period last year. **In Q2 2013**, **comprehensive profit in the pension funds** increased by 44% to NIS 16 million compared with NIS 12 million for the corresponding quarter last year.

During the first half of the year, the Group's pension funds collected benefit contributions which increased by 39% to NIS 1.9 billion, compared with NIS 1.4 billion for the corresponding period last year. **In Q2 2013**, the Group's pension funds collected benefit contributions which **increased by 40%** to a billion shekels, compared with NIS 722 million for the corresponding period last year.

At June 30, 2013, the Group's pension funds held assets which **increased by 41%** to NIS 21.9 billion, compared with NIS 15.5 billion at June 30, 2012. The increase compared with the corresponding period last year is due, in part, to the agreement with the IDF regarding the pension arrangement for career soldiers, an increase in the number of members who joined the fund, as well as an increase in the amounts of provision made by members and the yield attained during the Reporting Period.

Life assurance

Comprehensive profit from life assurance for the first half of 2013 totaled NIS 172 million, compared with NIS 24 million for the corresponding period last year. Comprehensive profit from life assurance in the second quarter totaled NIS 38 million, compared with a comprehensive loss of NIS 136 million in the corresponding quarter last year. The increase in profit in the first half relative to the corresponding period last year can be attributed mainly to the effect of the capital market, where yields during the Reporting Period were higher than during the corresponding period last year, to the fact that during the Reporting Period the Company collected variable management fees of NIS 68 million whereas it did not collect any management fees in the corresponding period last year, and that during the corresponding period last year Harel Insurance revised its estimates with regard to its obligations for annuity which reduced the comprehensive profit. **Comprehensive profit for Q2 2013** totaled NIS 38 million, compared with a loss of NIS 136 million for the corresponding quarter last year. The shift from loss to profit can be attributed mainly to the fact that yields in the capital market were positive during the Reporting Period compared to negative yields in the corresponding period last year.

The activity of Eliahu was first included in the life assurance segment in the first half of 2013.

Total earned premiums from life assurance in the first half of 2013 **increased by 20%** to NIS 1.9 billion, compared with NIS 1.6 billion in corresponding period last year. **In Q2 2013, total earned premiums from life assurance increased by 23%** to NIS 975 million, compared with NIS 793 million in the corresponding quarter last year.

Provident funds

Comprehensive profit from provident funds and education funds for the first half of 2013 totaled NIS 15 million, compared with NIS 28 million for the corresponding

period last year. **In Q2 2013, comprehensive profit from provident funds and education funds** totaled NIS 7 million, compared with NIS 14 million for the corresponding period last year. The decline in profit compared with the corresponding period last year is mainly due to the erosion of management fees resulting from the management fees reform which entered into force at the beginning of the year.

Benefit contributions collected by the provident funds and education funds in the first half of the year **increased by 11%** to NIS 711 million, compared with NIS 639 million for the corresponding period last year. In **Q2 2013**, the Group's pension funds collected benefit contributions which **increased by 12%** to NIS 367 million, compared with NIS 329 million for the corresponding period last year.

At June 30, 2013, the **provident funds managed by the Group held assets under management** which increased by 12% to NIS 25.2 billion, compared with NIS 22.5 billion at June 30, 2012.

Healthcare insurance

Comprehensive profit in the healthcare insurance segment for the first half of 2013 totaled NIS 85 million compared with NIS 96 million for the corresponding period last year. In **Q2 2013**, comprehensive profit in the healthcare insurance segment totaled NIS 26 million, compared with NIS 51 million for the corresponding quarter last year.

Total earned premiums and benefit contributions from the healthcare insurance segment in the first half of 2013 increased by 12% to NIS 1.5 billion, compared with NIS 1.4 billion in the corresponding period last year. In **Q2 2013**, earned premiums in the healthcare insurance segment **increased by 9%** to NIS 769 million, compared with NIS 706 million for the corresponding quarter last year.

Non-life insurance

Comprehensive profit from non-life assurance for the first half of 2013 totaled NIS 94 million, compared with NIS 117 million for the corresponding period last year. The decline in comprehensive profit during the Reporting Period is due to the fact that during the corresponding period surplus revenues which were released in the compulsory motor branch for previous periods were higher than the surplus released during the Reporting Period, as well as to an extraordinary insurance claim, most of which was covered by reinsurance, which was filed during the Reporting Period. **Comprehensive profit for Q2 2013** totaled NIS 33 million compared to a loss of NIS 10 million in the

corresponding quarter last year. The increase in comprehensive profit is due mainly to the effect of the capital market, where yields were higher than those in the corresponding period last year, to the effect of inflation which was lower in Q2 2013 relative to the corresponding quarter last year.

Gross premiums in the first half of 2013 increased by 7% to NIS 1.7 billion, compared with NIS 1.6 billion for the corresponding period last year. This increase is due to the increase in Harel Insurance's share of the insurance of the vehicles of state employees during the reporting period compared with the corresponding period last year. In **Q2 2013**, gross premiums totaled NIS 647 million, compared with NIS 708 million in the corresponding quarter last year.

Insurance companies overseas operating segment

The insurance companies in the overseas operating segment posted a comprehensive loss of NIS 11 million in the **first half of 2013**, compared with a comprehensive loss of NIS 4 million for the corresponding period last year. In **Q2 2013**, the comprehensive loss in the segment for insurance companies operating overseas totaled NIS 4 million, compared with a loss of NIS 2 million for the corresponding quarter last year.

Insurance companies in the overseas operating segment earned total premiums of NIS 87 million in the first half of 2013, compared with a NIS 88 million for the corresponding period last year. In **Q2 2013**, the insurance companies in the overseas operating segment earned premiums totaling NIS 44 million, similar to the corresponding quarter last year. Total premiums earned in the insurance companies operating overseas segment in the Reporting Period account for 2% of all premiums earned by the Group.

Harel Finance:

At June 30, 2013, **the assets under management held by the capital market and financial services segment through the Harel Finance Investment House surged by 78% to NIS 48 billion**, compared with NIS 27 billion at the end of the corresponding period last year. This increase can be attributed mainly to the acquisition of the portfolio management and mutual fund activity of Clal Finance, which was completed on April 4, 2013, to the growth of assets under management in the mutual funds, as well as to the further expansion of activity in index-linked certificates and deposit certificates. As a result of the transaction, Harel-Pia, which absorbed mutual funds in the amount of NIS

15 billion, became the third-largest player in the mutual fund sector, with managed assets of NIS 31 billion and a market segment of 15.11%.

In the capital market and financial services segment, **profit in the first half of 2013** totaled NIS 7 million, compared with NIS 9 million in the corresponding period last year. In Q2 2013, profit totaled NIS 8 million, compared with NIS 4 million for the corresponding quarter last year.

Revenues from the capital market and financial services segment for the first half of 2013 increased by 11% to NIS 111 million, compared with NIS 100 million for the corresponding period last year. The increase in revenues during the Reporting Period, compared with the corresponding period last year, is mainly due to the acquisition of the portfolio management and mutual fund activity of Clal Finance and to further expansion of activity in index-linked and deposit certificates, and is despite the loss of revenues from the services of the TASE Member services which was sold in November 2012.