



November 24, 2013

Harel ends first nine months of 2013
with comprehensive profit of NIS 434 million

Comprehensive profit for Q3 2013 totaled NIS 144 million.

Net profit increased by 33% to NIS 450 million in the first nine months of 2013, compared with the corresponding period last year.

Total earned premiums and benefit contributions in the first nine months of 2013 increased by 17% to NIS 11.7 billion, compared with the corresponding period last year.

Harel continues to be Israel's largest, most dominant group in terms of premiums.

The volume of the Group's assets under management increased by 32% compared with the corresponding period last year, to a record NIS 152.7 billion.

At September 30, 2013, Return on Equity was 13%.

Harel Insurance Investments and Financial Services has published its financial statements for the first nine months and third quarter of 2013. Despite the effect of the market, in which yields were lower than those of the corresponding period last year, Harel managed to post excellent results and stable profitability, at the same time significantly increasing its assets under management, premiums and benefit contributions, becoming Israel's largest insurance company in terms of premiums during the course of the year:

Comprehensive profit for the first nine months of 2013 increased to NIS 434 million, compared with NIS 495 million for the corresponding period last year. Comprehensive profit



for Q3 2013 was NIS 144 million compared to NIS 262 million in the corresponding quarter last year. The decrease in comprehensive profit can be attributed mainly to the effect of the capital market, where yields during the Reporting Period were lower than those of the corresponding period last year, and to the CPI which was higher during the Reporting Period than it was during the corresponding period last year. The effects of the differences in the yields in the capital market and the CPI were moderated largely thanks to the fact that during the Reporting Period, the Company collected variable management fees amounting to NIS 115 million, whereas during the corresponding period last year it did not collect variable management fees, 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.

Net profit for the first nine months of 2013 increased by 33% to NIS 450 million, compared with net profit of NIS 339 million for the corresponding quarter last year.

Total earned premiums and benefit contributions in the first nine months of 2013 increased by 17% to NIS 11.7 billion, compared with NIS 10 billion for the corresponding period last year.

Equity attributed to the Company's shareholders at September 30, 2013 totaled NIS 4.3 billion.

The return on equity for the shareholders was 15% in annual terms at September 30, 2013.

At September 30, 2013, **the Group's assets under management** in insurance, pension funds, provident funds, mutual funds, index-linked certificates and financial services **increased by 33%** to a **record NIS 152.7 billion**, compared with assets under management of NIS 115.3 billion at the end of the first nine months of 2012. The increase was influenced, in part, by the acquisition of the mutual funds of Clal Finance and of the life assurance portfolio of Eliahu.

Long-term savings:

Comprehensive profit in life assurance and long-term savings in the first nine months of 2013 totaled NIS 312 million, compared with NIS 207 million for the corresponding period last year. The increase in profit in the first nine months of the year relative to the corresponding period last year can be attributed mainly to the fact during the Reporting Period the Company collected variable management fees of NIS 115 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. The increase in profit was partially offset by the effects of the capital market, where yields were lower than those of the corresponding period last year, and due a decline in profitability of the provident funds, due to the reform of the management fees.

Comprehensive profit in the life assurance and long-term savings segment in the third quarter totaled NIS 99 million, compared with NIS 134 million in the corresponding quarter last year. This decline can be attributed mostly to a decline in yields in the capital market, which was partially offset by the variable management fees that the Company collected during the Reporting Period, whereas no variable management fees were collected during the corresponding period last year.

Total earned premiums and benefit contributions in the long-term savings segment (life assurance, pension, provident and education funds) in the first nine months of 2013 **increased by 21%** to NIS 6.9 billion, compared with NIS 6.5 billion in the corresponding period last year. Total earned premiums in this segment account for 37% of all premiums earned by the Group. **In Q3 2013**, total earned premiums and benefit contributions in the long-term savings segment **increased by 16%** to NIS 2.4 billion, compared with NIS 2 billion for the third quarter of 2012.

Pension funds

Comprehensive profit in the pension funds in the first nine months of 2013 increased by 17% to NIS 42 million compared with NIS 36 million for the corresponding period last year. **In Q3 2013, comprehensive profit in the pension funds** totaled NIS 15 million, similar to the corresponding period last year.

During the first nine months of 2013, the Group's pension funds collected benefit contributions which increased by 31% to NIS 3 billion, compared with NIS 2.3 billion for the corresponding period last year. **In Q3 2013**, the Group's pension funds collected benefit contributions which **increased by 20%** to a NIS 1.1 billion, compared with NIS 895 million for the corresponding period last year.

At September 30, 2013, the Group's pension funds held managed assets which increased by 30% to NIS 23.5 billion, compared with NIS 18 billion at September 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 nine months of 2013 totaled NIS 251 million, compared with NIS 129 million for the corresponding period last year. **Comprehensive profit from life assurance in the third quarter** totaled NIS 79 million, compared with NIS 105 million in the corresponding quarter last year. The increase in profit in the first nine months of 2013 relative to the corresponding period last year can be attributed mainly to the fact that during the Reporting Period the Company collected variable management fees of NIS 115 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. The decline in comprehensive profit in the third quarter is mainly due to the effect of the capital market, where yields were lower than those in the corresponding quarter last year.

Total earned premiums from life assurance in the first nine months of 2013 **increased by 17%** to NIS 2.8 billion, compared with NIS 2.4 billion in corresponding period last year. **In Q3 2013, total earned premiums from life assurance increased by 13%** to NIS 918 million, compared with NIS 810 million in the corresponding quarter last year.

Provident funds

Comprehensive profit from provident funds and education funds for the first nine months of 2013 totaled NIS 20 million, compared with NIS 43 million for the corresponding period last year. **In Q3 2013, comprehensive profit from provident funds and education funds** totaled NIS 5 million, compared with NIS 15 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 nine months of the year **increased by 11%** to NIS 1.1 billion, compared with NIS 978 million for the corresponding period last year. **In Q3 2013**, the Group's pension funds collected benefit



contributions which **increased by 10%** to NIS 372 million, compared with NIS 339 million for the corresponding period last year.

At September 30, 2013, the **provident funds managed by the Group held assets under management** which increased by 11% to NIS 26.1 billion, compared with NIS 23.5 billion at September 30, 2012.

Healthcare insurance

Comprehensive profit in the healthcare insurance segment for the first nine months of 2013 totaled NIS 136 million compared with NIS 194 million for the corresponding period last year. In **Q3 2013**, comprehensive profit in the healthcare insurance segment totaled NIS 51 million, compared with NIS 99 million for the corresponding quarter last year. The decline in comprehensive profit during the Reporting Period, relative to the corresponding period last year, can be attributed mainly to the group policies where premiums were eroded due to growing competition and an increase in the rate of claims in these policies, as well as to the effect of the capital market where yields were lower than the yields in the corresponding period last year.

Total earned premiums and benefit contributions from the healthcare insurance segment in the first nine months of 2013 increased by 12% to NIS 2.4 billion, compared with NIS 2.1 billion in the corresponding period last year. In **Q3 2013**, earned premiums in the healthcare insurance segment **increased by 11%** to NIS 833 million, compared with NIS 747 million for the corresponding quarter last year.

Non-life insurance

Comprehensive profit from non-life assurance for the first nine months of 2013 totaled NIS 138 million, compared with NIS 217 million for the corresponding period last year. **Comprehensive profit for Q3 2013** totaled NIS 44 million compared to NIS 100 million in the corresponding quarter last year. The decline in comprehensive profit is due mainly to the effect of the capital market, where yields were lower than those in the corresponding period last year, to the fact that during the corresponding period last year the surplus revenues released in respect of previous periods were higher than those released in the Reporting Period, on account of an extraordinary claim in the liabilities branch during the Reporting Period, and to the effect of inflation which was higher in Q3 2013 relative to the corresponding quarter last year.

Gross premiums in the first nine months of 2013 increased by 8% to NIS 2.3 billion, compared with NIS 2.2 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 **Q3 2013**, gross premiums totaled NIS 609 million, compared with NIS 638 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 10 million in the **first nine months of 2013**, compared with a comprehensive loss of NIS 7 million for the corresponding period last year. In **Q3 2013**, comprehensive profit in the segment for insurance companies operating overseas totaled NIS 1 million, compared with a loss of NIS 3 million for the corresponding quarter last year.

Insurance companies in the overseas operating segment earned total premiums of NIS 132 million in the first nine months of 2013, compared with NIS 130 million for the corresponding period last year. In **Q3 2013**, the insurance companies in the overseas operating segment earned premiums totaling NIS 45 million, compared with NIS 42 million for 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 September 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 50 billion**, compared with NIS 28 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 operator in the mutual fund sector, with managed assets of NIS 32 billion and a market segment of 15.1%.

Profit in the first nine months of 2013 in the capital market and financial services segment increased 30% to NIS 17 million, compared with NIS 13 million in the corresponding period last year. In **Q3 2013**, profit totaled NIS 10 million, compared with NIS 4 million for the corresponding quarter last year.

Revenues in the capital market and financial services segment for the **first nine months of 2013 increased by 23%** to NIS 181 million, compared with NIS 148 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.