

Press Release

Harel posted a comprehensive profit of NIS 45 million in 2011

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**Net profit totaled NIS 218 million in 2011**

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Comprehensive profit totaled NIS 115 million for the fourth quarter of 2011

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**Premiums earned and benefit fees growth was 11% in 2011 compared with 2010**

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Harel Insurance Investments and Financial Services today published its financial report for the fourth quarter and full year of 2011:

The comprehensive profit totaled approximately NIS 45 million in 2011, compared with a comprehensive profit of approximately NIS 562 million for the corresponding period in 2010. The reduction in profit was mainly due to the impact of the capital market, which had negative returns in some investment instruments, and lower returns in other instruments compared with the preceding year.

The net profit totaled approximately NIS 218 million in 2011, compared with the net profit of approximately NIS 535 million in the corresponding period in 2010.

The comprehensive profit totaled NIS 115 million for the fourth quarter of 2011, compared with a comprehensive profit of NIS 134 million for the corresponding quarter of 2010.

The net profit totaled approximately NIS 75 million for the fourth quarter of 2011, compared with a net profit NIS 166 million for the corresponding quarter of 2010.

Total premiums earned and benefit fees rose by about 11% to approximately NIS 12.4 billion in 2011, compared with NIS 11.2 billion in 2010.

Total premiums earned and benefit fees in the long-term savings sector (life insurance, pension funds, provident funds and continued education funds) rose about 14% to approximately NIS 7 billion in 2011, compared with approximately NIS 6.1 billion in 2010.

Benefit fees collected by pension funds of the Group rose by about 28% to total approximately NIS 2.5 billion in 2011, compared with NIS 1.9 billion in 2010.

Total premiums earned in life insurance rose by about 7% to approximately NIS 3.18 billion in 2011, compared with NIS 2.97 billion in 2010. Premiums earned in life insurance accounted for about 37% of total premiums earned by the Group during the period of the report.

Total premiums earned in the health insurance sector, a sector in which the Group is the leader and the largest company in Israel, rose by about 20% to approximately NIS 2.5 billion in 2011, compared with approximately NIS 2.1 billion in 2010. Premiums earned in the health insurance sector accounted for about 29% of the Group's total premiums earned during the period of the report.

Michel Siboni, co-CEO of Harel Insurance Investments and Financial Services commented: “Harel’s results in 2011 continue to demonstrate the soundness and stability of the Group, especially in a period of capital market volatility.” **Siboni** added; “2011 was characterized with the return of instability to capital markets in Israel and the world. In Israel, 2011 was characterized by the effect of uncertainty that affected world markets, and two large domestic shocks: a regulatory shock and a shock in the geopolitical environment. Despite Israel’s strong annualized growth in 2011, the growth rate slowed in the second half of the year. In view of the recession in Europe and the slow growth in the U.S., there is concern of a further slowdown in growth in the first half of 2012. Nonetheless, since the beginning of 2012, the risk of a financial crisis in Europe has greatly eased, and the capital markets have reacted with strong gains.”

The comprehensive profit in the long-term savings activity totaled approximately NIS 35 million in 2011.

The comprehensive loss from life insurance totaled approximately NIS 45 million in 2011, compared with a comprehensive profit of approximately NIS 351 million in the corresponding period in 2010. The swing from comprehensive profit to comprehensive loss was mainly due to the impact of the capital market, which had negative returns compared with positive returns for the corresponding period in 2010, and because approximately NIS 126 million in variable management fees from life insurance policies were collected in 2010, but no variable management fees were collected during the period of the report. As of 31 December 2011, Harel Insurance has not collected approximately NIS 119 million in variable benefit fees on return-dependent policies sold in 1991-2003. As of February 29, 2012, the total loss in potential income from the non-collection of variable benefit fees was NIS 54 million.

The comprehensive profit from pension fund management and the management of old pension funds totaled approximately NIS 44 million in 2011, compared with NIS 29 million in the corresponding period in 2010, **an increase of about 49%**. **Assets managed in pension funds** as of 31 December 2011 totaled approximately NIS 13.8 billion, compared with NIS 11.7 billion as of 31 December 2010, **an increase of about 18%**. The increase was mainly due to the increase in the number of active members.

The comprehensive profit from provident and continued education fund management totaled approximately NIS 37 million in 2011, compared with NIS 69 million in corresponding period in 2010. The reduction in comprehensive profit from provident and continued education fund activity was mainly due to the reduction made by the Company following the reform in management fees and the expected damage to income from management fees in this area of activity. The total reduction made by the Company was approximately in NIS 25 million, before tax, in the value of the provident fund activity. **Assets under management in provident and continued education funds** of the Group totaled approximately NIS 22.2 billion as of 31 December 2011, compared with approximately NIS 23.4 billion as of 31 December 2010.

The comprehensive profit in the health insurance sector totaled approximately NIS 162 million in 2011, compared with a comprehensive profit of approximately NIS 227 million in the corresponding period of 2010. The reduction in the comprehensive profit in the reporting period compared with the comprehensive profit in the corresponding period in 2010 was due from the impact of the capital market in which returns were negative compared with the positive returns in the corresponding period in the preceding year, and due to the worsening of underwriting results for group nursing insurance.

Comprehensive profit on general insurance totaled approximately NIS 17 million in 2011, compared with a comprehensive profit of approximately NIS 130 million in the corresponding period of 2010. The reduction in comprehensive profit was mainly due the impact of the capital market, which had negative

returns compared with positive returns for the corresponding period in 2010. **Total gross premiums for general insurance sector** were approximately NIS 2.85 billion in 2011, compared with approximately NIS 2.86 billion in the corresponding period of 2010. **Residual premiums** totaled approximately NIS 1.7 billion, compared with approximately NIS 1.6 billion in 2010, **an increase of about 3%**.

The comprehensive loss by the international insurance companies sector were approximately NIS 38 million in 2011, compared with a comprehensive loss of approximately NIS 33 million in the corresponding period in 2010. **Total premium earned by the international insurance companies sector rose by about 61%** to approximately NIS 154 million in 2011, compared with approximately NIS 96 million in 2010.

Total assets managed in the capital markets and financial services sector as of 31 December 2011 amounted to approximately NIS 24 billion, compared with approximately NIS 26 billion as of 31 December 2010. Profit before tax from activities in the capital market and financial services sector totaled approximately NIS 29 million in 2011, compared with a comprehensive profit of approximately NIS 35 million for the corresponding period in 2010.

The shareholders' equity of the Harel Group totaled approximately NIS 3.53 billion as of 31 December 2011.

Total assets under management by the Harel Group in insurance, pension funds, provident funds, mutual funds, and financial services totaled approximately NIS 101 billion as of 31 December 2010.