

November 28, 2016

Harel Group concludes Q3 2016 with comprehensive profit of NIS 163 million

Comprehensive profit increased by 37% to NIS 205 million in the first nine months of 2016

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**Total earned premiums and benefit contributions increased by 8% to NIS 5.1 billion in Q3 2016**

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Total earned premiums and benefit contributions increased by 7% to NIS 14.9 billion in the first nine months of 2016

Harel Insurance Investments and Financial Services has published its financial statements for Q3 2016:

Total premiums earned and benefit contributions increased by 8% to NIS 5.1 billion in Q3 2016, compared with NIS 4.7 billion in the corresponding period last year.

Total premiums earned and benefit contributions increased by 7% to NIS 14.9 billion in the first nine months of 2016, compared with NIS 13.9 billion in the corresponding period last year.

Comprehensive profit was NIS 163 million in Q3 2016, compared with a loss of NIS 130 million in the corresponding quarter last year. The shift from comprehensive loss to comprehensive income is mainly attributable to yields in the capital market that were higher than in the corresponding quarter last year and to the collection of variable management fees of NIS 52 million, compared with a refund of variable management fees amounting to NIS 77 million in the corresponding quarter last year.

Comprehensive profit increased by 37% to NIS 205 million in the first nine months of 2016, compared with NIS 150 million in the corresponding period last year.

Equity attributed to the Company's shareholders amounted to NIS 4.9 billion at September 30, 2016, after a dividend distribution of NIS 171 million during 2016.

At September 30, 2016, the Group's **assets under management** in insurance, pension funds, provident funds, mutual funds and financial services amounted to **NIS 181.9 billion**.

Ronen Agassi, CEO of Harel Insurance and Finance Group reported that "the financial results for Q3 2016 continue to demonstrate the Group's stability and ongoing growth, with improved profitability recorded in all segments. Harel continues to dominate the insurance industry while maintaining a high level of financial robustness. These trends are noteworthy when viewed against the extremely volatile financial markets in Israel and abroad".

Long-term savings

Total premiums and benefit contributions earned in long-term savings activity amounted to NIS 3.2 billion in Q3 2016, compared with NIS 2.9 billion in the corresponding quarter last year.

Total premiums and benefit contributions earned in long-term savings activity, amounted to NIS 9.4 billion in the first nine months of 2016, compared with NIS 8.5 billion in the corresponding period last year.

Comprehensive profit in long-term savings activity (life assurance, pensions, provident and education funds) amounted to NIS 89 million in **Q3 2016**, compared with a comprehensive loss of NIS 106 million in the corresponding period last year. The shift from comprehensive loss to comprehensive income is mainly attributable to higher yields in the capital market and the collection of variable management fees of NIS 52 million in Q3 2016, compared with a refund of variable management fees amounting to NIS 77 million in the corresponding quarter last year.

The comprehensive loss from long-term savings activity (life assurance, pensions, provident and education funds) in

the first nine months of 2016 amounted to NIS 20 million compared with NIS 117 million in the corresponding period last year. The shift from comprehensive profit to comprehensive loss is mainly attributable to the effect of the ongoing decline in the risk-free interest rate and the decline in the yields embedded in the assets held against insurance liabilities in the Reporting Period.

Life assurance

Total premiums earned in life assurance increased by 6% to approximately a billion shekels in **Q3 2016**, compared with NIS 993 million in the corresponding period last year.

Total premiums earned in life assurance in the first nine months of 2016 amounted to NIS 3.1 billion, similar to the corresponding period last year.

Comprehensive profit in life assurance was NIS 66 million in Q3 2016, compared with a comprehensive loss of NIS 130 million in the corresponding quarter last year. The shift from comprehensive loss to comprehensive income is mainly attributable to higher yields in the capital market and the collection of variable management fees of NIS 52 million in Q3 2016, compared with a refund of variable management fees amounting to NIS 77 million in the corresponding quarter last year.

The life assurance segment recorded a comprehensive loss of NIS 72 million in the first nine months of 2016, compared with comprehensive profit of NIS 31 million in the corresponding period last year. The shift from comprehensive profit to comprehensive loss is mainly attributable to the effect of the ongoing decline in the risk-free interest rate and the decline in the yields embedded in the assets held against insurance liabilities in the Reporting Period.

Pension funds

Benefit contributions collected by the Group's pension funds increased by 10% to NIS 1.6 billion in **Q3 2016**, compared with NIS 1.4 billion in the corresponding period last year.

Benefit contributions collected by the Group's pension funds increased by 15% to NIS 4.6 billion in the **first nine months of 2016**, compared with NIS 4 billion in the corresponding period last year.

Comprehensive profit from pension fund management amounted to NIS 14 million in **Q3 2016**, similar to the corresponding quarter last year.

Comprehensive profit from pension fund management amounted to NIS 39 million in the first nine months of 2016, compared with comprehensive profit before tax of NIS 53 million in the corresponding period last year. The decline is mainly attributable to revised terms of the agreement for operating services that Harel Insurance provides to Harel Pension.

The volume of assets managed by the pension funds increased by 20% to NIS 42.2 billion at September 30, 2016, compared with NIS 35 billion at September 30, 2015.

Provident funds & education funds

Benefit contributions collected by the provident funds and education funds increased by 32% to NIS 589 million in **Q3 2016**, compared with NIS 447 million in the corresponding quarter last year.

Benefit contributions collected by the provident funds and education funds increased by 29% to NIS 1.7 billion in the **first nine months of 2016**, compared with NIS 1.3 billion in the corresponding period last year.

Comprehensive profit in pension funds and education funds was NIS 9 million in **Q3 2016**, similar to the corresponding quarter last year.

Comprehensive profit in the provident funds and education funds amounted to NIS 13 million in the **first nine months of 2016**, compared with NIS 33 million in the corresponding period last year. The decline in comprehensive profit is mainly attributable to an erosion in the rate of the management fees.

At September 30, 2016, **assets under management in the provident funds and education funds** managed by the Group amounted to NIS 31 billion.

Health insurance

Total premiums earned in the health insurance segment increased by 5% to NIS 1.1 billion in **Q3 2016**, compared with approximately a billion shekels in the corresponding quarter last year.

Total premiums earned in the health insurance segment increased by 5% to NIS 3.1 billion in the **first nine months of 2016**, compared with NIS 3 billion in the corresponding period last year.

Comprehensive profit in the health insurance segment was NIS 33 million in **Q3 2016**, compared with NIS 37 million in the corresponding quarter last year. The shift from comprehensive loss to comprehensive income is mainly attributable to yields in the capital market in the current quarter, that were higher than those in the corresponding quarter last year.

Comprehensive profit in the health insurance segment was NIS 128 million in the **first nine months of 2016**, compared with a loss of NIS 38 million in the corresponding period last year. The shift from comprehensive loss to comprehensive income is mainly attributable to yields in the capital market that were higher than in the corresponding period last year and to improved underwriting performance in the Reporting Period.

Non-life insurance

Gross premiums increased by 5% to NIS 628 million in **Q3 2016**, compared with NIS 596 million in the corresponding quarter last year.

Gross premiums amounted to NIS 2.3 billion in the **first nine months of 2016**, similar to the amount in the corresponding period last year.

Comprehensive profit in non-life insurance amounted to NIS 38 million in Q3 2016, compared with a comprehensive loss of NIS 40 million in the corresponding quarter last year. The shift from comprehensive loss to comprehensive profit is mainly attributable to yields in the capital market that were higher than those in the corresponding quarter last year.

Comprehensive profit in non-life insurance amounted to NIS 35 million in the first nine months of 2016, compared with NIS 56 million in the corresponding period last year. The decline is mainly attributable to the effect of the Winograd Committee recommendations, as a result of which the Company increased its insurance liabilities by NIS 175 million. This decline was partially offset by the effect of the capital market where yields in the Reporting Period were higher than in the corresponding period last year.

Harel Finance

At September 30, 2016, **Harel Finance Investment House held assets under management in the capital market and financial services segment** of NIS 41.1 billion.

Revenues in the capital market and financial services segment decreased by 13% to NIS 61.8 million in **Q3 2016**, compared with NIS 70.7 million in the corresponding period last year.

Revenues in the capital market and financial services segment amounted to NIS 196 million in the **first nine months of 2016**, compared with NIS 230 million in the corresponding period last year. The decline is mainly due to a reduction of the assets under management in the mutual funds and investment portfolios.

Comprehensive profit before tax in the **capital market and financial services segment** amounted to NIS 17 million in Q3 2016, compared with a comprehensive loss before tax of NIS 7 million in the corresponding quarter last year. The loss in the corresponding quarter last year includes an impairment of NIS 22 million for the mutual fund activity. After adjustment for this impairment, pre-tax profit in the capital market and financial services segment in the corresponding quarter last year was NIS 15 million before tax.

Harel Finance posted comprehensive profit before tax of NIS 35 million in the **first nine months of 2016**, similar to the corresponding period last year. After adjustment for impairment which was recorded both in the current period and in the corresponding period in 2015, comprehensive profit before tax amounted to NIS 60 million in the Reporting Period, compared with NIS 58 million in the corresponding period last year.

Equity

Based on the IQIS5 exercise performed by Harel Insurance, in accordance with the new Solvency II regime that the Ministry of Finance intends to apply and taking the transition provisions into account, **Harel Insurance has a capital surplus of more than NIS 1 billion** at December 31, 2015.