

Winograd Committee recommendations reduce Harel Group's profits by NIS 150 million
Harel Group ends Q1 2016 with NIS 14 million profit

Premiums and benefit contributions earned in the first quarter amount to NIS 4.68 billion

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**The Group's EV increased by 8% in 2015 to NIS 13.3 billion**

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Value in Force (VIF) increased by 11% in 2015 to NIS 10.2 billion

Harel Insurance Investments and Financial Services Ltd. has published its financial statements for Q1 2016:

Total earned premiums and benefit contributions in Q1 2016 amounted to NIS 4.68 billion.

Comprehensive profit in Q1 2016 was **NIS 14 million**, compared with NIS 155 million in the corresponding quarter last year. The decline in comprehensive income is mainly attributable to the low capital market yields compared with the corresponding period last year; additionally, in the Reporting Period the Company increased its insurance liabilities by NIS 150 million following the Winograd Committee recommendations on the subject of determining the discounting interest rate in the compulsory motor and liabilities sectors in non-life insurance.

Equity attributed to the Company's shareholders was NIS 4.8 billion at March 31, 2016, after a dividend in the amount of NIS 107 billion was distributed in March.

Together with publication of the Q1 2016 reports, the Company also published the EV reports for the Group's business, which show growth of the EV and its components:

The Group's **total EV** - which includes life assurance, pension and health insurance activity - **increased by 8% to NIS 13.3 billion** at the end of 2015, compared with NIS 12.3 billion at the end of 2014.

The **Value of New Business (VNB) included in the Group's EV** for the end of 2015 was NIS 1.3 billion, similar to the end of 2014.

The Group's **Value in Force (VIF) increased by 11%** to NIS 10.2 billion at December 31, 2015, compared with NIS 9.2 billion at the end of 2014.

At March 31, 2016, the Group's **assets under management** in insurance, pension funds, provident funds, mutual funds, and financial services amounted to **NIS 179 billion**.

Ronen Agassi, CEO of Harel Insurance and Finance Group, reported that "once again, in this quarter Harel Group has maintained its business dominance and correct business strategy as reflected in the **EV** figures published for 2015 which reached an all-time high of more than **NIS 13 billion**, **VIF** which increased by **11%**, as well as Harel's **VNB** which amounted to NIS 1.3 billion".

Long-term savings

The comprehensive loss in long-term savings activity (life assurance, pensions, provident and education funds) for Q1 2016 was NIS 37 million, compared with a comprehensive loss of NIS 27 million in the corresponding quarter last year.

Total earned premiums and benefit contributions in long-term savings activity amounted to NIS 2.9 billion in Q1 2016, similar to the corresponding quarter last year.

Life assurance

Total earned premiums in life assurance amounted to approximately a billion shekels in Q1 2016 compared with NIS 1.2 billion in the corresponding quarter last year. The decline is mainly attributable to a one-time deposit of NIS 216 million in the corresponding period last year for an early retirement arrangement by a large employer in life insurance. **After adjustment for last year's one-time deposit, the volume of premiums in this sector was stable.**

The life assurance segment recorded a comprehensive loss of NIS 43 million in Q1 2016, compared with a comprehensive loss of NIS 60 million in the corresponding quarter last year. The lower comprehensive loss is mainly attributable to 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 corresponding period last year.

Pension funds

Comprehensive profit from pension fund management amounted to NIS 9 million in Q1 2016, compared with NIS 19 million in the corresponding period last year.

Benefit contributions collected by the Group's pension funds increased by 14% in the Reporting Period to NIS 1.4 billion, compared with NIS 1.2 billion in the corresponding period last year. The increase relative to the end of the previous year is mainly attributable to ongoing deposits.

Provident funds & education funds

Assets under management held by the Group's provident funds and education funds amounted to NIS 29.8 billion at March 31, 2016.

The provident funds and education funds recorded a comprehensive loss of NIS 3 million in Q1 2016, compared with comprehensive profit of NIS 13 million in the corresponding period last year. The loss in the Reporting Period is attributable to a one-time refund of management fees to fund members.

Benefit contributions collected by the provident funds and education funds increased by 13% in Q1 2016 to NIS 496 million, compared with NIS 439 million in the corresponding period last year.

Health insurance

The health insurance segment recorded comprehensive profit of NIS 28 million in Q1 2016, compared with a comprehensive loss of NIS 19 million in the corresponding quarter last year.

Total earned premiums in the health insurance segment increased by 4% in Q1 2016 to NIS 996 million, compared with NIS 955 million in the corresponding quarter last year. Premiums earned in the health insurance segment **account for 36% of all premiums earned by the Group** in the Reporting Period.

Non-life insurance

The non-life insurance segment recorded a comprehensive loss of NIS 51 million in Q1 2016, compared with comprehensive profit of NIS 131 million in the corresponding period last year. The shift from profit to loss is attributable to the effect of the Winograd Committee recommendations, as noted above, as a result of which the Company increased its insurance liabilities by NIS 150 million. The results were also affected by a revision of the discounting interest rates in the compulsory motor and liabilities sectors, and by capital market yields that were lower than those in the corresponding quarter last year and to the lower level of negative inflation in the Reporting Period compared with the corresponding period last year.



Gross premiums in non-life insurance were NIS 961 million in Q1 2016 compared with NIS 1.1 billion in the corresponding period last year. The decrease in gross premiums in non-life insurance is mainly attributable to a decline in Harel Insurance's share of the insurance of the vehicles of state employees for 2016.

Harel Finance

At March 31, 2016, **Harel Finance Investment House managed assets in the capital market and financial services segment** in the amount of NIS 44 billion.

Revenues in the capital market and financial services segment amounted to NIS 65 million in Q1 2016, compared with NIS 81 million in the corresponding quarter last year. The decline originates mainly in a reduction of the assets under management in the old mutual funds and in activity in ETNs and deposit certificates.

Comprehensive profit in the capital market and financial services segment was NIS 18 million in Q1 2016, compared with NIS 23 million in the corresponding quarter last year. The decline in income is mainly attributable to the reduction in revenues from management fees that were collected as part of the activity of the capital market and financial services segment due to the decline in the volume of assets.