

24 November 2011

Despite the crisis in the capital market which affected the financial results of the Harel Group, the Group continues to present impressive growth in its operations: the comprehensive growth rate in premiums was 7% compared with the correspondent period last year

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**Harel presented 15% growth in premiums earned and in benefit fees from long-term savings activity for the first nine months of 2011 accounted for 55% of total premiums and benefit fees of the Group**

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Harel presents 21% growth in total premiums earned in the health insurance sector

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**The comprehensive loss for the first nine months of 2011 totaled NIS 70 million**  
**The comprehensive loss for the third quarter of 2011 totaled NIS 162 million**

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Net profit for the first nine months of 2011 totaled NIS 144 million compared with a net profit of NIS 369 million for the corresponding months last year

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The Harel Insurance Investments and Financial Services Group announced today its financial reports for the first nine months and third quarter of 2011:

**Due to impact of negative yields in the capital market, the Group ended** the first nine months of 2011 with a comprehensive loss. The comprehensive loss, comprising net profit for the reporting period plus the net change in the capital fund for financial assets available for sale and other changes in shareholders' equity, totaled approximately NIS 70 million, compared with a comprehensive profit of NIS 428 million for the corresponding period of last year.

**The comprehensive loss for the third quarter** of 2011 totaled approximately NIS 162 million, compared with a comprehensive profit of NIS 221 million for the corresponding quarter of last year. The swing from profit to loss was mainly due to the effect of the capital market, where yields were negative compared with positive yields in the corresponding period of last year. For this reason, a total of approximately NIS 65 million in variable management fees were collected in the corresponding period, compared with no variable management fees collected in the third quarter of 2011.

**The Group's net profit for the first nine months** of 2011 totaled approximately NIS 144 million, compared with a net profit of NIS 369 million for the corresponding period of last year.

**The net loss for the third quarter** of 2011 totaled approximately NIS 61 million, compared with a net profit of approximately NIS 168 million for the corresponding quarter of last year.

**Michele Siboni, Co-CEO of Harel Insurance Investments and Financial Services:** "In the first nine months of 2011, despite the crisis, the Harel Group continued to present growth in premiums. The Group's results demonstrate its soundness and stability, especially at a time of capital market volatility." **Siboni** added: "Since mid-2011, forecasts of a significant slowdown in Western countries' growth have strengthened. Fears

that the euro bloc might break up have adversely affected capital markets in recent months, but Israel's situation is fairly good compared with Western countries."

**Total premiums earned** by the Harel Group for the first nine months of 2011 amounted to approximately NIS 6.3 billion, compared with NIS 5.9 billion in the first nine months of 2010, **an increase of about 7%**. Total premiums earned in the third quarter of 2011 amounted to approximately NIS 2.1 billion, similar to the corresponding quarter last year.

**Total premiums earned and benefit fees in the long-term savings sector (life insurance, pension funds, provident funds and continued education funds)** for the first nine months of 2011 amounted to approximately NIS 4.97 billion, compared with approximately NIS 4.34 billion for the corresponding period of last year, **an increase of about 15%**. Total premiums earned in the long-term savings sector from life insurance, benefit fees and deposits to pension funds, provident funds and continued education funds, comprised about 55% of total premiums and benefit fees of the Group.

**Total premiums earned in life insurance** for the first nine months of 2011 amounted to approximately NIS 2,269 million, compared with approximately NIS 2,150 million in the corresponding period of last year, an increase of about 6%. During the period of the report, one-time premiums received from the Bezeq retirees deal were recorded. Excluding the effect of the one-time premiums received from the Bezeq retirees deal, the increase in total premiums earned in life insurance was about 10%. Premiums earned in the first nine months of 2011 in life insurance comprised about 36% of total premiums earned by the Group. **Total premiums earned in life insurance** for third quarter of 2011 amounted to approximately NIS 745 million, compared with approximately NIS 794 million for the corresponding quarter of last year, **a decline of about 6%**. Excluding the effect of the one-time premiums received from the Bezeq retirees deal, the increase in total premiums earned in life insurance was about 8% compared with the corresponding quarter of last year. **The comprehensive loss in life insurance for the first nine months** of 2011 amounted to approximately NIS 135 million, compared with a comprehensive profit of NIS 254 million for the corresponding period of last year. **The comprehensive loss in life insurance for the third quarter** of 2011 amounted to approximately NIS 165 million, compared with a comprehensive profit of approximately NIS 183 million for the corresponding quarter of last year. The swing from comprehensive profit to loss was mainly due to the impact of the capital market, where yields were negative during the reporting period compared with positive yields during the corresponding period of last year, from inflation during the reporting period, which was higher than in the corresponding period of last year, and due to the fact that in the corresponding period of last year NIS 65 million in variable management fee were collected compared with no variable management fees collected in the reporting period. Due to the negative yields achieved during the reporting period, Harel Insurance did not collect variable management fees during the reporting period for yield-linked policies issued between 1991 and 2003, similarly to the non-collection of variable management fees for the corresponding period last year. As of September 30, 2011, Harel Insurance will not collect variable management fees totaling about NIS 173 million, until the investment loss charged to members has been covered.

Total assets managed in **pension funds** by the Harel Group as of September 30, 2011, amounted to approximately NIS 12.8 billion, compared with approximately NIS 10.9 billion as of September 30, 2010, **an increase of about 18%**. The increase resulted, *inter alia*, from the increase in the number of active members, and from the increase in members' rates of allocation in compulsory pension funds. The number of members in the pension funds managed by the Harel Group as of September 30, 2011 was about 564,000, of whom about 331,000 were active members, **an increase of about 4%** compared with the number of active members on December 31, 2010. Benefit fees collected by the group's pension funds during the reporting period totaled approximately NIS 1,782 million, compared with approximately NIS 1,367 million as of September 30, 2010, **an increase of about 30%**. **The comprehensive profit from pension fund management for the first nine months** of 2011 amounted to approximately NIS 35 million, compared with NIS 22 million for the corresponding period of last year, **an increase of about 59%**. **The comprehensive profit from pension fund**

**management for the third quarter** of 2011 amounted to approximately NIS 14 million, compared with NIS 7 million for the corresponding quarter of last year, **an increase of about 100%**.

Total assets managed by the Group's **provident funds** as of September 30, 2011 amounted to approximately NIS 21.9 billion, compared with a total of approximately NIS 22.7 billion as of September 30, 2010. Income from management fees collected for provident funds managed by the Group for the first nine months of 2011 totaled approximately NIS 172.4 million, compared with NIS 173 million for the corresponding period of last year. **Comprehensive profit from provident fund management for the first nine months** of 2011 totaled approximately NIS 47 million, compared with NIS 53 million for the corresponding period of last year. **Comprehensive profit from provident fund management for the third quarter** of 2011 totaled approximately NIS 14 million, compared with NIS 19 million for the corresponding quarter of last year, **a decline of about 26%**.

**Total premiums earned in the health insurance sector**, a sector in which the Group is the leader and the largest company in Israel, for the first nine months of 2011 amounted to approximately NIS 1,821 million, compared with NIS 1,505 million for the corresponding period of last year, **an increase of about 21%**. Total premiums earned in the health insurance sector for the third quarter of 2011 amounted to approximately NIS 662 million, compared with approximately NIS 557 million for the corresponding quarter of last year, **an increase of about 19%**. Most of the growth was due to an increase in activity in this sector by Harel Insurance and to an update of rates in the group nursing insurance deal at Dikla. Total premiums earned in the health insurance sector comprised about 29% of all premiums earned by the Group during the reporting period. **The comprehensive profit in the health insurance sector for the first nine months** of 2011 totaled approximately NIS 105 million, compared with a comprehensive profit of approximately NIS 180 million for the corresponding period of last year. **The comprehensive profit in the health insurance sector for the third quarter** of 2011 totaled approximately NIS 20 million, compared with a comprehensive profit of approximately NIS 76 million for the corresponding quarter of last year. The decline in comprehensive profit during the reporting period compared with the comprehensive profit for the corresponding period last year was due to the impact of the capital market where there were negative yields compared with positive yields positive yields during the corresponding period of last year, an increase in the inflation rate during the reporting period compared with the corresponding period, and the results of group nursing insurance underwriting.

Gross premiums in the **general insurance sector** for the first nine months of 2011 totaled approximately NIS 2,196 million, compared with NIS 2,255 billion for the corresponding period of last year. The decrease resulted mainly from the reduction in Harel's share in the vehicle insurance of government employees, and from the influence of one-time premiums during the corresponding period last year from the "Liabilities and others" branches. **Gross premiums in the general insurance sector for the third quarter** of 2011 totaled NIS 609 million, compared with NIS 628 million for the corresponding quarter of last year, **a decline of about 3%**. Premiums on retention in general insurance for the report period totaled approximately NIS 1,300 million for the reporting period, compared with approximately NIS 1,294 million for the corresponding period of last year. Total premiums on retention for the third quarter of 2011 totaled approximately NIS 356 million, compared with NIS 349 million for the corresponding period of last year, **an increase of about 2%**. **Comprehensive loss on general insurance for the first nine months** of 2011 amounted to approximately NIS 18 million, compared with a comprehensive profit of approximately NIS 110 million for the corresponding period of last year. **Comprehensive loss on general insurance for the third quarter** of 2011 amounted to approximately NIS 32 million, compared with a comprehensive profit of approximately NIS 7 million for the corresponding quarter of last year. The swing from comprehensive profit for the corresponding period of last year to comprehensive loss for the reporting period was mainly due to the impact of the capital market where there were negative yields compared with positive yields positive yields during the corresponding period of last year, and to the increase in the inflation rate during the reporting period compared with the corresponding period of last year.

Total premiums earned in the **international insurance companies** sector for the first nine months of 2011 amounted to approximately NIS 110 million, compared with approximately NIS 68 million for the corresponding period of last year, **an increase of about 63%**. Total premiums earned in the international insurance companies insurance sector during the report period comprised about 2% of all premiums earned by the Group. Comprehensive loss before tax in the international insurance companies sector for the first nine months of 2011 totaled approximately NIS 27 million, compared with comprehensive losses of approximately NIS 23 million for the corresponding period of last year. Comprehensive loss in the international insurance companies sector for the third quarter of 2011 totaled approximately NIS 13 million, compared with a comprehensive loss of approximately NIS 4 million for the same quarter last year. The Company's management believes that since its holdings of Greek government bonds are insubstantial, the crisis in Greece is not expected to have a material effect on the operating results of the Group. In accordance with the business plan of TNS Ltd., and in order to meet the capital requirements that apply to it as an insurer operating in Turkey, the Company expects that by the end of 2011, subject to the steady growth in its operations, the Company will need to invest a total of about NIS 16 million in the shareholders' equity of TNS.

Total assets managed in the **capital markets and financial services sector** as of September 30, 2011, amounted to approximately NIS 24.2 billion, compared with approximately NIS 24.5 billion as of September 30, 2010. **Profit before tax from activities in the capital market and financial services sector for the first nine months** of 2011 totaled approximately NIS 23.9 million, compared with approximately NIS 24.2 million for the corresponding period of last year. **Profit before tax from activities in the capital market and financial services sector for the third quarter** of 2011 totaled approximately NIS 6 million, compared with approximately NIS 8.6 million for the corresponding quarter of last year. **Comprehensive profit** from activities in the capital markets and financial services sector for the **first nine months** of 2011 totaled approximately NIS 24 million, similar to the corresponding period of last year. **Comprehensive profit** from activities in the capital markets and financial services sector for the **third quarter** of 2011 totaled approximately NIS 6 million, compared with approximately NIS 9 million for the corresponding quarter of last year, **a decline of about 33%**. The Group's income from activities in the capital markets and financial services sector for the **first nine months** of 2011 totaled approximately NIS 175 million, compared with approximately NIS 172 million for the corresponding period, **an increase of about 2%**. Income from activities in the capital markets and financial services sector for the third quarter of 2011 totaled approximately NIS 52 million, compared with approximately NIS 60 million for the corresponding period.

The Group's equity attributable to company shareholders as of September 30, 2011 totaled approximately NIS 3.4 billion.

**Total assets managed by the Group** in insurance, pension funds, provident funds, mutual funds, and financial services as of September 30, 2011 amounted to approximately NIS 98.8 billion.