

Harel Group concludes the first half of 2016 with comprehensive profit of NIS 42 million

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Harel Insurance Investments and Financial Services has published its financial statements for Q2 2016:

Total earned premiums and benefit contributions increased by 6% to NIS 9.7 billion in the first half of 2016, compared with NIS 9.2 billion in the corresponding period last year. Total earned premiums and benefit contributions increased by 11% to NIS 5 billion in Q2 2016, compared with NIS 4.5 billion in the corresponding period last year.

Comprehensive profit in the first half of 2016 was NIS 42 million, compared with NIS 280 million in the corresponding period last year. The decline in profit is mainly attributable to the fact that the Company increased its insurance liabilities in the non-life insurance segment by NIS 112 million after tax in the Reporting Period, following the Winograd Committee recommendations with respect to determining the discounting interest rate in the compulsory motor and liabilities lines of business. The Company also increased its insurance liabilities in the life assurance segment by NIS 94 million after tax, following the decrease in the risk-free interest rate used for discounting the insurance liabilities.

Comprehensive profit was NIS 28 million in Q2 2016, compared with NIS 125 million in the corresponding quarter last year. The decline in comprehensive profit is mainly attributable to an increase of NIS 59 million after tax in the insurance liabilities, following the effect of the ongoing decline in the risk-free interest rate, compared with an increase in the risk-free interest rate in the corresponding period last year.

Equity attributed to the Company's shareholders was NIS 4.84 billion at June 30, 2016, after a dividend distribution of NIS 107 billion last April. After the balance sheet date, Harel Investments announced a dividend distribution of NIS 64 million.



At June 30, 2016, the Group's **assets under management** in insurance, pension funds, provident funds, mutual funds and financial services amounted to **NIS 178.9 billion**.

Ronen Agassi, CEO of Harel Insurance and Finance Group reported that “the financial results at the end of the first half of 2016 continue to demonstrate the Group’s stability and ongoing growth. Harel continues to maintain its position in the insurance industry, alongside 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 earned premiums and benefit contributions in long-term savings activity, amounted to NIS 6.1 billion in the first half of 2016, compared with NIS 5.6 billion in the corresponding period last year.

Total earned premiums and benefit contributions in long-term savings activity amounted to NIS 3.2 billion in Q2 2016, compared with NIS 2.7 billion in the corresponding quarter last year.

There was a comprehensive loss of NIS 109 million in long-term savings activity (life assurance, pensions, provident and education funds) in the first half of 2016, compared with comprehensive profit of NIS 224 million in the corresponding period last year.

The comprehensive loss is mainly attributable to yields in the capital market that were lower in the Reporting Period and to a decline in the amount of variable management fees.

There was a comprehensive loss of NIS 73 million in long-term savings activity (life assurance, pensions, provident and education funds) in Q2 2016, compared with comprehensive profit of NIS 251 million in the corresponding period last year. The shift from profit to loss is mainly attributable to the increase in the insurance liabilities resulting from 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. These factors were partially offset by yields in the capital market which were higher in the Reporting Period than in the corresponding quarter last year.

Life assurance

Total earned premiums in life assurance declined by 7% to approximately NIS 2 billion in the **first half of 2016**, compared with NIS 2.2 billion in the corresponding period last year. The decline is mainly attributable to a lump sum deposit of NIS 226 million recorded 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.**



Total earned premiums in life assurance increased by 3% to approximately a billion shekels in Q2 2016, compared with NIS 987 million in the corresponding period last year.

There was a comprehensive loss of NIS 138 million in life assurance in the first half of 2016, compared with comprehensive profit of NIS 161 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.

There was a comprehensive loss of NIS 95 million in the life assurance segment in Q2 2016, compared with comprehensive profit of NIS 220 million in the corresponding quarter 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

The benefit contributions collected by the Group's pension funds increased by 18% to NIS 3 billion in the first half of 2016, compared with NIS 2.6 billion in the corresponding period last year.

The benefit contributions collected by the Group's pension funds increased by 22% to NIS 1.6 billion in Q2 2016, compared with NIS 1.3 billion in the corresponding period last year. The increase compared with the corresponding quarter last year is mainly attributable to bringing forward the timing of the deposit by a large employer.

Comprehensive profit from pension fund management amounted to NIS 25 million in the **first half of 2016**, compared with comprehensive profit before tax of NIS 38 million in the corresponding period last year.

Comprehensive profit from pension fund management amounted to NIS 15 million in **Q2 2016**, compared comprehensive profit before tax of NIS 19 million in the corresponding quarter last year.

The assets managed by the pension funds increased by 15% to NIS 39.9 billion at June 30, 2016, compared with NIS 34.6 billion at June 30, 2015.

Provident funds & education funds

Benefit contributions collected by the provident funds and education funds increased by 26% to NIS 1.089 billion in the first half of 2016, compared with NIS 867 million in the corresponding period last year.

Benefit contributions collected by the provident funds and education funds increased by 39% to NIS 593 million in **Q2 2016**, compared with NIS 428 million in the corresponding quarter last year.

At June 30, 2016, **assets under management in the provident funds and education funds** managed by the Group amounted to NIS 30.3 billion.

Comprehensive profit in the provident funds and education funds was NIS 4 million in the **first half of 2016**, compared with NIS 25 million in the corresponding period last year. The decline in comprehensive profit is mainly attributable to a one-time provision for refunding management fees as part of the optimization project and to an erosion in the rate of the management fees.

Comprehensive profit in pension funds and education funds was NIS 7 million in **Q2 2016**, compared with NIS 12 million in the corresponding quarter last year.

Health insurance

Total premiums earned in the health insurance segment increased by 5% to NIS 2 billion in the **first half of 2016**, compared with NIS 1.9 billion in the corresponding period last year.

Total earned premiums in the health insurance segment increased by 5% to NIS 1.02 billion in **Q2 2016**, compared with NIS 971 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.**

Comprehensive profit in the health insurance segment was NIS 95 million in the **first half of 2016**, compared with balance in the corresponding period last year. The increase in comprehensive profit is attributable, among other reasons, to improved underwriting performance in the Reporting Period.

Comprehensive profit in the health insurance segment was NIS 68 million in **Q2 2016**, compared with NIS 19 million in the corresponding quarter last year. The improved profit is mainly attributable to improved underwriting performance and to yields in the capital market in the current quarter that were higher than those in the corresponding quarter last year.

Non-life insurance

Gross premiums amounted to NIS 1.66 billion in the **first half of 2016**, similar to the amount of gross premiums in the corresponding period last year.

Gross premiums increased by 23% to NIS 699 million in **Q2 2016**, compared with NIS 570 million in the corresponding quarter last year.



There was a comprehensive loss of NIS 3 million in the **non-life insurance segment in the first half of 2016**, compared with comprehensive profit of NIS 95 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 175 million.

Comprehensive profit in non-life insurance amounted to NIS 47 million in Q2 2016, compared with a comprehensive loss of NIS 35 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.

Harel Finance

At June 30, 2016, **Harel Finance Investment House held assets under management in the capital market and financial services segment** of NIS 42.3 billion.

Revenues in the capital market and financial services segment amounted to NIS 134 million **in the first half of 2016**, compared with NIS 160 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.

Revenues in the capital market and financial services segment amounted to NIS 70 million **in Q2 2016**, compared with NIS 78.6 million in the corresponding period last year.

Comprehensive profit in the Reporting Period includes provision for an impairment of NIS 25 million before tax in the value of the mutual fund activity.

Harel Finance's comprehensive profit was NIS 17 million after the impairment and NIS 42 million after adjustment for the impairment in **the first half of 2016**, compared with NIS 43 million in the corresponding period last year.

Harel Finance posted a comprehensive loss of about NIS 1 million after the impairment and profit of NIS 24 million after adjustment for the impairment **in Q2 2016**, compared with comprehensive profit of NIS 20 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.