

March 18, 2015

Harel presents a 9% increase in total earned premiums and benefit contributions in 2014, amounting to NIS 17.4 billion

Harel maintains high profitability and ends 2014 with comprehensive profit of NIS 533 million

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**RoE for the shareholders was 11% in 2014**

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In 2014, the Group's assets under management increased by 11% to a record NIS 179.3 billion

Harel Insurance Investments and Financial Services publishes its financial statements for 2014:

Comprehensive profit in 2014 was NIS 533 million, compared with NIS 686 million in 2013. The decline is mainly due to the effects of the capital market. The on-going decline in the risk-free interest rate led to a revision of the discounting interest used for calculating some of the insurance liabilities, as a result of which, the insurance liabilities increased by NIS 280 million before tax and NIS 176 million after tax. The decline in comprehensive profit was also due to a decline in the collection of management fees from NIS 208 million in 2013 to NIS 140 million in 2014. After adjustment for the effects of the interest on the insurance liabilities, the Group's profit in 2014 was NIS 709 million.

Comprehensive profit in Q4 2014 was NIS 71 million compared with NIS 253 million for the corresponding quarter last year. The decline in comprehensive profit can be attributed mainly to the effect of the capital market, where yields were lower than those in the corresponding period last year. This decline was also due to the collection of variable management fees of NIS 2 million compared with NIS 94 million in the corresponding quarter last year.

Total earned premiums and benefit contributions in 2014 increased by 9% to NIS 17.4 billion, compared with NIS 15.9 billion last year.

Shareholders' equity attributed to the Company's shareholders at December 31, 2014 was NIS 4.7 billion.

The Return on Equity for the shareholders in 2014 was 11% in annual terms.

At December 31, 2014, the Group's **assets under management** in insurance, pension funds, provident funds, mutual funds, and financial services **increased by 11% to a record NIS 179.3 billion**, compared with assets under management of NIS 161 billion at the end 2013.

Michel Siboni, Co-CEO of Harel Insurance Investments and Finance, reported that "2014 has been another successful year for Harel with comprehensive profit of more than half a billion shekels. The financial results show an increase in the volume of activity in all the Group's business segments, and the high profit level is also a direct result of spreading the Group's profit sources among the different areas of activity. This high profitability was recorded despite exceptional, one-time influences, and after adjustment the Group's profit is more than NIS 700 million".

Long-term savings

Comprehensive profit in long-term savings activity (life assurance, pensions, provident and education funds) **for 2014** was NIS 164 million compared with NIS 432 million in 2013. The decline is mainly due to the effects of the capital market. The on-going decline in the risk-free interest rate led to a revision of the discounting interest used for calculating some of the insurance liabilities, as a result of which, the insurance liabilities increased by NIS 241 million before tax. Likewise, the collection of variable management fees declined from NIS 208 million in 2013 to NIS 140 million in 2014.

Comprehensive profit in the life assurance and long-term savings segment was NIS 75 million in Q4 2014, compared with NIS 120 million in the corresponding quarter last year. The decline in comprehensive profit can be attributed mainly to the effect of the capital market, where yields were lower than those in the corresponding period last year. This decline was also due to the collection of variable management fees of NIS 2 million compared with NIS 94 million in the corresponding quarter last year.

Total earned premiums and benefit contributions in the long-term savings segment **increased by 9.5%** in **2014** to NIS 10.4 billion, compared with NIS 9.5 billion in 2013. **Premiums earned during the reporting period accounted for 35% of all premiums earned by the Group during the Reporting Period.**

Total earned premiums and benefit contributions in the long-term savings segment **increased by 7.7%** in Q4 2014 to NIS 2.8 billion, compared with NIS 2.6 billion in the corresponding period last year.

Life assurance

Comprehensive profit in long-term savings activity (life assurance, pensions, provident and education funds) **in 2014** was NIS 40 million compared with NIS 346 million in 2013. This decline is mainly due to the effects of the capital market. The on-going decline in the risk-free interest rate led to a revision of the discounting interest used for calculating some of the insurance liabilities, as a result of which, the insurance liabilities increased by NIS 241 million before tax. The decline in comprehensive profit was also due to a decline in the collection of management fees from NIS 208 million in 2013 to NIS 140 million in 2014.

Comprehensive profit in life assurance was NIS 45 million **in Q4 2014**, compared with NIS 95 million for the corresponding quarter last year. The decline in comprehensive profit can be attributed mainly to the effect of the capital market, where yields were lower than those in the corresponding period last year. This decline was also due to the collection of variable management fees of NIS 2 million compared with NIS 94 million in the corresponding quarter last year.

Total earned premiums in life assurance amounted to NIS 3.8 billion in **2014**, similar to 2013. **Total earned premiums in life assurance** amounted to NIS 962 million in **Q4 2014**, compared with NIS 983 million in the corresponding quarter last year.

Pension funds

Comprehensive profit from pension fund management in 2014 increased by 20% to NIS 68 million compared with NIS 57 million in 2013. **Comprehensive profit from pension fund management increased by 8% in Q4 2014** to NIS 17 million, compared with NIS 15 million for the corresponding quarter in 2013.

The Group's pension funds collected **benefit contributions** of NIS 4.87 billion in **2014**, a **19% increase** compared with NIS 4.1 billion in 2013. In **Q4 2014**, the Group's pension funds collected benefit contributions of NIS 1.32 billion, compared with NIS 1.15 billion in the corresponding quarter last year, **an increase of 15%**.

At December 31, 2014, the Group's pension funds held **assets under management** of NIS 31.4 billion, an **increase of 24%**, compared with NIS 25.4 billion at December 31, 2013. This increase is due to an increase in the volume of activity, new members who joined the funds, an increase in the amounts of provision made by members and the yield attained during the Reporting Period.

At December 31, 2014, the **pension funds managed by the Group had 889,000 members**, of which 464,000 are active members, an **8% increase** compared with the number of active members on December 31, 2013.

Provident funds

Comprehensive profit from the management of provident funds and education funds in 2014 was NIS 55 million compared with NIS 29 million in 2013. The increase can be attributed mainly to an increase in management fee revenues due to an increase in the volume of assets as against the corresponding period last year, to a decline in the amount of on-going amortization of the cost of acquiring the provident fund activity, and to a one-time provision for management fee refunds in respect of the restitution instructions published by the Commissioner which was included in the corresponding period last year. Comprehensive profit from the management of provident funds and education funds **increased by 41% in Q4 2014 to** NIS 14 million, compared with NIS 10 million in the corresponding quarter last year.

The Group's provident funds and education funds collected **benefit contributions** of NIS 1.75 billion in **2014**, a **10% increase** compared with NIS 1.6 billion in 2013. The Group's provident funds and education funds collected benefit contributions of NIS 521 million in **Q4 2014**, compared with NIS 510 billion in the corresponding quarter last year.

At December 31, 2014, the Group's provident funds and education funds held **assets under management** of NIS 29 billion, an **increase of 7%**, compared with NIS 27.2 billion at December 31, 2013. Most of the increase can be attributed to the yields attained in the capital market.

Health insurance

Comprehensive profit in the health insurance segment was NIS 140 million in **2014**, compared with NIS 202 million in 2013. The decline can be attributed mostly to the continuing erosion in the results of group policies, stemming from an increase in the percentage of claims in these policies, and to the revision in the assumption for morbidity in personal lines long-term care policies made in the fourth quarter of the year in the amount of NIS 42 million before tax, following the publication of the Commissioner's position paper on the definition of an insured event in long-term care insurance.

In Q4 2014, there was a comprehensive loss of NIS 34 million **in the health insurance segment**, compared with comprehensive profit of NIS 66 million for the corresponding quarter last year. **The shift from profit to loss** in this quarter can be attributed to the revised assumption for morbidity in personal lines long-term care policies, amounting to NIS 42 million before tax, following the publication of the Commissioner's position paper on the definition of an insured event in long-term care insurance, as well as to continuing erosion of the results of group health insurance policies, due to an increase in the percentage of claims.

Premiums earned in the health insurance segment increased by 12% in 2014 to NIS 3.6 billion, compared with NIS 3.2 billion in 2013. **Total premiums earned in the health insurance segment in 2014 account for 33% of all premiums earned by the Group.** Total earned premiums in the health insurance segment **increased by 10% in Q4 2014**, to NIS 918 million, compared with NIS 832 million for the corresponding quarter last year.

Non-life insurance

Comprehensive profit in non-life insurance increased by 31% in 2014 to NIS 287 million compared with NIS 219 million in 2013. The increase is mainly due to the effect of the capital market where yields were higher than those of the corresponding period last year, to the effect of inflation which was lower in the Reporting Period than in the corresponding period last year, and to improved underwriting performance.

Comprehensive profit in non-life insurance was NIS 43 million in Q4 2014, compared with NIS 80 million in the corresponding quarter last year. The decline can be attributed mainly to the effect of the capital market, where yields were lower than those in the corresponding period last year.

Gross premiums in the non-life insurance segment increased by 3% in 2014 to NIS 3.2 billion, compared with NIS 3.1 billion in 2013. In **Q4 2014**, gross premiums in the non-life insurance segment **increased by 3%** to NIS 814 million, compared with NIS 789 million in the corresponding quarter last year.

Harel Finance

Assets under management in the capital market and financial services segment under Harel Finance Investment House increased by 8% at December 31, 2014, to NIS 57.9 billion, compared with NIS 53.5 billion at December 31, 2013. This increase can be attributed mainly to the growth of assets under management in the mutual funds, as well as to the further expansion of activity in ETNs and certificates of deposit.

Revenues in the capital market and financial services segment increased by 20% in 2014 to NIS 304 million, compared with NIS 254 million in 2013. The increase in revenues during the Reporting Period, compared with the corresponding period last year is mainly due to the acquisition of the portfolio management activity and mutual fund activity of Clal Finance and to further growth of activity in ETNs and certificates of deposit by Harel Sal and Harel Financial Products.

Harel Finance posted comprehensive profit of NIS 64 million in 2014, compared with NIS 27 million in 2013, **a significant increase of 137%**. In **Q4 2014**, comprehensive profit in the capital market and financial services segment rose sharply **by 90%** to NIS 19 million, compared with NIS 10 million for the corresponding quarter last year.