

**Harel continues to grow:**

**Total premiums and benefit contributions in Q1 2015 increased by about 13% to approximately NIS 4.7 billion**

**Comprehensive profit was NIS 155 million after tax**

**First quarter results include extraordinary effects stemming from a decline in the discounting interest rates, in the amount of about NIS 181 million; after adjustment for these effects, profit was NIS 336 million after tax**

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**The Group's EV increased by 10% in 2014 to NIS 12.3 billion**

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**Value in Force (VIF) increased by 12% in 2014 to NIS 9.2 billion**

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**The Group's Value of New Business (VNB) increased by 7% in 2014 to NIS 1.3 billion**

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**Harel distributed a dividend of NIS 128 million**

Harel Insurance Investments and Finance publishes its financial statements for Q1 2015:

**Total earned premiums and benefit contributions** in Q1 2015 **increased by about 13%** to approximately NIS 4.7 billion, compared with NIS 4.1 billion for the corresponding period last year.

**Comprehensive profit** for Q1 2015 **was NIS 155 million**, compared with NIS 281 million for the corresponding quarter last year. The decline in comprehensive profit is attributable mainly to the ongoing decline in the risk-free interest rate, which led to a revision of the discounting interest rates used for calculating some of the insurance liabilities. As a result, the insurance liabilities increased by NIS 289 million before tax and NIS 181 million after tax. This effect was partially offset by yields in the capital market which were higher than yields in the corresponding quarter last year, and by an increase in the volume of variable management fees collected during the Reporting Period as compared with the corresponding quarter last year. **After adjustment for the effects of interest on the insurance liabilities**, as noted, the Group's profit in Q1 2015 is about NIS 336 million after tax.

**Equity attributed to the Company's shareholders** at March 31, 2015 **increased by about 3%** to approximately NIS 4.9 billion, compared with NIS 4.7 billion at the end of 2014.

**Together with publication of the Q1 2015 reports, the Company also published the EV reports** for the Group's business, which show that the EV and its components have grown.

The Group's total **EV** - which includes life assurance, pension and health insurance activity - **increased by 10% to NIS 12.3 billion** at the end of 2014, compared with NIS 11.1 billion at the end of 2013.

The Group's **VNB included in the EV increased by 7%** to NIS 1.3 billion at the end of 2014, compared with NIS 1.2 billion at the end of 2013.



The Group's **VIF (Value in Force) increased by 12%** to NIS 9.2 billion at December 31, 2014, compared with NIS 8.2 billion at the end of 2013.

At March 31, 2015, the Group's **assets under management** in insurance, pension funds, provident funds, mutual funds, and financial services increased by 3% to a **record NIS 185 billion**, compared with NIS 179 billion at the end 2014.

Harel Investments distributed a **dividend** of NIS 128 million.

**Michel Siboni, Co-CEO of Harel Insurance Investments and Financial Services**, reported that "Harel's consistent growth, stemming from the Group's business strategy, is reflected in the figures published for **EV**, which in 2014 reached an all-time high of more than **NIS 12 billion, VIF which increased by 12%**, as well as Harel's **VNB which increased by 7%**". Siboni added that "the steady increase in the volume of assets managed by the Group, the increase in premiums and benefit contributions, and the increase in comprehensive profit all testify to Harel's growth, with the result that after adjustment for the effects of interest on the insurance liabilities, comprehensive profit in Q1 2015 is NIS 336 million after taxes".

### **Long-term savings**

**The comprehensive loss in long-term savings activity** (life assurance, pensions, provident and education funds) for Q1 2015 was NIS 27 million, compared with comprehensive profit of NIS 143 million for the corresponding quarter last year. 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, the insurance liabilities increased by NIS 222 million before tax, compared with an increase of the insurance liabilities of NIS 21 million before tax in the corresponding quarter last year. These factors were partially offset by yields in the capital market which were higher during the Reporting Period than those of the corresponding quarter last year and by an increase in the variable management fees collected which amounted to NIS 152 million, compared with variable management fees of NIS 83 million collected in the corresponding quarter last year.

After adjustment for the effects of interest on the insurance liabilities, the Group's profit from long-term savings activity is NIS 195 million in the first quarter.

Total earned premiums and benefit contributions in long-term savings activity in Q1 2015 **increased by 21%** to NIS 2.9 billion, compared with NIS 2.4 billion for the corresponding period last year.

### **Pension funds**

In Q1 2015, **comprehensive profit from pension fund management increased by 12%** to NIS 19 million, compared with NIS 17 million for the corresponding period last year.

**Benefit contributions collected by the Group's pension funds** increased by 13% to NIS 1.24 billion in the Reporting Period, compared with NIS 1.1 billion in the corresponding period last year.

At March 31, 2015, **assets under management held by the Group's pension funds increased by 10%** to NIS 34 billion, compared with NIS 31 billion at December 31, 2014. The increase relative to the end of the previous year is attributable to an increase in the amounts of provision made by members and the yield attained during the Reporting Period.

### **Life assurance**

In Q1 2015 **there was a comprehensive loss of NIS 60 million in the life assurance segment**, compared with comprehensive profit of NIS 115 million for the corresponding quarter last year. The shift from profit to loss is due, as noted, mainly to the revision of insurance liabilities in the amount of NIS 222 million, compared with NIS 21 million in the corresponding quarter last year, stemming from the decline in the risk-free interest rate. This effect was partially offset by performance in the capital market, where yields in the Reporting Period were higher than in the



corresponding quarter last year, and by an increase in the volume of variable management fees collected during the Reporting Period, as noted above.

After adjustment for the effects of interest on the insurance liabilities, the Group's profit from life assurance was NIS 162 million in the first quarter.

**Total earned premiums in life assurance** in Q1 2015 **increased by 26%** to NIS 1.2 billion, compared with NIS 957 million in the corresponding quarter last year. The increase is due to a single premium in the amount of NIS 216 million for an early retirement plan by a large employer.

### **Provident funds & education funds**

**Comprehensive profit in provident funds and education funds** in Q1 2015 **increased by 18%** to NIS 13 million compared with NIS 11 million for the corresponding period last year.

The **benefit contributions collected by the provident funds and education funds** in Q1 2015 **increased by 10%** to NIS 439 million, compared with NIS 398 million for the corresponding period last year.

**Assets under management held by the Group's provident funds and education funds** at March 31, 2015, **increased by 3%** to NIS 29.8 billion, compared with NIS 29 billion at December 31, 2014.

### **Health insurance**

There was a **comprehensive loss of NIS 19 million in the health insurance segment** in Q1 2015, compared with comprehensive profit of NIS 59 million for the corresponding quarter last year. The shift from profit to loss is mainly the result of an increase in the insurance liabilities in the amount of NIS 61 million, due to the revised discounting interest rates, and to on-going erosion in the results of group health insurance policies, due to an increase in the percentage of claims. These factors were partially offset by performance in the capital market, where yields in the Reporting Period were higher than yields in the corresponding quarter last year.

After adjustment for the effects of interest on the insurance liabilities, the Group's profit in the health insurance segment is NIS 42 million in the first quarter.

**Total earned premiums** in the health insurance segment in Q1 2015, **increased by 13%** to NIS 955 million, compared with NIS 845 million in the corresponding quarter last year. Total premiums earned in the health insurance segment **account for 32%** of all premiums earned by the Group in the Reporting Period.

### **Non-life insurance**

**Comprehensive profit in the non-life insurance segment** in Q1 2015 was NIS 131 million, compared with NIS 147 million for the corresponding period last year. The decline in comprehensive income in non-life insurance is attributable mainly to an increase in the insurance liabilities in the liabilities sectors due as a result of the appreciation of the dollar, the revised discounting interest rate, and the effect of winter damage during the Reporting Period. These factors were partially offset by performance in the capital market, where yields were higher than in the corresponding quarter last year.

**Gross premiums in non-life insurance** in Q1 2015 were NIS 1.1 billion, compared with NIS 1.2 billion for the corresponding period last year. The decrease in gross premiums in non-life insurance is mainly due to a decline in Harel Insurance's share of the insurance of the vehicles of state employees during the Reporting Period compared with the corresponding quarter last year.



## **Harel Finance**

At March 31, 2015, **Harel Finance Investment House managed assets in the capital market and financial services sector** in the amount of NIS 58 billion.

**Revenues in the capital market and financial services segment increased by 16%** to NIS 81 million in Q1 2015, compared with NIS 70 million in the corresponding quarter last year. This is mainly due to the further expansion of activity in the ETN and deposit certificate sector.

**Comprehensive profit in the capital market and financial services segment** in Q1 2015 was NIS 23 million compared with NIS 11 million in the corresponding quarter last year. This increase is mainly due to continuing profitable growth in ETN and deposit certificate activity.