

Harel Insurance Company Ltd. Harel Insurance Finance and Issues Ltd.

November 30, 2025

Research Update Rating Raised To 'ilAAA' From 'ilAA+', Outlook Stable

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Overview

- Harel Insurance Company Ltd. (“Harel Insurance” or “the Company”) is one of the leading companies in the Israeli insurance market and benefits from a wide variety of revenues across business lines.
- The group’s profitability has significantly strengthened in recent years with the consistent implementation of its business plan, alongside an improvement in loss absorption capacity as reflected in its solvency ratio.
- As a result, we are raising Harel Insurance’s rating to ‘ilAAA’ from ‘ilAA+’.
- The stable outlook reflects our expectation that the Company’s profitability and capitalization will remain stable at the high level it has reached and that the Company will maintain its leading position in the Israeli insurance market.

Rating Action

On November 30, 2025, S&P Maalot raised its issuer credit rating on Harel Insurance Company Ltd. to ‘ilAAA’ from ‘ilAA+’. The outlook is stable. S&P Maalot also raised the rating on subsidiary Harel Insurance Funding & Issuance’s tier 2 capital notes to ‘ilAA’ from ‘ilAA-’ and the rating on its tier 1 capital notes to ‘ilAA-’ from ‘ilA+’.

Rating Rationale

The upgrade reflects the improvement in the Company’s profitability alongside higher loss absorption capacity reflected in a stronger solvency ratio. The rating continues to be underpinned by Harel Insurance’s leading business position as the largest insurer in Israel, with diversified insurance and asset management operations. The group’s operations are evenly balanced between life insurance and long-term savings, pension and provident fund management, and various types of PC and health insurance.

Harel Insurance posted strong and improved earnings in 2025 YTD. Pre-tax profit from the insurance segment amounted to NIS 2.8 billion in the first nine months of 2025, compared to about NIS 1.6 billion in the same period last year. The Company posted improved underwriting profit in all insurance segments, as well as higher investment and financing income.

In the life insurance line, Harel Insurance posted profit of about NIS 792 million in the first nine months of 2025, compared to about NIS 299 million in the same period last year, mainly due to an improvement in underwriting profit and investment and financing income. In the PC line, Harel Insurance posted profit of about NIS 859 million compared to NIS 381 million, respectively, and its

combined ratio was 87% in the first nine months of 2025 compared to 93% a year earlier. The improvement in PC insurance profit resulted from improved underwriting in the motor and property lines and in other property and liability lines, as well as from an increase in investment and financing income. In the health insurance line, Harel Insurance posted profit of about NIS 1.1 billion in the first nine months of 2025, compared to NIS 944 million in the same period last year, owing to an improvement in underwriting income, in particular in the medical expense product line, alongside higher investment and financing income.

The group's return on equity (ROE) improved to 27% in the first nine months of 2025, compared to 19% in the same period last year. Assets under management (AUM) were about NIS 571 billion on September 30, 2025, an increase of about 16% compared to a year earlier.

The broad-based nature of the income generated in 2024 and 2025 YTD gives us confidence that the recently improved profitability will be maintained. In particular, there was an increase in the Contractual Service Margin (CSM) balance, which was NIS 17.1 billion on September 30, 2025, an increase of NIS 1.2 billion from the date of transition to IFRS 17. In the first nine months of 2025, Harel Insurance released about NIS 923 million of CSM from the sale of risk products in life insurance, medical expenses and critical illnesses (the products for which new CSM is generated) and generated new CSM of NIS 1.2 billion. This growth in CSM supports our assessment that the risk product segment will continue to generate stable oncome.

As of September 30, 2025, Harel Insurance's solvency ratio was 183% (considering transitional provisions), reflecting a long-term improvement from about 159% at year-end 2020. This improvement is due to changes in the risk-free yield curve and growth in health and life risk products.

We believe some improvement has occurred in the political and security situation in Israel in recent months, lowering the risk of negative effects on the Company's rating. In November 2025, S&P Global Ratings revised its rating outlook on Israel to stable from negative.

Outlook

The stable outlook reflects our expectation that the Company's profitability and capitalization will remain stable at the high level it has reached and that the Company will maintain its leading position in the Israeli insurance market and adequate loss absorption capacity.

Downside Scenario

We may take a negative rating action in the event of a weakening in the group's profitability or in our assessment of its capital position. A negative rating action may also occur if S&P Global Ratings lowers its rating on the State of Israel.

Related Criteria And Research

- [Principles Of Credit Ratings](#), February 16, 2011
- [Insurers Rating Methodology](#), July 1, 2019
- [Group Rating Methodology](#), July 1, 2019
- [Environmental, Social, And Governance Principles In Credit Ratings](#), October 10, 2021
- [Methodology For National And Regional Scale Credit Ratings](#), June 8, 2023
- [Risk-Adjusted Capital Framework Methodology](#), November 15, 2023
- [S&P Global Ratings Definitions](#), December 2, 2024

Ratings List

Harel Insurance Company Ltd.	Rating	Date when the rating was first published	Date when the rating was last updated
Issuer rating(s) Long term	ilAAA/Stable	01/08/1995	02/12/2024
Issuer Credit Rating history <u>Long term</u>			
November 30, 2025	ilAAA/Stable		
November 28, 2019	ilAA+/Stable		
January 14, 2018	ilAA+/Positive		
November 19, 2012	ilAA+/Stable		
July 18, 2012	ilAA+/Watch Neg		
August 25, 2010	ilAA+/Stable		
May 10, 2010	ilAA+/Negative		
June 17, 2009	ilAA/Negative		
November 20, 2006	ilAA/Stable		
July 14, 1996	ilAA		
August 01, 1995	ilAA+/Stable		

Harel Insurance Finance and Issues Ltd.	Rating	Date when the rating was first published	Date when the rating was last updated
Issuer rating(s) Long term	ilAAA/Stable	01/08/1995	02/12/2024
Issue rating(s)			
Series 11 Tier 2 hybrid capital	ilAA	18/01/2015	02/12/2024
Series 14,15	ilAA	14/01/2018	02/12/2024
Series 10	ilAA	10/08/2014	02/12/2024
Series 12,13	ilAA	27/12/2015	02/12/2024
Series 20	ilAA	16/06/2024	02/12/2024
Series 9	ilAA	10/08/2014	02/12/2024
Series 16	ilAA	02/04/2019	02/12/2024
Series 18	ilAA	30/11/2021	02/12/2024
Series 19	ilAA	08/01/2023	02/12/2024

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Harel Insurance Finance and Issues Ltd.	Rating	Date when the rating was first published	Date when the rating was last updated
Series 17	ilAA	13/11/2019	02/12/2024
Series 21	ilAA-	25/03/2025	25/03/2025
Series 22	ilAA	25/08/2025	25/08/2025
Series 23	ilAA	25/08/2025	25/08/2025

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