Harel Insurance Investments and Financial Services Ltd.

Periodic Report for 2024

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This document is a Hebrew translation for informational purposes only. The Hebrew version is the binding version.

Harel Insurance Investments and Financial Services Ltd.

Members of the Board of Directors

Yair Hamburger - Chairman of the Board

Gideon Hamburger

Yoav Manor

Ben Hamburger - Deputy Chairman of the Board

Doron Cohen

Eli Defes

Michel Siboni (From February 5, 2024)

Naim Najjar (External Director)

Efrat Yavetz (External Director)

Ayelet Ben-Ezer (External Director)

Yochi Dvir (External Director – from May 30, 2024)

Harel Insurance Investments and Financial Services Ltd.

Chapter 1

Description of the Company's Business

Description of the Company's Business

* Pursuant to Regulation 8C of the Securities (Periodic and Immediate Reports) Regulations, 1970 ("Securities Regulations"), the provisions of Regulation 8A of the Securities Regulations in relation to the Periodic Report do not apply to a corporation that consolidated or proportionally consolidated an insurer or where the insurer is its affiliate, to the extent that this information refers to an insurer.
* The Company is a holding company, whose principal holdings are subsidiaries which are insurance companies, provident fund management companies, pension fund management companies, a mutual fund management company, and companies engaged in the finance and credit sectors.
* This report, in relation to the insurance, pension and provident business, is prepared in accordance with Section 42 of the Supervision of Financial Services (Insurance) Law, 1981, and the instructions of the Commissioner of the Capital Market, Insurance and Savings by virtue of his powers under the aforementioned section concerning a description of company business in the periodic report of insurance companies, which prescribes, inter alia, the structure of the report and the information to be contained in the periodic report of insurance companies.
* This chapter is an inseparable part of the Periodic Report and the entire Periodic Report should be read as a single document.
* This chapter of the Periodic Report, which provides a description of the Company, its development, business and operating segments, also includes forward-looking information, as defined in the Securities Law, 1968. Forward-looking information is uncertain information concerning the future based on information in the company's possession at the time of publishing the report and which includes the company's assessments or intentions at the date of the report. Actual performance may differ substantially from the results estimated or inferred from this information. In certain cases, it is possible to identify sections containing forward-looking information by the appearance of the following words or phrases: "the Company/the Group estimates", "the Company/the Group believes", "the Company/the Group anticipates", and the like appear, and such forward-looking information may also be worded differently. Forward-looking information which appears in this report refers exclusively to the date on which it was written. The Company makes no undertaking to revise or change this information insofar as additional or different information in relation to the aforesaid information becomes available.
* For the avoidance of doubt, it is stipulated that the description presented in this report concerning the insurance products is a condensed description for the purpose of the report only, and that the conditions of the insurance products which are binding on the Group's insurers are those stipulated in the relevant policies which they have drawn up. Accordingly, the description presented in this report is not to be used to interpret the policies nor will it constitute a source of authority of any kind regarding the conditions of the insurance.
* For the avoidance of doubt, it is stipulated that the description presented in the report concerning the conditions of the various pension and provident products is a condensed description for the purposes of the report only, and that their binding conditions are those prescribed in The Supervision of Financial Services (Provident Funds) Law, 2005 and subsequent regulations and in the pension fund and provident fund articles.

* For the avoidance of doubt, it is stipulated that the description presented in the report regarding services or products described in the credit segment, is a condense description for the purpose of the report only, and that the binding conditions of the services or products are exclusively those defined in the relevant arrangements and appropriate engagement documents for this operating segment.
* For the avoidance of doubt, it is stipulated that the description presented in the report concerning the various mutual funds is a condensed description for the purpose of the report only, and that the binding conditions are those prescribed in the fund prospectuses and in the reports submitted by the fund manager.
* For the avoidance of doubt it is stipulated that the description presented in the report concerning the various exchange traded funds and/or mutual funds and/or certificates of deposit is a condensed description for the purpose of the report only, and that the binding conditions are those prescribed in the prospectuses and/or the immediate reports regarding the exchange traded funds and/or deposit certificates published by the issuers of these products.

Abridged Table of Contents

For the Chapter - Description of the Company's Business

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Foreword to Chapter 1 of the Periodic Report

Chapter 1 of the Periodic Report contains a description of the Company's business at December 31, 2024, and its business development during the course of 2024 ("the Reporting Period"). The report was prepared in accordance with the Securities (Periodic and Immediate Reports) Regulations, 1970, and with respect to the insurance, pension and provident activity - in accordance with the instructions of the Commissioner of the Capital Market, Insurance and Savings under Section 42 of the Supervision of Financial Services (Insurance) Law, 1981.

On the holding of shares in the Group's companies which are mentioned in this report, information about holdings in any company include all the holdings in that company, including through wholly owned subsidiaries of the holding company. The percentage holdings are presented in round figures to the nearest whole percent, unless specified otherwise.

The materiality of the information contained in this chapter of the Periodic Report, including the description of material transactions, is examined from the Company's perspective, where in certain instances a broader description was given to provide a comprehensive picture of the subject matter.

Definitions

For the reader's convenience, the following terms or abbreviations will, in this chapter, have the meaning that appears alongside them, unless stated otherwise.

Earmarked bonds	CPI-linked government bonds that the State issues to the insurance companies (“Hetz bonds”) and pension funds (“Meron bonds” and “Arad bonds’), with interest and for a pre-defined period.
ICIC	ICIC – Israel Credit Insurance Company Ltd.
Financial institution	An insurer or management company.
Gamla Harel	Gamla Harel Residential Real Estate Ltd.
Benefit contributions	The amounts which a member deposits (or which are deposited on his behalf) in a pension fund or provident fund.
Fees	Amounts included in the insurance premiums whose purpose is to cover the insurer's expenses (e.g. registration fees).
The Commissioner	The Commissioner of the Capital Market, Insurance and Savings, according to its meaning in the Supervision Law.
Hamazpen	Hamazpen - Shutaphim Laderech Ltd.
The Group or Harel Group	Harel Insurance Investments and Financial Services Ltd. and its subsidiaries.

Harel 60+	Harel 60+ Ltd.
Harel Insurance	Harel Insurance Company Ltd.
Harel Credit	Harel Credit Holdings Ltd.
Harel Finance & Issues	Harel Insurance, Finance and Issues Ltd.
Harel Investments or the Company	Harel Insurance Investments and Financial Services Ltd.
Harel Strategies	Harel Finance Strategies Ltd.
Harel Index Trade	Harel Index Trade Ltd.
Harel Investment Management	Harel Finance Investment Management Ltd.
Harel Sal Currencies	Harel Sal Currencies Ltd.
Harel Finance	Harel Finance Holdings Ltd.
Harel Finance Alternative	Harel Finance Alternative Ltd.
Harel Exchange Traded Deposit	Harel Exchange Traded Deposit Ltd.
Harel Pension & Provident	Harel Pension and Provident Ltd.
Harel Investment Funds	Harel Alternative Investment Funds Ltd.
Harel Mutual Funds	Harel Mutual Funds Ltd.
Harel Interest and Deposits	Harel Interest and Deposits Ltd.
Harel Operating Services	Harel Finance Operating Services Ltd.
Management company	A company engaged in the management of provident funds or pension funds and which has received a license to do so from the Commissioner, pursuant to Section 4 of the Provident Funds Law.
Companies Law	The Companies Law, 1999.
Supervision Law	The Supervision of Financial Services (Insurance) Law, 1981.
Regulation of Investment Advice Law	Regulation of Investment Advice, Investment Marketing and Portfolio Management Activity, 1995

Supervision of Regulated Financial Services Law	Supervision of Regulated Financial Services (Regulated Financial Services) Law, 2016
Securities Law	The Securities Law, 1968.
Joint Investment Trust Law	Joint Investment Trust Law, 1994
Provident Funds Law	Supervision of Financial Services (Provident Funds) Law, 2005
Underwriting	The process of approving an insurance proposal and setting the premium, based on actuarial assumptions, for the information specified in the insurance proposal and additional information in the insurer's possession.
LeAtid	LeAtid Pension Funds Management Company Ltd.
Insurance sectors / Lines of insurance business	According to their meaning in the Supervision of Insurance Business (Insurance Branches) Notice, 1985.
Income Tax Ordinance	The Income Tax Ordinance [New Version].
Individual/personal line	Individual policyholders or small business customers who enter into agreement with the insurance company on an individual basis.
Premium	Insurance premiums including fees.
Accrual	The amounts accrued to the credit of members of the provident fund, pension fund or life insurance policies with some form of savings component.
Collective / Group (including its variations)	A group of people (usually associated with a common work place, or who belong to a particular organization or share supplier-customer relations with any corporation or organization), who enter into a single agreement with the insurance company whereby all those who belong to the group are insured or are eligible to be insured (and not through separate agreements with the Group's individual members).
Insurance fund	An insurance plan that is approved as a benefits/pension provident fund, fund for severance pay or annuity, under the Provident Funds Law and under the Provident Funds Regulations.
Provident fund	A provident fund according to its meaning in the Provident Funds Law, which is not a pension fund.
Tzva Hakeva Fund	Tzva Hakeva Saving Fund - Provident Fund Management Company Ltd.

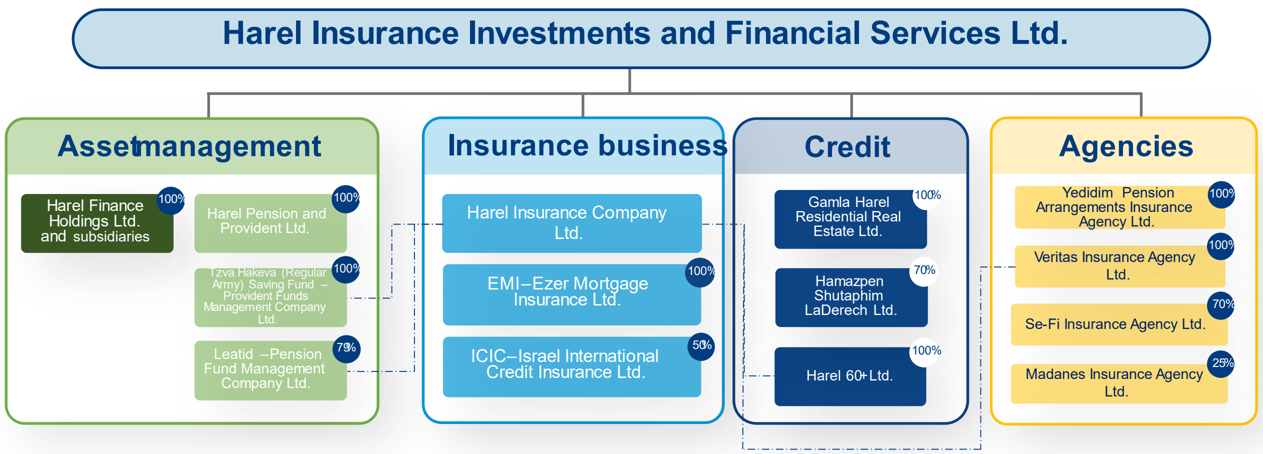
Mutual fund	A fund for joint investments in trust, according to its meaning in Section 3 of the Joint Investment Trust Law.
Old pension fund	A pension fund which was first approved before January 1, 1995.
New pension fund	A pension fund which was first approved on or after January 1, 1995.
Pension fund	A provident fund for annuity according to its meaning in the Provident Funds Law, which is not an insurance fund.
Retention	That part of the insurance transaction which is not covered by reinsurance.
Insurance benefits	Amounts payable when an insured event occurs under the policy conditions.
Investment Regulations	Supervision of Financial Services (Provident Funds) (Investment Rules Applicable to Financial Institutions) Regulations, 2012.
Provident Fund Regulations	Income Tax (Rules for the Approval and Management of Provident Funds) Regulations, 1964.
Interasco	Interasco Societe Anonyme General Insurance Company S.A.G.I. - a company incorporated in Greece which has a license to operate as an insurer in Greece.
Turk Nippon	Turk Nippon Sigorta A.S. - a company incorporated in Turkey which has an insurer's license in Turkey.
EMI	EMI - Ezer Mortgage Insurance Company Ltd.

1. The Company's activity and a description of its business development

1.1 The Company's activity and a description of its business development

1.1.1 Diagram of holdings

Diagram of the Company’s principal holdings at the date of preparation of this report. A detailed list of the Company's subsidiaries and affiliates at the date of this report appears in Chapter 5 of the Periodic Report (Additional information about the Company), under Regulation 11 of the Securities (Periodic and Immediate Report) Regulations, 1970.



1.1.2 Material changes in the holding structure in 2024

Purchase of all the holdings in Gamla Harel by way of a reverse triangular merger. For additional information see Note 39E to the Financial Statements.

1.1.3 Incorporation and form of incorporation

The Group began to operate in the insurance industry since 1933, when the subsidiary Harel Insurance was incorporated (under its then previous name - Shiloah Insurance Company Ltd.). Harel Investments was incorporated in Israel in 1982 as a private company. That same year the Company issued 25% of its stock to the public and became a public company whose shares are traded on the Tel Aviv Stock Exchange.

1.1.4 Control structure

At the date of publication of the report, Yair Hamburger, Gideon Hamburger and Nurit Manor (in this section below: “the Final and Controlling Shareholders in the Company”), hold the Company principally through G.Y.N. Financial Consulting and Investment Management 2017 LP (“the GYN Partnership”), a partnership which they fully own and control, which they hold as limited partners through private companies fully owned by them, and they also hold the general partner in the GYN Partnership. The Final and Controlling Shareholders in the Company hold 46.3% of the voting rights in the Company and 46.3% of the Company’s issued share capital.

1.1.5 The Group's operating segments:

At the reporting date, most of the Company's activity is in the following areas:

1.1.5.1 In the various insurance sectors - through the subsidiaries: Harel Insurance, Interasco which operates in Greece, Turk Nippon which operates in Turkey, ICIC and EMI, and through ICIC (in which it holds 50%). For additional information about the different insurance sectors, see Sections 1.2.1 to 1.2.6 below.

1.1.5.2 In the long-term savings segment, the Company operates through the subsidiaries: Harel Pension & Provident, a company which manages pension funds, provident funds and education funds, Tzva Hakeva, a company which manages an education fund; and LeAtid, a company which manages an old pension fund. For additional information about the long-term savings sector, see Section 1.2.1 below.

1.1.5.3 In the credit sector – t the Company operates through Hamazpen, which creates financing solutions, including the provision of mezzanine loans; through a subsidiary fully owned by Harel Insurance, Harel 60+ that provides mortgage loans, as well as “reverse mortgage” loans. The Group also has development property finance activity carried out by Harel Insurance and from the fourth quarter of 2024 also through the subsidiary Gamla Harel; and it is also involved in the provision of financial guarantees and entrepreneurial and operating services for mortgage portfolios guaranteed by a third party through Harel Insurance and EMI. For additional information about the credit segment, see Section 1.2.5 below.

On December 12, 2024, a transaction was completed for the acquisition of all the shares of Gamla Harel, which provides finance for developers in the construction industry, where most of the finance is supplementing the equity required for the developers in order to obtain funding for building projects. The Company holds Gamla Harel through the subsidiary Harel Credit. For additional information see Note 39E.

1.1.5.4 In the financial services and capital market sector, the Company operates through the subsidiary Harel Finance Holdings and its subsidiaries. For additional information about activity in the financial services and capital market segment, see Section 1.2.6 below.

The Group has been active in the insurance industry for 90 years. According to the financial statements for Q3 2024, the Group is Israel's largest insurance company with respect to volume of premiums, with a market segment of 21.9%. In health insurance, Harel Group dominates the market as Israel’s largest insurer, with a market segment of 33.9%. In general (non-life) insurance, the Group is the largest insurance group with a market segment of 14.6%, and with respect to premiums in life insurance, the Group is second largest, with a market segment of 21.8%. In the new pension fund management sector, the Group has a market segment of about 18% correct to September 30, 2024. In the provident fund management sector, the Group has a market segment of 8.9% correct to

September 30, 2024. In the mutual fund management sector, the Group has a market segment of 14.8% correct to September 30, 2024.

Data on the volume of assets managed by the Group (AUM) (in NIS billion):

	December 31	
	2024	**2023**
Insurance (including yield- dependent assets)	143.3	129.5
Pension funds	184.9	150.6
Provident funds	75.4	65.0
Mutual funds	87.9	67.7
Portfolio management and other*	18.0	14.9
Total	**509.5**	**427.7**

* Including a private equity fund in the amount of NIS 1.4 billion.

The activity of Harel Investments centers on the management, control and supervision of the subsidiaries, on-going planning of the Group's operations, and the initiating of activity and investments both directly and through the Group's companies.

1.1.6 Main points in the history of the Company’s development

In 1982, the Company was floated on the Tel Aviv Stock Exchange (TASE). At that time, the Company held the shares of Harel Insurance Company (“First Harel”). Subsequently, it expanded its activity through several significant acquisitions, including: acquisition of the full ownership of Harel Insurance (under its then name, Shiloah Insurance Company Ltd.) (“Shiloah”), in 1984. At the time of this acquisition, Shiloah was involved in health insurance and life insurance; in 1985, Shiloah acquired 50% of the life insurance portfolio of Yardenia Insurance Company Ltd.; in 1989 the Company acquired 82% of the shares of Sahar Israel Insurance Company Ltd. ("Sahar") and over time it acquired the outstanding shares of Sahar; in 1993 it acquired, through Mor-Har Investments Ltd., the control of Dikla Insurance Company Ltd.; in 1999 the Company acquired control of Zion Holdings Ltd. which held all the shares of Zion Insurance Company Ltd. ("Zion"). Over time, as a result of mergers and restructuring, First Harel, Sahar and Zion were concentrated in Shiloah, which later on changed its name to Harel Insurance.

In 2006 Harel-Mutual Funds acquired the mutual fund activity of Bank Leumi LeIsrael Ltd. and Leumi-Pia Mutual Fund Management Company Ltd.; also in 2006 Harel Insurance acquired the activity of 5 provident funds from Bank Leumi Le’Israel Ltd.(the most important of which are Otzma and Taoz); in 2006, the Company, together with Bituach Haklai and Euler Hermes, acquired control of ICIC; in 2010 Harel Insurance acquired all the share capital of EMI; In addition, over a period of several years, various provident funds, mutual funds and portfolio management activity were acquired on different dates.

In 2013, Harel Insurance acquired the life insurance and health insurance activity of Eliahu Insurance Company Ltd., and Harel Finance acquired the portfolio management and mutual fund management activities of Clal Finance Investment House.

In July 2021, the full holding of EMI was transferred from Harel Insurance to Harel Investments as part of the restructuring.

In October 2021, transfer of the activity of Psagot Provident and Pension Funds Ltd., in several provident funds and pension funds, to Harel Pension & Provident, was completed. In December 2021, acquisition of the insurance activity of Shirbit Insurance Company Ltd. was completed, which was transferred to Harel Insurance.

In the period 2020-2024, the Group expanded its credit activity, partly through the establishment of Harel 60+ which provides mortgage loans, including reverse mortgages; by providing credit to medium businesses through the activity of Hamazpen, and also in financing in the real-estate sector, among other things by the acquisition of all the holdings in Gamla Harel.

1.1.7 Main points in the Group's development in 2024

1.1.7.1 Significant developments in the Group's various operating segments

On significant developments in the Group's various operating segments, see sections 2.1.2, 2.2.2, 2.3.1, 2.4.2, 2.6.2, and 2.6.5 below.

1.1.7.2 Swords of Iron War

For information about the Swords of Iron War and its repercussions on the Group's activity, see Section 2.2 in Chapter 2, Board of Directors Report, in the Company's Periodic Report.

1.1.7.3 Termination of the service of the Company's CEO and appointment of a new CEO

Mr. Michel Siboni, who served as CEO of the Company and Chairman of the Board of Directors of Harel Insurance, stepped down from his position, as noted, on January 31, 2024, after more than 30 years with Harel Group. Mr. Siboni continues to serve as a director in Harel Insurance and Chairman of the Board of Hamazpen, and he was also appointed as a director in the Company commencing February 5, 2024. Further to Mr. Siboni stepping down from his position, Mr. Nir Cohen, who is currently the CEO of Harel Insurance, was also appointed as CEO of Harel Investments effective from February 1, 2024.

1.1.7.4 Plans to repurchase shares

On January 30, 2024, the Company's Board of Directors approved a plan to repurchase shares of the Company in the amount of up to NIS 100 million. At the date of publication of the report, the Company has completed all the share repurchases in line with the aforesaid plan.

On November 27, 2024, the Company's Board of Directors approved an additional plan to repurchase shares of the Company in the amount of up to NIS 100 million, to be implemented periodically as will be determined by the Company's management.

For additional information about this plan, see Note 15B to the Financial Statements

1.1.7.5 Cancellation of the agreement for the acquisition of Isracard Ltd.

For information about the Company entering into agreement to acquire Isracard Ltd. and also on the developments that occurred in this agreement until it was cancelled due to the inability to fulfill one of the suspensive conditions, see Note 39E to the Financial Statements.

1.1.7.6 Special General Meeting

On February 5, 2024, a special general meeting of the Company took place with the following topics on the agenda: appointment of Mr. Michel Siboni as a director in the Company; approval of the conditions for termination of the employment of the CEO, Mr. Michel Siboni; approval of the employment conditions of the incoming CEO, Mr. Nir Cohen. The meeting approved all the items that were listed on the agenda.

In August 2024, the Compensation Committee and Board of Directors approved the employment conditions of the incoming CEO, Mr. Nir Cohen, such that the arrangement in which Mr. Nir Cohen undertook not to serve as CEO of another insurance company in the two-year period from the termination of his employment in Harel Insurance in return for a bonus of NIS 5,000,000 will be subject to the approval of the Company's relevant organs at the time of termination of his employment as CEO.

1.1.7.7 Affirmation of a Midroog rating for Harel Insurance

On the affirmation of a rating for Harel Insurance by Midroog, see Note 24H to the Financial Statements.

1.1.7.8 Affirmation of a Midroog rating for Harel Investments

On the affirmation of a rating for Harel Investments by Midroog, see Note 24H to the Financial Statements.

1.1.7.9 Dividend distributions

On a decision made by the Company dated March 28, 2024, concerning a dividend distribution in the amount of NIS 350 million, that was paid on April 16, 2024, see Note 15D to the Financial Statements.

On a decision made by the Company dated August 29, concerning a dividend distribution in the amount of NIS 200 million, that was paid on September 29, 2024, see Note 15D to the Financial Statements.

On a decision made by the Company dated December 23, 2024, concerning a dividend distribution in the amount of NIS 250 million, that was paid on January 9, 2025, see Note 15D to the Financial Statements.

1.1.7.10 Stock options plan for employees

On a stock options plan for employees, see Note 38B to the Financial Statements.

1.1.7.11 Convening of an Annual and Special General Meeting

On May 30, 2024, an annual and special general meeting of the Company took place, with the following items on the agenda: (1) discussion of the Periodic Report for 2023; (2) reappointment of the external auditors and appointing the Company's Board of Directors to determine their fee; (3) reappointment of the Company's incumbent directors, who are not external directors, for a further term of office (Yair Hamburger, Gideon Hamburger, Ben Hamburger, Yoav Manor, Michel Siboni, Doron Cohen, the late Josef Ciechanover and Eli Defes); (4) appointment of Yochi Dvir as an external director in the Company. The meeting approved all the items listed on the agenda.

1.1.7.12 Full early redemption of (Series 7) bonds of the second tier subsidiary, Harel Finance & Issues

On the full early redemption of Series 7 bonds issued by Harel Finance & Issues, see Note 24H to the Financial Statements.

1.1.7.13 Issue of bonds (Series 20) by means of the second-tier subsidiary - Harel Finance & Issues

On an issue of bonds (Series 20) by means of the second-tier subsidiary - Harel Finance & Issues and a rating of Series 20 bonds by Maalot S&P, see Note 24H to the Financial Statements.

1.1.7.14 Engagement with Michman Finance Ltd. ("Michman")

On an engagement with Michman, see Note 39E to the Financial Statements.

1.1.7.15 Acquisition of all the shares of Gamla Harel

On the acquisition of all the shares of Gamla Harel, see Note 39E to the Financial Statements.

1.1.7.16 Approval to enter into agreement in a D&O liability insurance policy

On approval to enter into agreement in a D&O liability insurance policy, see Note 37E to the Financial Statements.

1.1.7.17 Affirmation of a Maalot rating for Harel Insurance

On the affirmation of a rating for Harel Insurance by Maalot, see Note 24H the Financial Statements.

1.1.7.18 Expected termination of office by officers in the Company

In December 2024, Mr. Sami Babecov, who is the Company's Chief Investment Officer, announced his decision to step down from his position at the end of June 2025.

In January 2025, Ms. Hagit Chitayat-Levin, who is CEO of the subsidiary Harel Finance Holdings, announced her decision to step down from her position at the end of June 2025.

1.1.7.19 Quantitative Impact Study 3 *(*QIS 3*)* in accordance with IFRS 17

On December 31, 2024, Harel Insurance submitted its QIS 3 report to the Commissioner in accordance with IFRS 17 and IFRS 9. For additional information see Note 41 to the Financial Statements.

1.1.8 Main points in the Company’s development after the Reporting Period

1.1.8.1 Revised thresholds for the distribution of dividends - Harel Insurance

On January 14, 2025, the Board of Directors of Harel Insurance approved a revision of the thresholds for distribution of a dividend, without taking into account the transitional measures for the transitional period (TMTP), from 110% to 115%. For additional information, see Note 15D to the Financial Statements and also Section 1.4 below.

1.1.8.2 Affirmation of a Midroog rating for Harel Insurance

On the affirmation of a rating for the Harel Insurance by Midroog, see Note 24H to the Financial Statements.

1.1.8.3 Non-binding Memorandum of Understanding with PAMA Leasing Ltd. (PAMA)

For information about the Company entering into a non-binding Memorandum of Understanding with PAMA Leasing Ltd., see Note 40(1) to the Financial Statements.

1.1.8.4 Approval in principle for an Issue of bonds (Series 21) by means of a second-tier subsidiary - Harel Finance & Issues

On approval in principle given for a bond issue (Series 21), see Note 40 to the Financial Statements.

1.1.8.5 Affirmation of a Midroog rating for Harel Investments

On the affirmation of a rating for Harel Investments by Midroog, see Note 24H to the Financial Statements.

1.1.8.6 Plan to repurchase shares

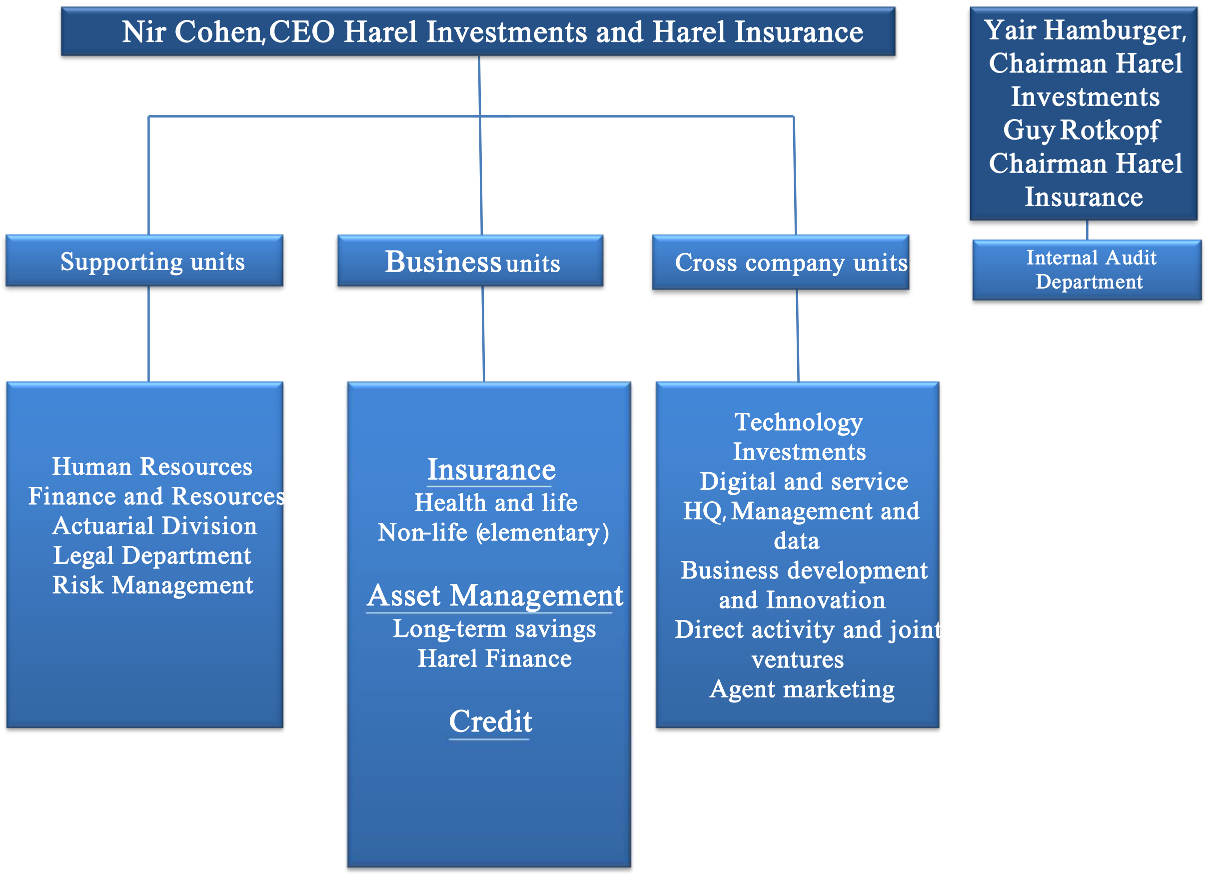
On March 25, 2025, the Company’s Board of Directors approved an additional plan to repurchase shares of the Company in the amount of up to NIS 100 million, to be implemented periodically as will be determined by the Company’s management. For additional information about this plan, see Note 15B to the Financial Statements.

1.1.9 Structure of the Group's operations

The Board of Directors of Harel Investments outlines the Group’s policy, to which the Company’s CEO is subject. The Internal Auditor is subject to the Chairman of the Board of Directors.

The Group’s activity centers on three areas: insurance business, asset management and credit. Harel Group operates as an organic unit comprising business units alongside which there are company wide units and supporting units. The business unit Harel Finance operates mostly as a separate entity through its subsidiaries. The Group’s credit activity takes place mainly through subsidiaries which have a separate organizational structure and also through a designated department within Harel Insurance.

It is stipulated that the organizational structure diagram does not reflect the legal structure of the Group’s holdings nor does it reflect the accounting segments that exist under the Group’s activity.



1.2 Concise description of the Group's operating segments

The Group operates in the insurance, pension savings and asset management sectors, including provident and pension activity, and also in the capital market and financial services industry and the credit sector, as specified below:

1.2.1 Life insurance and long-term savings[1]

This segment consists of the Group's insurance activity in the life insurance sectors as well as its activity in the management of pension and provident funds.

Life insurance policies

Life insurance policies are generally long-term products and guarantee insurance benefits upon the death of the insured or when he reaches the age stipulated in the policy, or at an earlier date depending on the policy conditions. The policies may include savings, risk against death only or a combination of the two and riders may be added to the policy to cover additional risks,

[1] In this report, the Company's operating segments present life insurance within the long-term savings segment.

principally work disability and illness. Some of the life insurance policies which include a savings component are recognized as an insurance fund under the provisions of the law, and provide a tax benefit as defined in the Provident Funds Law.

Additionally, this segment includes policies offered to groups, the main purpose of which is risk insurance against death and work disability insurance without savings and for a short period, as well as policies that cover disability risk, work disability and critical illness.

Pension funds and provident funds

The Group manages other long-term savings products in the form of pension funds and provident funds. Pension fund members are eligible to a monthly allowance (annuity) when they retire, a monthly annuity in the event of disability and a monthly annuity for survivors if the member dies. Provident fund members, upon or prior to their retirement, as defined in the Provident Fund Regulations, are eligible to receive a lump sum with respect to money which has been accrued for them in respect of deposits made until December 31, 2007, and to receive an annuity with respect to money that was deposited from January 1, 2008. Additionally, the Group manages education funds, central severance pay provident funds, central funds for sick pay, a central fund for participation in a non-contributory pension, investment provident funds and investment provident funds for long-term savings for children.

Life insurance activity, including long-term savings based on insurance and investment contracts, is handled by Harel Insurance. The long-term savings activity in provident funds that are not insurance funds, including in pension funds, is managed by Harel Pension & Provident, Tzva Hakeva and LeAtid.

1.2.2 Health insurance

This segment consists of the Group's insurance activity in the illness, hospitalization and personal accident sectors. The policies sold through these sectors cover the range of losses sustained by the insured resulting from illness and/or accident, including long-term care, dental treatment and travel insurance. Health insurance policies are offered to individual policyholders and groups.

The activity of Harel Insurance in the provision of operating services for the supplementary health services (SHS) plan of Clalit Health Services takes place in the Dikla department in the health insurance division.

1.2.3 Non-life insurance

This segment consists of five sub-segments:

1.2.3.1 **Motor property (CASCO)**

Motor property includes the Group's activity in the sale of policies in the motor vehicle insurance branch which cover losses sustained by the vehicle owner due to an accident and/or theft and/or the liability of the owner or driver of the vehicle for loss caused to third-party property in an accident.

This sub-segment includes policies for insuring vehicles weighing up to 3.5 tons. These policies are in accordance with the provisions of the Supervision of Insurance Business (Conditions of a Contract to Insure a Private Vehicle) (Amendment) Regulations, 2021.

This sub-segment also includes insurance policies for vehicles other than private and commercial vehicles weighing up to 3.5 tons (forklift trucks, trucks, taxis, buses, tractors, etc.). Policies for such vehicles are not subject to the conditions of the standard policy, but to the conditions and scope of the cover of the policies for these vehicles prescribed by the insurance companies and subject to the Commissioner's approval of the policy conditions.

1.2.3.2 **Compulsory motor**

Includes the Group's activity in providing insurance cover pursuant to requirements of the Motor Vehicle Insurance Ordinance) (New Version), 1970 ("compulsory motor” and “Motor Vehicle Insurance Ordinance”, respectively), which covers physical injury sustained by the owner of the vehicle, any passengers in the vehicle and pedestrians injured by the vehicle, resulting from the use of a motorized vehicle, under the Law to Compensate Road Accident Victims, 1975 (“CRAV Law”). As its name implies, this insurance is mandatory for all owners and drivers of vehicles under the Motor Vehicle Insurance Ordinance.

The conditions of the insurance cover correspond with the text prescribed in the Supervision of Financial Services (Insurance) (Conditions of a Compulsory Motor Vehicle Insurance Contract) Regulations, 2010.

1.2.3.3 **Other liabilities sectors**

Including the Group’s activity in the sale of policies covering the Insured’s legal obligation towards a third party (other than liabilities cover in the compulsory motor sector, as noted above). This includes, among other things, the following lines of insurance business: third-party liability, professional liability, product liability, employers liability insurance which covers the insured’s liability towards its employees.

1.2.3.4 **Property and other sectors**

This segment includes the Group's insurance activity in all the property sectors (excluding motor property) as detailed in the Supervision of Insurance Business (Branches of insurance) Notice, 1985.

This sub-segment includes, among others, comprehensive homeowners insurance, insurance for small and medium businesses (SMB) and extended fire insurance and consequential loss for medium and large businesses.

1.2.3.5 **Credit insurance for residential mortgages and development and operating services for mortgage portfolios**

This activity takes place through EMI.

On November 1, 2012, the Bank of Israel published a directive limiting the LTV (loan-to-value) ratio in housing loans commencing November 1, 2012, according to which a bank may not approve a mortgage with an LTV ratio of more than 70%, except for a loan for the purchase of a borrower's only apartment, for which the maximum LTV ratio is 75%.

Consequently, in 2013, the operations of EMI were almost completely discontinued with respect to the issue of new policies for insuring mortgage credit and the format of EMI's operations was adjusted to the existing scope of activity.

In 2022, Harel Insurance began to enter into transactions to provide financial guarantees to an international reinsurer for mortgage portfolios that were provided by Israeli banks, at a rate of 50% of the cost of the claims, insofar as they may be filed against that reinsurer. For its part, EMI provides development and operating services in connection with the insured portfolios in a TPA (Third Party Administrator) agreement.

1.2.4 Insurance companies overseas

The Company is the controlling shareholder of Interasco, an insurance company operating in Greece in the health insurance and non-life insurance sectors (94% control), and it holds the full controlling interest in Turk Nippon, which operates in Turkey and engages in non-life insurance and health insurance.

1.2.5 Credit sector

The activities included in the credit segment are set out below.

1.2.5.1 Business management and credit for medium businesses

The activity takes place through a subsidiary of the Company (70% holding), Hamazpen, that creates innovative financing solutions for quality entrepreneurs in the business management and credit sectors for medium businesses, including the provision of mezzanine loans.

1.2.5.2 Mortgages and "reverse mortgages"

Harel 60+ is a fully owned subsidiary of Harel Insurance. Harel 60+ provides mortgage loans, including "reverse mortgages" provided to borrowers aged 60 or more in the form of a lien on their homes.

1.2.5.3 Project finance for development property

This activity of the Group is performed both by Harel Insurance under the development property finance department and through the subsidiary Gamla Harel.

1.2.5.3.1 Project financing and development property finance in Harel Insurance

The development property finance department of Harel Insurance is involved principally in financing construction projects for residential, office and commercial use in Israel. As part of this activity, Harel Insurance provides some developers with a finance package consisting of monetary credit and guarantee policies under the Sale (Homes) Law (Guaranteeing the Investments of Home Buyers), 1974 ("the Sale Law").[2]

[2] The financial results of the activity in providing guarantee policies under the Sale Law are included in the non-life insurance segment.

The project financing provided by Harel Insurance takes the form of financing known as “closed financing” (i.e. separate from the developer’s other projects). Accordingly, the real-estate project is managed as a closed project in which all income received from the buyers in a particular project is deposited in the project financing account managed by the entity which provides the senior debt, in this case - Harel Insurance.

1.2.5.3.2 Development property finance activity by Gamla Harel

From December 2024, the Group operates through Gamla Harel in providing finance for developers in the construction industry, mainly for the purpose of supplementing the equity required by the developers in order to obtain funding for building projects. These loans are known as “mezzanine loans” and they are subordinate to the debt provided by banking corporations or other financial institutions, which constitutes the senior debt within the project financing for the real-estate project.

In certain cases, Gamla Harel also provides additional types of finance for property developers that are not considered mezzanine loans, such as bridging loans. The Company also operates in equity investments in select projects and in cooperation with property developers. At the date of publication of the report, these categories of finance are of an insignificant scope.

1.2.5.4 Provision of financial guarantees and development of operating services for mortgage portfolios

This activity takes place through Harel Insurance and EMI. As part of this activity, Harel Insurance provides financial guarantees to an international reinsurer in respect of mortgage portfolios provided by Israeli banks, at a rate of 50% of the cost of the claims, insofar as they may be filed against that reinsurer. For its part, EMI provides development and operating services in connection with the insured portfolios. In consideration of the aforementioned development and operating services, Harel Insurance and EMI are entitled to a commission of 50% of the net premium received by the insurer.

1.2.6 Capital market and financial services

The Group's activity in the capital and finance market takes place through Harel Finance, a wholly owned subsidiary of the Company.

Through companies which it controls, Harel Finance is engaged mainly in the following activities:

Management of mutual funds through Harel Mutual Funds and also as a statutory market maker for ETFs through Harel Index Trade.

Management of investment portfolios through Harel Investment Management.

Management of private equity funds, mainly for qualifying investors listed in the First Schedule to the Securities Law, through Harel Finance Alternative and Harel Investment Funds.

Issue of tradable certificates of deposit (CDs) by means of Harel Exchange Traded Deposit and Harel Interests and Deposits.

Initiation of special transactions for the nostro account, through Harel Strategies and other subsidiaries.

Foreign exchange advice to qualifying customers (according to their definition in the Regulation of Investment Advice Law), through Harel Operating Services.

1.3 Investments in the Company's equity and transactions in its shares

In the last two years and up to publication of the report, no investments were made in the Company's capital.

For information about the control structure of the Company, see Section 1.1.4 above.

For information about share repurchase plans approved by the Company, see Note 15B to the Financial Statements.

1.4 Dividend distribution policy

On February 28, 2021, the Company's Board of Directors approved a dividend distribution policy whereby the Company will distribute a dividend of at least 30% of the comprehensive income according to its annual consolidated financial statements.

Additionally, on February 28, 2021, the board of directors of the subsidiary Harel Insurance approved a dividend distribution policy in which the Company will distribute a dividend of at least 35% of the comprehensive income according to the annual consolidated financial statements of Harel Insurance, and this as long as Harel Insurance is in compliance with the minimum targets for solvency based on Solvency II (in accordance with a decision of the Board of Directors of Harel Insurance from January 2025, minimum solvency was set at 135% taking into account the transitional measures, and 115% excluding the transitional measures in the transitional period).

The distribution of a dividend by the Company might be affected, *inter alia*, by the ability of Harel Insurance to actually distribute a dividend.

It is stipulated that the Company's dividend policy should not be construed as an undertaking to distribute a dividend and that any dividend distribution in practice is subject to specific approval by the Board of Directors at its exclusive discretion. In practice, the Board of Directors may decide to distribute a different (higher or lower) share of dividend or not to distribute any dividend at all. Furthermore, any actual dividend distribution will be subject to compliance with the statutory provisions applicable to dividend distributions, including the Companies Law, and to the financial covenants undertaken by the Company and/or that the Company may undertake in the future, to satisfying adequate amounts of distributable profits on the relevant dates and to the extent to which the Company requires cash to finance its operations, including future investments, as they may be from time to time, and/or its anticipated and/or planned future activity.

The Board of Directors may review its dividend distribution policy from time to time and may, at any time, based on business considerations and the provisions of law and regulations applicable to the Company, resolve to make changes in the dividend distribution policy, including the share of the dividend to be distributed

For additional information about a decision of Harel Insurance concerning the capital management policy, see Note 15D to the Financial Statements.

For information about resolutions passed by the Company's Board of Directors dated March 28, 2024, August 29, 2024 and December 23, 2024, concerning a dividend distribution, see Note 15D to the Financial Statements.

2. Description of and information about the Company’s areas of activity

2.1 Life insurance and long-term savings[3]

2.1.1 Products and services

This segment consists of life insurance, and the management of pension funds and provident funds.

Life insurance and long-term savings mainly concerns saving for retirement and cover for various risks. The different products in this sector include combinations of savings and insurance cover for risks such as death, disability, work disability, and critical illness.

Products in this area of activity target salaried employees, the self-employed and for customers who wish to purchase private cover (unrelated to their occupation). In some of the products the contributions deposited by salaried employees and self-employed workers entitle them to tax benefits at three levels: at the time of the deposit - a tax credit/rebate, exemption from tax on profits from the accrual of the money, and tax benefits when the money is released. In certain instances, there may also be tax benefits for deposits made by individuals.

Pursuant to the provisions of the law, there must be full segregation between the assets and liabilities of the management company and the members' accrued assets, as well as segregation between the insurer’s assets and the money of policyholders in yield-dependent life insurance. Accordingly, members' assets are not included in the financial statements of the management company (and are also not included in the Company's consolidated financial statements).

2.1.2 Changes and trends in this segment

The life insurance and long-term savings segment has undergone far-reaching changes, particularly in light of government policy which resulted in the enactment of the Law to Encourage Competition and Reduce Concentration and Conflict of Interests in Israel’s Capital Market (Legislative Amendments), 2005, the Provident Funds Law, the Pension Advice and Marketing Law, and the amendment to the Supervision Law ("Bachar legislation" which entered into force in November 2005), as well as the promulgation of a series of regulations and directives by the Superintendent which were designed, inter alia, to encourage pension savings, to increase competition and transparency in the pension savings market, to reduce the management fee rates and encourage customers to be involved in choosing their pension savings.

Additionally, in recent years, this operating segment has gradually adapted itself to digital and online processes performed with savers, distributing entities and other financial institutions.

From September 1, 2023, a cap was placed on deposits that may be made in an insurance fund to that part of the wage exceeding a ceiling of more than twice the average wage in the economy thus limiting transfers of money from an annuity provident fund that is not an insurance fund to an insurance fund. For additional information see Section 2.1.4 below.

[3] See Footnote 1 above

Encouragement of savings for annuity

The reasoning behind the policy of the Capital Market Authority in recent years, is the desire to encourage pension savings among the population at large in an effort to ensure that Israeli citizens are able to maintain a reasonable standard of living after retirement, and to encourage competition in this area of activity, including by limiting the differences between products and allowing people to move their pension savings between the different products.

These changes have been reflected in a change in the structure of the products which were previously available and changes in the tax benefits given to long-term savers, including change within the context of Amendment no. 3 to the Provident Funds Law which gives preference to savers on an annuity track and establishing an obligation to withdraw monies in the form of payment of an annuity, insofar as the annuity available to the saver is up to the minimum amount of annuity for all long-term pension savings products. In this context, the tax benefits applicable to these products were standardized with respect to money deposited for members as of January 1, 2008.

Until that date, the different products in this sector - life insurance, pension funds and provident funds - were divided into two main channels: a channel which guarantees payment of an annuity (commonly known as a pension), and a channel which guarantees a lump-sum (capital) payment, with the possibility of combining these channels. The aforementioned amendment eliminated the division between the capital and annuity channels with respect to money deposited from January 2008 onwards so that this money may only be withdrawn as a first layer (minimum annuity amount) by way of a monthly payment. Money which has accumulated over and above the amount required to pay the minimum annuity, may be withdrawn by capitalizing the annuity or by way of payment of a monthly amount, as decided by the member or policyholder.

Encouragement of competition and transparency in this segment

Over the last few years various provisions have been published the purpose of which is to increase the possibility of moving money between different products and to standardize the different products (provident funds, pension funds and insurance funds), including with regard to the insurance cover sold as part of the pension savings products and the application of a standard management model for the collection of management fees, at the same time reducing the maximum management fees that may be collected in provident funds and insurance funds.

Furthermore, provisions were published with the purpose of making it easier for insureds or members to compare different products by standardizing the products marketed by the financial institutions. For example: the Commissioner’s instructions concerning the rights and obligations of members in the articles of a new, comprehensive pension fund which set out a binding text for the pension fund’s articles, as well as guidelines for a work disability (P.H.I.) policy. Additionally, provisions were prescribed pertaining to the choice of a default pension fund, that were intended, among other things, to increase competition in the pension savings market, as will be described in greater detail below.

The aforementioned amendment on guidelines for work disability, as a result of which not all candidates who enroll in the insurance can be guaranteed coverage of 75% of their wage in insurance funds as part of the pension deposits, reinforces the trend in recent years of a shift away from insurance funds to savings in comprehensive pension funds.

In 2014, the Commissioner began to examine implementation of the limit on direct expenses among the institutional investors and it even appointed an advisory committee to review these expenses (“the Yaffe Committee”).

In November 2021, the Yaffe Committee published the final report on the review of direct expenses that financial institutions may impose on savers in respect of performing transactions in provident fund assets.

Among the other conclusions and recommendations of the Yaffe Committee, the maximum rate of direct expenses in the category “external management fees” that institutional investors may collect in any calendar year will be determined by the institutional investor for each investment track it manages, and the rate shall be published on its website. Additionally, it was determined that expenses known as “external management fees” will be added permanently to the list of expenses defined as direct expenses under the regulations. Among other things, the Yaffe Committee recommendations discuss the investment tracks to be offered to savers and it was recommended that and clusters will be established with investment tracks on which the types of direct expenses that can be collected will be more limited (marketable investment tracks and index tracker tracks) and that for investment tracks on which variable management fees are collected, direct expenses may not be charged other than in respect of taxes, as specified in the regulations. The amendment to the Direct Expenses Regulations, also stipulated that financial institutions shall inform those who wish to join a provident fund, that in addition to the management fees, direct expenses will be collected, and information must also be provided about the rate of the direct expenses that were collected on the fund’s assets in the previous year and the expected overall cost to be paid by such person in that year on account of management fees and direct expenses (“the Expected Annual Cost”). Additionally, it was determined that wherever a legal obligation applies to present the management fees to the member or the insured, he shall also be presented with the Expected Annual Cost.

For additional information on the subject of direct expenses, see Section 1.1 below.

In a further effort to encourage competition in the pension saving sector, the Commissioner published provisions concerning specialist investment tracks that financial institutions may administer for provident funds and life insurance funds that are not insurance funds, while implementing the Yaffe Committee recommendations (hereinafter: “the Investment Tracks Reform”).

Among other things, the purpose of the Investment Tracks Reform was to provide savers with a broader supply of investment tracks, to improve and upgrade the management of investments and enhance competition between the financial institutions, thus enabling savers to compare the tracks more easily.

In July 2024, the new Commissioner’s instructions entered into force. Among other things, the instructions set out a closed list of specialist tracks, and at the same time lifted the limitation that had existed on the number of specialist tracks that financial institutions were permitted to manage (10 specialist tracks). Additionally, the specialist investment tracks were classified under five clusters according to their management fee mechanism, investment characteristics and class of direct expenses that can be charged for them.

The companies operated to implement the new instructions and accordingly, in July 2024 changes and updates were made in the investment tracks specializing in the different savings products, including establishing new investment tracks, merging existing investment tracks into other tracks and changing the investment policy of some tracks.

At the date of the report, within the Company’s savings products it manages investment tracks from all four clusters that were opened: tracks specializing in active management; tracks specializing in marketable investment channels; index-tracking tracks; faith and sustainability tracks (that were opened in most of the products even before the reform entered into force). The regulations pertaining to an additional cluster - tracks specializing in active management with variable management fees, have not yet been finalized by the Capital Market Authority and this cluster is therefore not yet open to the Company.

In addition to these tracks, on September 1, 2024 a joint venture was initiated between the international investment house Fidelity and Harel in the “Harel Migvan Investments” policy. In this joint venture, two host tracks were added to the Migvan policy: a general track and a share-based track.

Reduction of management fees

In recent years, several legislative provisions entered into force that are designed, among other things, to reduce the management fees paid by policyholders and fund members on their pension savings products. For example:

On January 24, 2022, Supervision of Financial Services (Provident Funds) (Management Fees) (Amendment) Regulations, 2021, were published (“the Regulations”), which determine that the maximum management fees for the recipients of old-age pension or recipients of an annuity paid to a beneficiary due to the death of an annuity recipient, shall be 0.3% per annum (instead of 0.5% in a comprehensive pension fund) and 0.6% in an insurance fund or general pension fund, similar to the rate determined in a tender process for choosing a default fund. The new maximum management fee applies to persons who began to receive an annuity from the pension funds from the date on which the Regulations entered into force on February 1, 2022 and from insurance funds that were marketed from that date.

The provisions of the Commissioner’s circular on choosing a default fund prescribe the conditions that a provident fund management company must comply with when enrolling members in accordance with the provisions of Section 20(B) of the Provident Funds Law. The circular stipulates that employees will be enrolled in a provident fund by actively choosing their own provident fund or through the employer in a provident fund of its choice in a tender process, pursuant to Section 20(B) of the Provident Funds Law, and that insofar as no specific provident fund is chosen by the employee or the employer under Section 20(B) of the Provident Funds Law, the employer will enroll the employee in a provident fund to be chosen by the Commissioner. The management fees to be offered by the selected pension funds will be in force for 10 years from the date of enrolment in the fund. The pension funds will be chosen by the Commissioner once in four years. Additionally, according to the provisions, an active member in a selected pension fund may contact the management company with a request to convert the rate of the management fees from the accrual to management fees from the deposits, and the conversion will be performed as requested subject to the change benefiting the member, and all as specified in the provisions.

On September 19, 2024, it was announced that from November 1, 2024 through October 31, 2028, the comprehensive pension funds managed by Altshuler Shaham Pension and Provident Ltd., Meitav Provident and Pension Funds Ltd., Infinity Provident Funds Management Ltd. and More Pension and Provident Ltd. will serve as selected funds. The management fees collected by these management companies in respect of the enrollment of members in the selected funds shall not exceed 0.22% of the accrual (annual rate) and 1% of the deposits.

Digital operations

Further to the establishment of the pension clearing house, in accordance with the Commissioner’s instructions and as part of the Company’s policy, in the past few years a series of changes have been made facilitating the performance of digital transactions by the Company’s customers, distributing entities and with other financial institutions. In this context, among other things, processes for enrollment in the different pension products were regulated, automatic billing and portability processes were formalized, procedures for sending reports digitally to insureds and members were regulated and an infrastructure for taking loans digitally was established.

The Company believes that these processes are expected to continue to intensify in coming years and will expand so that more activities are performed in this segment, which is expected to lead to improved customer service and streamlining of operations.

2.1.2.1 Principal distinctions between the different products

	Life insurance*	**New pension funds**	**Provident funds**
Agreement category	Contractual obligation between insurer and insured. This undertaking can only be changed in line with the provisions of the policy and the law.	The saver is a member of the fund (provident fund or pension fund) that is managed by the management companies in accordance with the articles. The articles may be changed subject to obtaining the Commissioner's approval.	
Insurance cover	Insurance cover as chosen by the insured for death or for work disability (P.H.I.).	Structured insurance cover for death and disability, in accordance with the provisions of the articles.	Insurance cover may be purchased for death or disability, when the conditions prescribed in the Supervision of Financial Services (Provident Funds) (Insurance Cover in Provident Funds) Regulations, 2012, are satisfied.
Annuity conversion factor	In some group policies, the annuity conversion factors incorporate a guaranteed longevity coefficient that does not change (GAO). In other group policies, the coefficient may change from time to time, based on updated mortality tables resulting from changes in life expectancy. For guaranteed yield policies, the annuity conversion factor is based on a guaranteed yield that remains unchanged.	The annuity conversion factor might change from time to time, within the context of changes in the fund's articles.	Do not pay an annuity and therefore do not incorporate a GAO.

	Life insurance*	New pension funds	Provident funds
Mutual insurance	None	Mutual insurance fund. Members' rights are affected, in part, by demographic data for all the fund's members, for example, their medical condition and life expectancy. The actuarial assumptions are reviewed from time to time and affect the rights of all members in the fund, and they may change accordingly. Reinsurance may be acquired to reduce the exposure to the mutual risk.	None
Earmarked (designated) bonds / provisional undertaking	In guaranteed yield policies only, until 1991.	In a comprehensive fund, at a rate of 30% of all the assets (with the allocation - 60% of the pensioners assets and the balance from the members' assets). For additional information, see Section 2.1.2.3 below.	None
Management fees	Percentage of the accrual and/or the deposits, depending on the policy conditions	Percentage of the accrual and the deposits	Percentage of the accrual and the deposits
Those eligible when the saver dies	Benefits as determined by the insured If no determination is made - heirs in accordance with an inheritance order or probation of a will Severance pay - survivors under the Severance Pay Law.	Survivors as defined the articles. If there are no survivors - the beneficiaries determined by the member. If there are no survivors and beneficiaries have not been defined, then in accordance with an inheritance order or probated will.	Benefits as determined by the member If no determination is made - heirs in accordance with an inheritance order or probated will Severance pay - survivors under the Severance Pay Law.
Regulatory restriction on the amount of the premium	None	In a comprehensive fund - a monthly limit on the shekel amount which is the equivalent of 20.5% of twice the average wage in the economy (cumulative review from the beginning of the year). In a general fund - none.	None

* The comparison refers to life insurance products sold as a provident fund.

2.1.2.2 Life insurance

General

Life insurance includes plans for a variety of risks (such as death), plans for saving for retirement, and plans combining riders for additional cover (term assurance, disability, work disability, critical illness, etc.). This sector also includes personal-lines policies with a savings component only, which are considered "investment contracts" (in contrast with insurance contracts).

In policies that include a savings component, insureds who reach the end of the policy period are entitled, according to the policy conditions, to the amounts accrued in the policy's savings component. The policy conditions stipulate whether the amounts will be paid as a lump sum, as an annuity over the life of the insured, or as a combination of the two.

If an insured event occurs before the end of the policy period (death or another event covered in the policy), insurance benefits are paid to the insured, the beneficiaries or the survivors (depending on the insured event), in line with the scope of cover purchased and in the event of death also to the amount of savings accumulated in the policy, if accumulated.

The insurance sectors and insurance coverages included in the life insurance segment

(a) Comprehensive life insurance - all categories of life insurance which include savings, with or without death risk, including payment of severance pay and annuity insurance.

(b) Life insurance - term risk against death only.

(c) Mutual group life insurance.

Structure of profitability in this segment

Profitability on life insurance derives principally from the following components, after offsetting the expenses attributed to the area of activity: (a) the margin between the yield received on the investment portfolio for guaranteed-yield life insurance and the yield promised to policyholders; (b) management fees from premiums and from the accrual in policies that include savings, including fixed and variable management fees (variable - as a rate of positive, cumulative real yield only), in yield-dependent policies that were marketed up to the end of December 2003; (c) the margin between the premium collected on life insurance policies designated to cover risks (death and other) and the payment of insurance benefits by virtue of these policies. Among other things, this margin is affected by the tariffs collected and the mortality rates (for term assurance), life expectancy (for annuity payments), reinsurance costs and morbidity rates; (d) investment profits in the Nostro portfolio

An important factor in the level of insurance companies’ profitability over time is their ability to maintain and retain existing policies.

Profitability in life insurance which is reported by the insurance companies in their financial statements is also influenced by accounting standards with respect to revenue recognition, deferment of expenses and revaluation of assets, as well as the determination of actuarial reserves and changes in actuarial assumptions.

Information about the different products managed by the Group in the life insurance segment

There are two categories of insurance policy: policies recognized as provident funds (insurance funds), in accordance with the Provident Funds Law (managers' insurance or retirement benefits for the self-employed); and policies which are not recognized as provident funds and are called personal lines policies.

<table>
<tr><th>Policy category</th><th>Product description</th><th>Key premium components</th><th>Designated bonds</th><th>Management fee</th></tr>
<tr><td colspan="5">A. Policies that include a savings component (irrespective of whether or not they are recognized as provident funds)</td></tr>
<tr><td></td><td colspan="4">A1. Guaranteed yield policies sold until December 1990</td></tr>
<tr><td>“Meurav” (mixed) yield guaranteed policies</td><td>The sum insured is defined in advance in the policy and is CPI linked. It will be paid when the insured dies or at the end of the policy period.
The savings amount is paid out as a lump sum or lump sum combined with annuity (monthly) payments.
These policies were marketed as provident funds and policies that are not recognized as provident funds.</td><td rowspan="2">Savings component, term life component (to cover death) and riders for the insured, if purchased.</td><td rowspan="2">The commitment to a guaranteed yield was backed partially by designated bonds issued by the State of Israel to the insurance companies.</td><td rowspan="2">No management fees.</td></tr>
<tr><td>“Gimla” yield guaranteed policies</td><td>The amount of the monthly benefit payable at the end of the policy period is defined in advance in the policy and is CPI-linked. At the end of the policy period the amount saved is paid out as an annuity. Before the end of the policy period, in the event of death a lump sum will be paid as prescribed in the policy.
These policies were marketed as both a provident fund and as a policy not recognized as a provident fund.</td></tr>
</table>

Policy category	Product description	Key premium components	Designated bonds	Management fee
"Adif" guaranteed yield	Guaranteed yield policies where the yield is defined in the policy. The policy defined the ratio between the savings part and the part allocated to risk and expenses as chosen by the policyholder. The premium is CPI linked or linked to rates of the employee's insurable wage. The savings amount is paid out as a lump sum or an annuity or as combined lump sum/annuity payments. This policy was marketed as both a provident fund and as a policy not recognized as a provident fund.			
	A2. Profit-sharing policies that were sold during the period 1991-2003			
"Meurav" profit-sharing policies	The future savings is determined according to the actual investment performance. If the insured dies before the end of the policy period, a lump sum will be paid as prescribed in the policy conditions. The periodic premium is prescribed in the policy and is CPI-linked, and it might also be affected by investment performance. The policy is paid out as a lump sum or as combined lump sum/annuity payments. These policies were marketed as both a provident fund and as a policy not recognized as a provident fund.	The policies include a savings component, term life component (to cover death) and riders for the insured, if purchased.	The policies are not entitled to designated bonds for policies that were marketed as of 1992. (1)	The management fees were prescribed in the Supervision of Insurance Business (Conditions of Insurance Contracts) Regulations, 1981. (2) In insurance plans which were approved until 2003, fixed and variable management fees are collected from the cumulative savings, based on the real yields attained.

Policy category	Product description	Key premium components	Designated bonds	Management fee
“Gimla” profit-sharing policies	The future savings is determined according to the actual investment performance. If the insured dies before the end of the policy period, a lump sum will be paid as prescribed in the policy conditions. The periodic premium is prescribed in the policy and is CPI-linked, and it might also be affected by investment performance. The savings amount is to be paid as an annuity (monthly) payment at the end of the policy period. These policies were marketed as both a provident fund and as a policy not recognized as a provident fund.			
“Adif” profit-sharing policies	These policies defined the ratio between the savings part and the part allocated to risk against death and expenses as chosen by the policyholder. The premium is CPI linked or linked to rates of the employee’s insurable wage. The savings amount is paid out as a lump sum or annuity or as combined lump sum/annuity payments. These policies were marketed as both a provident fund and as a policy not recognized as a provident fund.			

1) In 1991 the maximum rate permitted for the purchase of designated bonds was 40%.

2) Pursuant to the mechanism for collecting management fees as set forth in the legislative arrangement, variable management fees will not be collected in respect of yield-dependent policies which were sold between 1991 and 2003, until sufficient investment profits are attained in respect of assets held against yield-dependent liabilities to cover the accrued investment losses.

Policy category	Product description	Key premium components	Designated bonds	Management fee
	A3. Yield-dependent policies sold as of January 2004:			
Policies that include investment tracks	Policies with a savings component (that offer a choice of several investment tracks) in which context insurance cover for death (term assurance) and/or P.H.I. (work disability) may be purchased. The savings amount is paid out as a lump sum or an annuity or as combined lump sum/annuity payments. These policies are marketed as provident funds and policies that are not recognized as provident funds. The savings, risk and management fee components are segregated.	Term (risk) component, savings component and management fees on policies recognized as provident funds. Term life insurance and/or work disability insurance may be purchased at a rate of up to 35% of the contributions for retirement benefits.	None	Policies that were issued up to and including 2012 - up to 2% of the accrual or a lower percentage of the accrual and a percentage of the deposits (0%-13%). Policies that were issued during 2013 - up to 1.1% of the accrual and up to 4% of the on-going deposits. Commencing in 2014 - up to 1.05% of the accrual and up to 4% of the on-going deposits.
B. Policies which do not include a savings component				
Term life (pure risk) in the event of death - personal lines	Policies that are marketed to individuals or as group policies and guarantee coverage in the event of death for any reason (including term life policies to guarantee mortgage repayments). These policies are sometimes sold as a supplementary product to the pension component and to managers insurance and retirement benefits policies for the self-employed, including for payment from the compensation component in the policy.	A term life component only for the coverages it includes.	Not relevant	No management fees

Policy category	Product description	Key premium components	Designated bonds	Management fee
Work disability insurance (P.H.I.)	Policies sold as stand-alone policies or as a rider to life insurance policies or as group policies. The policies guarantee a monthly payment in the event of a partial or full loss of the ability to work due to an accident or illness. These policies are sometimes sold as a supplementary product to the pension component and to managers insurance and retirement benefits policies for the self-employed, including for payment from the benefits component in the policy.	Term (risk) component only for the coverages it includes.	Not relevant.	No management fees
C. Policies consisting exclusively of savings				
Investment contracts (“Migvan / More” policies)	Pure savings policies (that offer a choice of several investment tracks). On-going and/or lump-sum deposits may be made. These policies are marketed as provident funds and policies that are not recognized as provident funds.	Savings component with an option for risk cover.	None	In personal lines Migvan or More policies - up to 2% per annum of the accrual. In the other policies, including policies that are recognized as a provident fund, like the management fees collected on policies that include investment tracks (see Section A3 in this table, above).

Policy category	Product description	Key premium components	Designated bonds	Management fee
D. Group policies				
Group policies	Policies that are marketed to defined population groups in an agreement for a specific period and offer to insure all members of the group. The policies are not recognized as a provident fund.	Term life component only for the coverages it includes.	Not relevant	No management fees
E. Other				
Critical illness insurance	Sold as a personal lines policy as a rider to other personal lines policies that guarantee compensation to the insured if a critical illness defined in the policy is diagnosed. The policies are not recognized as a provident fund.	Term life component only for the coverages it includes.	Not relevant	No management fees
"Hosen" policies	The insurance is sold as a stand-alone policy or as a rider, and it insures against total disability due to illness and/or accident. The policies are not recognized as a provident fund.	Term life component only for the coverages it includes.	Not relevant	No management fees
Riders	Other insurance products, which are offered as riders to life insurance policies, for example: cover for "accidental death", "accidental disability" (which are additional coverages for death or permanent disability from an accident). The policies are not recognized as a provident fund.	Term life component only for the coverages it includes.	Not relevant	No management fees
Work disability insurance	Riders that can be purchased for insurance coverages offered as a supplement to the disability cover in a pension fund (cover for	Term (risk) component only for the coverages it includes.	Not relevant.	No management fees

(P.H.I.) - insurance umbrella	work disability according to the definition of a specific occupation, cover for work disability during the qualifying period in the pension fund and cover to cancel a National Insurance offset by the pension fund). The policies are not recognized as a provident fund.			

* When referring to management fees from the accrual, the data relate to annual management fees.
** The implication of the recognition of a policy as a provident fund, is, in part, tax benefits which are given to provident fund members.

Material changes anticipated by the Company in the markets and the mix of products

No material changes are expected in the markets and the mix of products in the life insurance segment.

New products

Setting up of hosting tracks in an investment policy - in 2024, Harel Insurance introduced hosting tracks as part of the investment policies that it manages, in which the investments are managed by Fidelity International, a global investment management company. At this stage two hosting tracks were introduced - an international shares track and a general international track. This collaboration helps insureds in investment policies to gain exposure to additional modes of investment management through the investment managers of Fidelity International.

2.1.2.3 Pension funds

General

The pension fund sector includes new comprehensive pension funds, new general pension funds, and old pension funds.

Pension funds pay their members a monthly old-age annuity when they retire or an annuity in the event of disability and they also pay a survivors' allowance if the member or pensioner dies, in accordance with their articles of association.

Pension funds operate by means of a mechanism of mutual insurance between the members. The actuarial assumptions which form the basis for the members' rights are reviewed from time to time. If any changes have occurred, the members' rights may change and they bear joint responsibility for any actuarial surplus or deficit in the fund.

Relations between the pension fund and its members are regulated in the articles of association which essentially are the rules for determining entitlement to payment, the rate of payment and rules which regulate membership of the fund. When the company is required or wishes to make changes in the articles of association, it adjusts the articles and as a result the members' rights and obligations may also change, all subject to approval from the Commissioner. When an entitlement event occurs, the rights are defined in accordance with the provisions of the fund's articles of association as they are in force on the date of the event.

New comprehensive pension funds

The new, comprehensive pension funds have been operating since January 1995. Until October 2022, the new comprehensive pension funds were entitled to invest 30% of their assets in designated government bonds. The balance of the assets of the new funds is invested in other investments in line with the Investment Regulations. The purpose of issuing designated bonds to pension funds is to provide a safety cushion guaranteeing the members' pension rights. From October 2022, in accordance with the Economic Efficiency (Legislative Amendments to Achieve the Budgetary Targets for the 2021 and 2022 Fiscal Years) Law, the mechanism for guaranteeing stability of the pension fund yields must be streamlined and the present mechanism must be replaced, the State will provide an undertaking to cover the difference for each pension fund and five years after the date of providing this undertaking, the yield will be calculated for each fund. If the yield on the assets is lower than the cumulative target yield that was determined, the State will pay the pension fund the difference between the cumulative target yield and the yield on the assets that was actually obtained. If the yield on the assets is higher than the cumulative target yield, the difference will be transferred to a special-purpose fund.

Furthermore, the law stipulates that money for which a guaranteed yield was given will be invested in the investment track in which most of the fund's assets are managed.

The undertaking to cover the difference model entered into force gradually so that initially it will apply to the balance of the assets out of 30% of the fund's assets that are not invested in earmarked bonds. Within 15 years, the undertaking to cover the difference will apply to the entire 30% (in line with the member's age and the relevant provisions of law).

Moreover, the maximum deposit in these funds is limited to 20.5% of twice the average wage in the economy. Insurance cover for disability or survivors before the age of 60 cannot be waived in these funds, excluding waiver of cover for survivors for persons with no spouse, in accordance with the articles of the pension fund.

Additionally, there is a limit to the effective wage according to which the disability and survivors' allowance is calculated, equal to up to three times the average wage in the economy.

The Group manages a new comprehensive pension fund (Harel Pension), a general pension fund (Harel General Pension) and two old pension funds (Atidit and HAL -National Labor Federation).

<u>Insurance tracks in the comprehensive pension funds</u>

Members of comprehensive pension funds can choose insurance tracks where the difference between the tracks is the balance between the entitlement to old-age pension, disability pension and survivors' pension.

The default option track in the fund's articles, which entered into force in February 2018 (and is based on the standard articles) is the track of 75% for disability and 100% for survivors (excluding mend who enroll from the age of 41).

Active members may move from one channel to another as specified in the provisions of the fund's articles.

General pension fund

The General Pension Fund does not benefit from earmarked bonds or an undertaking to cover the difference, is not limited with respect to the amount or class of deposits.

In the event of disability, insured members are entitled to receive a disability pension, in accordance with the fund's articles.

In the event of death, the insured members' survivors are entitled to receive a survivors pension, in accordance with the fund's articles.

Additionally, at retirement age members receive an old-age pension and after the death of the member, his survivors are eligible to receive a pensioner survivor's pension, under the member's pension arrangement.

Insurance tracks in the general pension fund

The general pension fund has a basic pension track which is a track that provides a right only to receive old-age pension, without cover for disability pension and survivors pension. Additionally, in the general pension fund, members may join insurance tracks that include cover for survivors pension and disability pension, similar to the tracks in the comprehensive fund as described above, as well as a track that includes cover for survivors only.

Principal distinctions between a general pension fund and a comprehensive pension fund:

	Comprehensive pension fund	General pension fund
Earmarked (designated) bonds / undertaking to cover the difference	Until October 2022, there was an entitlement to invest in earmarked Arad government bonds bearing a yield of 4.86% CPI-linked, at a rate of 30% of the fund's total assets. From October 2022, 30% of the pension fund's assets, which prior to legislation of the Economic Efficiency Law were invested in earmarked bonds, will benefit from an entitlement to a guaranteed annual yield of 5.15% (CPI-linked). For more information about the allocation of designated bonds between members and pensioners and the guaranteed yield mechanism, see Section 2.1.2.3 above.	Does not benefit from designated bonds
Contributions	Maximum monthly deposit limit of an amount equal to 20.5% of twice the average wage in the economy.	No limit to the maximum contribution or type of deposit.
Insurance cover	All the insureds in the fund have insurance cover for disability and death (survivors' pension) in the various insurance tracks. On all the tracks, the insurance cover for survivors may be reduced so that cover remains only for disability for a single person (namely: where there are no survivors) and for an individual with children (namely: there is no spouse). Additionally, it is possible not to purchase cover for disability and survivors for insureds above the age of 60.	Membership of the fund is possible as part of a track that does not include any insurance or in a track that does not include insurance in the event of death.
Effective wage limit	The effective wage limit, which serves as the basis for calculating the disability and survivors annuity, in the amount of up to three times the average wage in the economy.	Until September 2023, the effective wage limit, according which serves as the basis for calculating the disability and survivors annuity, was up to three times the average wage in the economy. From September 2023, the effective wage limit is up to four times the average wage in the economy.

Old pension fund

The Group also manages two old pension funds. Atidit Pension Fund - managed by LeAtid, as well as HAL (National Labor Federation) Pension Fund which is managed by Harel Pension & Provident. Since April 1995 these funds can no longer admit new members. The companies which manage the old funds concentrate on providing service and dealing with existing customers.

The old pension funds are currently also entitled to earmarked government bonds that bear real interest of 4.8% where the pension fund periodically invests 30% of the value of its assets in these bonds. The balance of the old funds' assets is invested in other investments, in accordance with the investment regulations.

Like the new pension funds, the mechanism for the earmarked bonds in the old pension funds was replaced on October 1, 2022, with a cumulative target yield mechanism at a rate of 5.15%. For additional information on this matter, see the table in Section 2.1.2.3 above.

<u>Insurance tracks in the old pension fund</u>

Members of the old pension fund may choose a basic pension track that confers a right to receive old-age pension only, without cover for disability pension and a pension for the insured's survivors, or a comprehensive pension track which confers a right to an old-age pension, disability pension and survivors pension. Additionally, HAL has a special old-age pension track that provides entitlement to receive an old-age pension only from the age of 65 for a woman, and for a man at the standardized age of retirement.

Structure of profitability in this segment

The profitability of the management companies in the pension fund sector derives from the margin between the management fees which they collect (from the contributions and the accrual) and the operating and marketing expenses, including the cost of purchasing insurance benefits for members of the pension funds.

Material changes anticipated by the Company in the markets and the mix of products

No material changes are expected in the markets and the mix of products in the pension fund management sector.

New products

No new products were marketed during the Reporting Period.

2.1.2.4 Provident funds

General

Monies deposited until December 31, 2007, may be withdrawn as a (capital) lump sum amount. Commencing January 1, 2008, money deposited in provident funds is designated for annuity payments. Benefit contributions that have accumulated over and above the amount required to pay the minimum annuity may be withdrawn as decided by the member, by way of a capitalized annuity or by way of annuity payment after it has been transferred to a pension fund or insurance fund. Additionally, Harel Group's provident fund management companies also manage education funds and investment provident funds which are an intermediate savings instrument and benefit from tax breaks. Provident funds do not have an actuarial risk component and members are entitled to the yield which is actually attained, net of management fees. One may enroll as a member of one of the provident funds managed by the Group: funds for the self-employed, funds for salaried employees, investment provident funds and education funds (for self-employed and salaried workers), all of which have different investment tracks.

According to the Provident Funds Law, a member may move from one fund to another, and in a multi-track fund - between one track and another. A variety of provident funds are managed by the Group, in which employers and/or the employees or individual self-employed persons may deposit contributions designated for the payment of severance pay, retirement benefits, sick pay, education, and annuity.

Tzva Hakeva is a company that manages the education fund for members of Hever (consumer organization for career soldiers and security forces retirees)

Tzava Hakeva Saving Fund - Provident Funds Management Company Ltd. is a company that manages the education fund for members of Hever

From January 1, 2023, the education fund is the default fund for Hever members, for a period of five years from the aforesaid date.

	Product description	Conditions for withdrawing the money	Management fees
Retirement benefit funds / savings provident funds	Money deposited for long-term savings for self-employed and salaried members.	Money deposited up to December 31, 2007 may be withdrawn as a lump-sum (capital) amount at the age of 60 or on other dates in line with the statutory provisions. Money deposited on or after January 1, 2008 may be withdrawn as an annuity (monthly benefit). Money that has accumulated over and above the amount required to pay the minimum annuity, may be withdrawn as decided by the member by way of a capitalized annuity or by way of payment of an annuity after it has been transferred to a pension fund or insurance fund. The entitlement to redeem severance-pay money upon termination of employer-employee relations is subject to the statutory provisions. The entitlement to redeem the benefits on the date of termination of employment or when the member reaches the minimum age of eligibility to retirement pension (60), subject to the provisions of the law.	Up to 4% of the deposits and up to 1.05% per annum of the accrual.
Education funds	Provident funds which are designed for savings for education/studies to maintain the employee's professional standard.	The amounts saved may be withdrawn for any purpose after six years of saving.	Up to 2% per annum of the accrual.
Investment Provident Funds[4]	Provident funds designated for capital savings by self-employed individuals. The amount of the deposit is limited to NIS 70,000 a year, CPI linked.	The savings may be withdrawn as a lump sum at any time upon payment of 25% tax on the real capital gains. An exemption from capital gains tax applies to money withdrawn by way of an annuity after the age of 60.	Up to 4% of the deposits and up to 1.05% per annum of the accrual.

[4] Investment provident funds also serve as the product for money deposited by the National Insurance Institute in the "Savings Plan for Each Child" scheme, and in this context specific rules prescribed in the provisions are applicable.

Central funds for severance pay	Provident funds in which the employer accumulates amounts to guarantee the rights of his employees to receive termination benefits. From the end of 2010, money may no longer be deposited in these funds.	The employer may redeem or provide payment instructions to his employees, subject to the statutory provisions.	Up to 2% per annum of the accrual.
Sick pay funds	Provident funds in which the employer accumulates amounts to guarantee the rights of his employees to receive sick pay.	In the event that the employee is sick, subject to the statutory provisions.	Up to 2% per annum of the accrual.
Central fund for non-contributory pension	A fund designated for the accrual of amounts deducted from the employee’s wage by an employer where the applicable pension arrangement is that of a non-contributory pension.	When an employee retires who is eligible for non-contributory pension from the employee, subject to the statutory provisions.	Up to 2% per annum of the accrual.

Structure of profitability in this segment

Profitability of the management companies in the provident fund sector derives from the margin between the management fees collected from members and the operating and marketing expenses of the provident funds.

Material changes anticipated by the Company in the markets and the mix of products

No material changes are expected in the markets and the mix of products in the life provident funds sector.

New products

No new products were marketed in the Reporting Period.

Information about provident funds and pension funds managed by the Group (correct to December 31, 2024) (NIS million):

	Old pension funds	New pension funds		Provident fund for retirement benefits and severance pay	Education fund	Other	Total
		Comprehensive	Supplementary				
Managed assets (AUM)	18,240	160,614	5,993	39,197	34,292	1,920	260,256
Benefit contributions	210	14,672	935	2,636	3,888	2	22,343
Net accrual	798	14,239	1,484	748	2,197	(79)	19,387
Management fee rate from assets	*0.66%	0.14%	0.15%	0.48%	0.50%	0.58%	-
Management fee rate from deposits	**7%	1.51%	1.14%	0.11%	-	-	-

Information about provident funds and pension funds managed by the Group (correct to December 31, 2023) (NIS million):

	Old pension funds	New pension funds		Provident fund for retirement benefits and severance pay	Education fund	Other	Total
		Comprehensive	Supplementary				
Managed assets (AUM)	17,593	129,120	3,875	34,678	28,491	1,827	215,584
Benefit contributions	229	12,726	751	1,862	3,201	2	18,771
Net accrual	747	10,899	905	1,459	3,157	(201)	16,966
Management fees from assets	*0.66%	0.15%	0.19%	0.50%	0.51%	0.57%	-
Management fees from deposits	**7%	1.59%	1.12%	0.10%	-	-	-

* Percentage management fees for the old Atidit fund only, management fees as a percentage of assets for HAL Fund are 0.1%.

** Management fees as a percentage of deposits for HAL Fund only.

Information about provident funds and pension funds managed by the Group (correct to December 31, 2022) (NIS million):

	Old pension funds	New pension funds		Provident fund for retirement benefits and severance pay	Education fund	Other	Total
		Comprehensive	Supplementary				
Managed assets (AUM)	17,458	108,104	2,669	30,963	23,258	1,906	184,358
Benefit contributions	236	10,938	623	2,150	2,565	2	16,514
Net accrual	699	7,505	646	4,106	3,539	(186)	16,309
Management fees from assets	*0.66%	0.16%	0.24%	0.51%	0.54%	0.57%	-
Management fees from deposits	**7%	1.67%	1.13%	0.11%	-	-	-

* Percentage management fees for the old Atidit fund only, management fees as a percentage of assets for HAL Fund are 0.1%.
** Management fees as a percentage of deposits for HAL Fund only.

2.1.3 Substitute products

The products in this area of activity are interchangeable, as they meet similar needs for the same target population. Thus for example, insurance funds, pension fund and provident fund products are interchangeable as they provide long-term savings solutions for retirement and entitle the plan holder to standard tax benefits.

Products in this area of activity can be substituted with other financial products, such as long-term deposits, although this is to a lesser extent, as such products generally do not include two significant elements that are present in the products in this area of activity: tax benefits and a combination of insurance against risks together with savings. Notwithstanding the foregoing, savings and investment products such as bank savings schemes and, investment in mutual funds could be a substitute for investment contracts and investment provident funds and for depositing monies available in a recognized annuity under Regulation 190 of the Income Tax Ordinance.

2.1.4 Competition

General:

Competition in the life insurance and long-term savings sector between the different products in this segment and between the different producers (insurance companies and investment houses) is extremely strong.

The growth of the new pension funds sector is related to exogenous demographic and employment factors originating in the growth of Israel’s population and the high rate of participation in the labor market. It is also affected by a steady shift of new employees in the labor market from the old arrangement, including non-contributory pension, the old pension funds, provident funds for retirement benefits and provident funds that are insurance funds to a structure in which the new pension funds serve as the principle occupational pension product.

Placing a cap on the sums that may be deposited into an insurance fund to that part of the wage exceeding a ceiling of more than twice the average wage in the economy in respect of insurance policies that are insurance funds that were issued from September 1, 2023, and limiting the transfer of money from an annuity provident fund that is not an insurance fund to an insurance fund, with respect to insurance funds issued after September 1, 2023, have turned the new pension funds into almost the only savings product in the occupational pension market for new employees.

Given that investment contract policies and investment provident funds can be substituted with a variety of financial products (savings products, bank deposits, mutual funds, etc.), there is also competition with the producers and marketers of the different financial products.

In recent years, the level of competition in the market has been affected by regulatory policy aimed at increasing competition, reducing the management fees, improving transparency, options for portability, giving preference to annuity-type products and by the various reforms which have been introduced in this segment in recent years. On this, see also Section 2.1.2.

Competition among the different products is reflected, in part, in the rates of management fees in the various products, the range of investment tracks, the yield attained with respect to the level of risk and the quality of service provided to customers and agents.

The principal methods of addressing the competition in this area of activity are: the creation of synergy between the Group's different activities, maintaining a high level of customer service including providing digital services, customer retention, improving the marketing and distribution departments, streamlining of operations and technologies, exploiting economies of scale, etc.

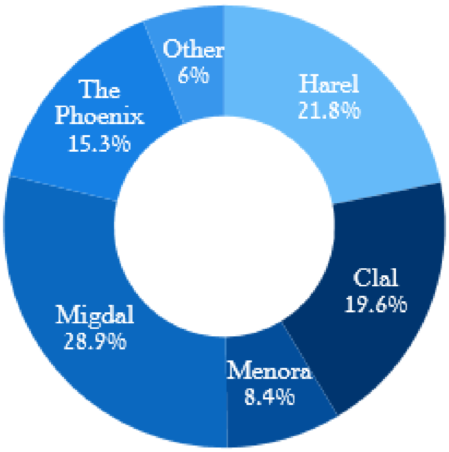
Life insurance:

According to figures published by the Ministry of Finance, total assets in profit-sharing policies in the life insurance market increased by 10% to NIS 504 billion, compared with NIS 459 billion at December 31, 2023.

Most of the premiums in the life insurance segment in Israel are paid to the five largest insurance groups (Migdal, Harel, Clal, The Phoenix, and Menora) and consequently in this segment, Harel Group competes with the other insurance companies. Regarding life insurance products which include long-term savings, the competition is also against the provident funds and pension funds, which offer substitute products or partial substitutes for these products. In the investment contract policies, the Group competes with the other insurance companies and investment houses that offer similar products.

The Group is second largest in total premiums collected from life insurance in 2024 (based on figures published for the end of Q3 2024), where according to the financial reports of Israel's insurance companies at September 30, 2024, Harel's share of the total premiums in this sector was 21.8%. The stronger competition in the life insurance sector can be attributed to greater customer awareness, more involvement by insurance advisors, as well the options for alternative products, mainly in the pension sector.

The following diagram shows segmentation of the life insurance market between the insurance companies (based on figures published at the end of Q3 2024):

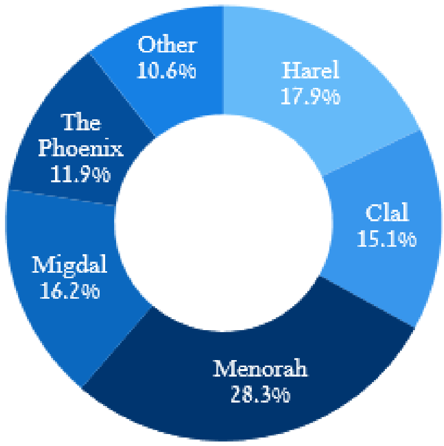


Management of pension funds:

According to Ministry of Finance publications, the volume of assets accrued in the new pension funds increased by 23% to NIS 899 billion at December 31, 2024, compared with NIS 728 billion at December 31, 2023. Net accrual in the new pension funds in the reporting period was NIS 69 billion.

The Group's pension fund management companies compete with the Menora insurance group which manages the new Mivtachim pension fund, with Migdal Group which manages the new Makefet pension fund, Clal Group which manages, among others, Clal Pension, The Phoenix Group as well as the pension funds belonging to the investment houses: Altshuler Shaham, Meitav Dash, More Investment House and Infinity.

Distribution of assets of the new pension funds (based on figures published on the Ministry of Finance website correct at December 31, 2024):



Management of provident funds:

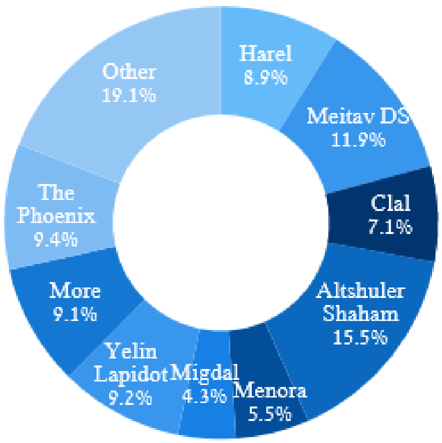
The provident funds managed by the Group compete with the provident funds managed by the other insurance groups and the provident funds managed by investment houses.

According to Ministry of Finance publications, at December 31, 2024, the provident funds managed assets totaling NIS 850 billion (of which NIS 407 billion was in the education funds), compared with NIS 720 billion at December 31, 2023 (of which NIS 345 billion was in the education funds).

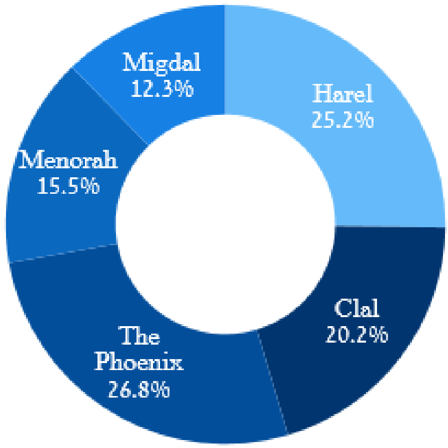
The net accrual in the provident funds market in the Reporting Period was positive, amounting to NIS 33,480 million, and the net accrual in the provident funds owned by insurance companies was positive, amounting to NIS 2,483 million.

The main competitors in the provident fund market are: Altshuler Shaham, Meitav Dash, The Phoenix, Yelin Lapidot, Clal Gemel, Menora, Migdal, Analyst and More Investment House.

The following diagram shows the distribution of provident fund assets (including education funds) which are managed by the principal management companies operating in this sector (correct to December 31, 2024, based on figures published on the Ministry of Finance website):



The following diagram shows the distribution of provident fund assets (including education funds) which are managed by the insurance groups (correct at December 31, 2024, based on figures published on the Ministry of Finance website):



Competition in the long-term savings segment is dealt with in several ways:

2.1.4.1 Marketing and distribution activity, recruiting new agents and offering sales incentives.

2.1.4.2 Customer retention activity in the existing portfolio and updating customers with the variety of products which are marketed by the Group in the long-term savings sector.

2.1.4.3 Synergy between the Group's companies - offering customers integrated solutions in all long-term savings channels and including related insurance products.

2.1.4.4 Efficiency (streamlining) of operations.

2.1.4.5 The integration of advanced digital methods for providing customized and optimum service for clients and agents.

2.1.4.6 Maintaining a high level of customer service.

2.1.4.7 Improving existing products, including the development of market-driven investment tracks (low-risk investment tracks, share-based tracks, index-tracking tracks, etc.).

The factors which affect the Company's competitive status are mainly: the size and reputation of the Group, its experience in the area of activity, the yield attained in customers' portfolios, financial robustness and the standard of service provided to customers and agents.

2.1.5 Customers

Distribution of revenues from premiums in the life insurance sectors during the reported period:

	Gross premiums					
	NIS million			Percent		
	2024	2023	2022	2024	2023	2022
Employers	2,152	2,810	3,115	39%	45%	48%
Private and self-employed insureds (personal lines)	3,323	3,360	3,276	59%	53%	51%
Groups	110	116	113	2%	2%	2%
Total	**5,585**	**6,286**	**6,504**	**100%**	**100%**	**101%**

The rate of redemptions from the average life insurance reserves is 7% in 2024, compared with 5.6% in 2023 and 4.3% in 2022.

Distribution of contributions received by the pension funds and provident funds (NIS million):

	Pension funds			Provident funds		
	2024	2023	2022	2024	2023	2022
Sums received through employers	13,162	13,162	11,340	4,290	3,754	3,004
Other sums received	544	544	457	2,236	1,311	1,713
Total	**13,706**	**13,706**	**11,797**	**6,526**	**5,065**	**4,717**

Section 2.1, including its subsections, concerning the structure of this area of activity and applicable changes, also includes forecasts, evaluations, estimates and other information relating to future events and affairs, the materialization of which is uncertain and is not within the Company's exclusive control (forward-looking information). The principal facts and data which formed the basis for this information are those pertaining to the Company's present position and its business in this area of activity (such as the volume of sales, profit rates, manpower, business agreements, etc.), facts and data pertaining to the current situation in Israel and worldwide for this segment (such as sector-based economic developments, regulatory environment, competitors, technology developments, reinsurance market, etc.), and macroeconomic facts and data (such as the economic situation in Israel and worldwide, yield rates in the capital markets, political and social developments, etc.), as they are known to the Company at the time of this report. The forward-looking information contained above in this section is based significantly, in addition to the information available to the Company, on current projections and estimates of the Company regarding future developments in each of the aforementioned parameters, and the extent to which these developments are interconnected. The Company cannot be certain that its projections and estimates will in fact materialize, and the Company's performance may differ significantly from the estimated or inferred performance noted above, in part due to changes in any of the above-mentioned factors.

2.2 Health insurance

2.2.1 Products and services

2.2.1.1 General

The main line of business in the health insurance segment is illness and hospitalization, and personal accident. The insurance cover is indemnity or compensation for the insured for medical expenses in respect of health impairments resulting from illness or accident and/or when a critical illness is diagnosed and/or due to long-term care condition and/or the need for dental treatment. The policies in this sector also include policies for travel insurance, insurance for foreign workers and insurance for tourists.

In Israel, the health services consist of several layers of insurance cover. The first layer is the basic health services basket ("Health Services Basket") that was defined in the National Health Insurance Law, 1994 ("Health Services Law"). All residents of the State of Israel are eligible to receive this basic care through one of the HMOs. The second layer is additional (supplementary) health services that are not covered in the Health Services Basket ("Supplementary Health Services" or "SHS") that may also be purchased through the HMOs. The third layer is health services purchased privately from the insurance companies (private medical insurance). The insurance coverages provided in the third layer are a substitute for and/or supplement to the health services under the Health Services Law (health services basket or SHS) and/or new coverages that are not included in the health services basket or SHS.

Health insurance reform

In October 2023, a comprehensive reform of health insurance entered into force, prescribed in a number of statutory provisions. Among other things, the reform includes a new structure for private medical insurance in Israel aimed at creating a standard market structure for all the insurance companies and based on a standard basic policy to which different and varied riders may be added in a fixed format. The reform consists of several provisions of law and Commissioner's instructions the purpose of which is, among other things, to prevent duplicate insurance in indemnity personal lines medical insurance, and also to assist insureds in making an educated decision regarding the insurance product suited to their needs and to compare the costs among the different companies ("the Reform" or "health insurance reform").

Under the Reform, private medical insurance in Israel consists of five layers:

<u>First layer - basic health policy</u> - covers all the following plans: transplants and special treatment abroad, medications not included in the health services basket, and non-surgical treatment abroad. The basic policy is standard for all the insurance companies and the sale of additional health products will be permitted provided that the insured holds a basic policy through any company (and not necessarily through the company from which s/he wishes to purchase the additional health products).

<u>Second layer - policy for surgery in Israel</u>, according to one of the following plans: "Supplement to SHS" with a deductible of NIS 5,000 or Supplement to SHS without a deductible or full coverage insurance (from the first shekel) without a deductible.

Chapter 16 of the Economic Plan (Legislative Amendments for the Implementation of Economic Policy for Fiscal Years 2023 and 2024) Bill, 2023 ("the Economic Plan Bill") stipulates that all persons insured in full coverage policies for surgery issued before October 1, 2023 who are also members of an HMO SHS plan, will be transferred by the insurance companies to the Supplement to SHS surgery policies in June 2024. The Insured shall inform the Insurer up to the end of the year from the date of his transfer if he does not wish to be transferred or that he wishes to cancel the cover (in which case the original policy will be deemed null and void). In the Reporting Period, in June 2024, based on this part of the Economic Plan Law, the Company's insureds in Full Coverage policies ("from the first shekel") were transferred to policies with supplementary cover to the SHS plan for surgery (Supplement to SHS surgery policies).

The Economic Plan Bill also stipulates that in cases where an HMO member has undergone surgery paid for by an SHS plan, and that member also has a private full coverage policy for surgery which is valid at the time of the surgery - the HMO may ask the insurance company to pay for the surgery performed by the SHS.

For the purpose of applying the provisions of the aforementioned Economic Plan Bill, the Authority created an online interface for surgery in Israel in an effort to facilitate the transfer of information between the HMOs and the insurance companies;

Third layer - extension policies (riders) to coverages included on one or more of the insurance plans covered in the first and/or second and/or fifth layers;

Fourth layer - one or more of the following ambulatory insurance plans: Consulting and examinations or rapid medical diagnosis or consultation, fast-track medical examinations and diagnosis and/or home hospitalization and/or treatment using advanced technologies and medical devices and/or medical support and treatment associated with a significant event such as surgery, hospitalization or a critical illness and/or any insurance plan approved in advance and in writing by the Commissioner;

Fifth layer - critical illness

The reform also prescribes transitional provisions regarding insureds in medical policies that were issued prior to the Reform entering into force.

Following is information about the range of policy categories in the health sector.

Long-term care insurance [LTC]:

This insurance (personal lines or group) mainly guarantees a monthly payment when the insured requires long-term care, based on the definition prescribed in the policy and after the waiting period specified in the policy.

With reference to personal lines long-term care policies, due to the conditions of then personal lines LTC policies and in view of the discontinuation of the reinsurers' activity in this sector, Harel Insurance discontinued the sale of new personal lines LTC policies as of October 30, 2019.

With reference to group long-term care policies, during the course of 2017 and in accordance with a circular published by the Commissioner, from December 31, 2017 group LTC insurance can no longer be extended in the format that existed until that date, but in a completely different format as detailed in the circular. Accordingly, most of the group policies with which Harel Insurance was associated up to the end of 2017, have terminated. At the date of the report, Harel Insurance provides group LTC insurance only for members of Clalit Health Services and several other small groups.

On December 4, 2023, the Commissioner published an amendment to the Consolidated Circular - Section 6, Chapter 3 - Long-term Care Insurance and the Supervision of Financial Services (Insurance) (Group Long-term Care Insurance for HMO members) Provisions, 2023 (for more information, see Section 1.1 below) - prescribing, *inter alia*, a reduction of the long-term care insurance benefits and cancellation of the requirement for the insurance companies to undertake a minimum risk of 20%.

On December 22, 2024, the Authority published an additional amendment to the Supervision of Financial Services (Insurance) (Group Long-term Care Insurance for Health Fund Members) (Amendment) Provisions, 2024. Among other things, these provisions stipulate that the definition of the insured event will be updated so that the entitlement will only be given to insureds who are unable to perform, independently, a material part of at least 4 of the 6 Activities of Daily Living (ADLs), or alternatively, 3 activities one of which is control of bowel and bladder functions; that the assessment for application of some of the ADLs will not be conducted if the insured can perform them independently, with the use of a suitable device or item of clothing; and that the entitlement to receive insurance benefits for an insured who lives at home is subject to producing confirmation that in practice he is assisted by a caregiver during most of the day. The provisions also stipulate that from 2027, if at the end of the policy period the policy is not renewed for all those insured by any particular insurer, the insurer will not be obligated to include insureds in a group follow-on policy or any policy whatsoever and the outstanding amounts in the insureds fund at that date will be used for the benefit of the insureds in a manner to be approved by the Commissioner.

The purpose of the provisions is to stabilize long-term care insurance through the HMOs (in light of the erosion of the insureds' funds due to the growing number of claims in recent years) and enable the group long-term care insurance to continue through the HMOs.

Subsequently, Harel and Clalit signed an Agreed Outline to extend the agreement period for the group LTC policy for members of Clalit HMO by 12 months (from January 1, 2024 through December 31, 2024). Among other things, the outline included elimination of the insurance risk threshold for Harel Insurance, reduction of the insurance benefits and raising the premiums.

Subsequently, Harel and Clalit signed an additional outline to extend the agreement period for the group LTC policy for members of Clalit Health Services by 24 months (from January 1, 2025 through December 31, 2026). On December 26, 2024, a permit was received from the Commissioner to activate this policy.

For additional information see Note 39G to the Financial Statements.

Harel Insurance provides several other groups with long-term care insurance.

<u>Other categories of health insurance:</u>

- Dental insurance

  Policies that provide cover for all or some of the following dental treatments: conservative treatment, periodontal treatment, orthodontic treatment, oral rehabilitation treatment (including implants), etc.

- Travel insurance

  Policies that provide the insured with insurance cover for traveling abroad. Among other things, the policy covers the insured's medical expenses and a medical flight to Israel. Cover is also provided for search and rescue and third-party liability, which the insured may relinquish. Related cover (riders for additional payment) may also be included in the policy, such as: baggage, deterioration of a pre-existing medical condition, amateur extreme sports, professional sports, winter sports, cancellation or curtailment of a trip for medical reasons, etc. Additionally, the Company has a policy to provide indemnification for travel or flight expenses in the event of cancellation by the customer (for any reason). The marketing of this policy was discontinued at the beginning of the Swords of Iron War.

- Insurance for foreign workers and tourists

  Policies that are purchased by the employers of foreign workers in Israel (based on the statutory obligation imposed on the employers) or by tourists, and provide the insured with health insurance which includes hospitalization costs, ambulatory treatment and prescription drugs.

- Critical illness insurance

  Policies which provide the insured with compensation in the event that he is diagnosed with one of the illnesses on a pre-defined list.

- Personal accident insurance

  Policies that provide the insured with, among other things, compensation in the event of death resulting from an accident and accidental disability.

<u>Service notes</u>

A document attached to an insurance policy that details the conditions under which a service provider will render a service to insureds.

Substitute products

Some of the proposed coverages in the health insurance sector can be partially substituted by cover provided by the health funds (HMOs), both as part of the basic health-services basket and through the SHS plans. Changes in the basic health basket or SHS may affect the size of the relevant market, as well as the cover offered in the area of activity and the costs of settling claims.

2.2.2 Changes and trends in this segment

The health insurance sector is affected by changes in the scope of the cover provided by the HMOs, including in their SHS plans, in government health sector policy, technology developments as well as extensive regulatory changes.

2.2.2.1 Health insurance reform

For information about the health insurance reform, see Section 2.2.1.1 above.

2.2.2.2 Long-term care (LTC) and the outline with Clalit Health Services

For additional information about the outline with Clalit Health Services, see Section 2.2.1.1 above and the references there.

Development of digital processes

In recent years, this operating segment has rapidly adapted itself to digital and online processes performed by insureds and agents, through the development of sales, operating and advanced digital service channels. The integration of digital processes in this operating segment continued during the Reporting Period.

Material changes anticipated by the Company in the markets and the mix of products

In view of the short time that has elapsed since the health insurance reform entered into force, the impact of the Reform on the Company's performance is still unknown. Nonetheless, the Company believes that no material changes will take place in its share of the principal markets in relation to products and services in this operating segment. With respect to the mix of products, following the health insurance reform, the number of insureds holding insurance cover for surgery in Israel has increased on the Supplementary SHS track without a deductible.

New products

In the Reporting Period, a number of health products were introduced and renewed, e.g.: update of coverages in the ambulatory care layer - the cover in the plans for consultations and medical assistance and treatment relating to a significant medical event was revised. The cover for Supplementary SHS insurance for surgery in Israel was updated in accordance with the provisions of the Consolidated Circular - Section 6, Part 3, Chapter 2 - obligation to offer a plan with insurance cover that supplements the SHS insurance, from March 2024.

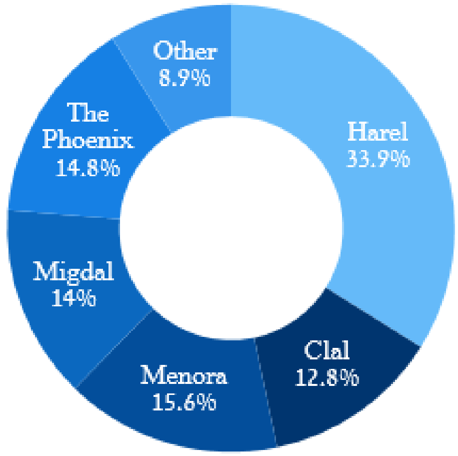
In the Reporting Period, Harel Insurance introduced new riders for travel insurance policies: an additional rider for cover for valuable baggage, professional sport, personal accidents, etc.

2.2.3 Competition

The Group is the largest, most dominant insurance group in Israel's health insurance segment, and according to the financial statements published by the insurance companies at September 30, 2024, it accounts for 33.9% of the health insurance market in Israel. The Group's principal competitors in the health insurance sector are The Phoenix, Clal, Migdal and Menora, as well as the supplementary health services plans and dental treatment offered by the HMOs.

The Group has been active in the health insurance sector for 90 years, and it has a great deal of know-how and experience. To perform quality underwriting, costing and to develop products and coverages which have a relative advantage, the Group utilizes databases, in which it has many years of accumulated claims experience data, wisely. Additionally, the Group has a broad set of agreements with medical service providers and medical institutions all over the world and that provide superior services to those of its competitors, particularly for the complex medical conditions that require treatment abroad or bringing medical services from abroad to Israel. As a result, the Group has managed to preserve its dominant position in this segment and a reasonable profit level, despite ever-increasing competition.

The following diagram shows segmentation of the health insurance market between the insurance companies (based on figures published at the end of Q3 2024):



Competition in the health insurance segment is dealt with at several levels:

2.2.3.1 The development of new products and services and/or improvements to existing products, by identifying significant customer requirements that are not provided (or partially provided) on the public level, and meeting these requirements.

2.2.3.2 Strengthening the Company’s long-standing reputation in this segment.

2.2.3.3 A broad set of agreements with medical service provides and medical institutions worldwide.

2.2.3.4 Constant improvement to and preservation of professional customer service during the policy period, and when a claim is filed.

2.2.3.5 Customer retention activity in the existing portfolio.

2.2.3.6 Efficiency (streamlining) of operations.

2.2.3.7 Marketing and distribution activity, running sales promotions campaigns, recruiting new agents and offering sales incentives .

The key factors which affect the Company's competitive status in the health segment are mainly: the Company’s strong reputation and the size of the Group, its extensive, cumulative experience in the health insurance segment, and the high standard of service provided to customers and agents.

2.2.4 Customers

Distribution of income from gross premiums in the long-term care insurance sector:

	Gross premiums					
	NIS million			Percent		
	2024	2023	2022	2024	2023	2022
Private policyholders	826	818	786	77%	29%	31%
Groups	241	2,023	1,756	23%	71%	69%
Total	**1,067**	**2,841**	**2,542**	**100%**	**100%**	**100%**

Distribution of income from gross premiums in the other health insurance sectors:

	Gross premiums					
	NIS million			Percent		
	2024	2023	2022	2024	2023	2022
Private policyholders	2,429	2,268	2,142	63%	63%	63%
Groups	1,418	1,352	1,238	37%	37%	37%
Total	**3,847**	**3,620**	**3,380**	**100%**	**100%**	**100%**

The cancellation rate in terms of premiums, from policies that are in force at the beginning of the year in long-term care insurance (personal lines policies) is 3.2% in 2024, 3.4% in 2023, and 3.3% in 2022.

The cancellation rate in terms of premiums, from long-term personal lines policies that are in force at the beginning of the year in other health insurance sectors is 8.2% in 2024, 8.8% in 2023, and 9% in 2022.

The Group has no customer in the health insurance segment which accounts for 10% of more of its total revenues which are included in the consolidated financial statements.

Section 2.2, including its subsections, concerning the structure of this area of activity and applicable changes, also includes forecasts, evaluations, estimates and other information relating to future events and affairs, the materialization of which is uncertain and is not within the Company's exclusive control (forward-looking information). The principal facts and data which formed the basis for this information are those pertaining to the Company's present position and its business in this area of activity (such as the volume of sales, profit rates, manpower, business agreements, etc.), facts and data pertaining to the current situation in Israel and worldwide for this segment (such as sector-based economic developments, regulatory environment, competitors, technology developments, reinsurance market, etc.), and macro-economic facts and data (such as the economic situation in Israel and worldwide, yield rates in the capital markets, political and social developments, etc.), as they are known to the Company at the time of this report. The forward-looking information contained above in this section is based significantly, in addition to the information available to the Company, on current projections and estimates of the Company regarding future developments in each of the aforementioned parameters, and the extent to which these developments are interconnected. The Company cannot be certain that its projections and estimates will in fact materialize, and the Company's performance may differ significantly from the estimated or inferred performance noted above, in part due to changes in any of the above-mentioned factors.

2.3 Non-life insurance segment

2.3.1 Products and services

General

This segment consists of motor property insurance, compulsory motor insurance, other liabilities sectors, property and other sectors, and credit insurance for mortgages.

2.3.1.1 Motor property (CASCO)

The products in this sub-segment are policies that provide cover for loss incurred by the insured vehicle mostly as a result of an accident or theft, as well as cover for the owner's liability for losses caused to third-party property by the insured vehicle. Additionally, riders may be added to the policy such as: legal defense, increased compensation for cars which are less than 24 months old, cover for damage to windshields - with no deductible, substitute vehicle in the event of an accident or theft, towing and roadside services, cancellation of the deductible based on a compensation threshold and cover for other non-standard fixtures.

The motor-property insurance sub-segment can be divided into two secondary segments: insurance for damage to third-party property (insurance which covers the liability of the car owner/driver if the insured vehicle causes damage to third-party property) and insurance known as "comprehensive insurance" which also covers the losses sustained by the insured vehicle (for example, due to an accident or theft), as well as property damage caused to a third party.

The motor property branch can be divided into two main groups by category of vehicle:

(a) The insurance of private and commercial vehicles up to 3.5 tons – In accordance with the policy that prescribed in the Supervision of Insurance Business (Conditions of an insurance contract for a private vehicle) Regulations, 1986, and the insurer may deviate from them only if the change is beneficial to the insured, or if it refers to a fleet of cars. The conditions of the Standard Policy allow the insured to purchase a modular package of coverages, as specified in above.

(b) Insurance for vehicles with the exception of private and commercial vehicles up to 3.5 tons (forklift trucks, trucks, taxies, buses, tractors, etc.). Policies for such vehicles are not subject to the terms of the Standard Policy, but the conditions and scope of the cover in policies for such vehicles are determined by the insurance companies and subject to the Commissioner approving the policy conditions.

The premiums for insuring motor property are determined, inter alia, taking into account underwriting, based on the vehicle's specifications (model and year of manufacture) and the specifications of those authorized to drive it (age, driver's license seniority, and claims experience) and depending on the range of coverages purchased. The formula for calculating the premiums which forms the basis for determining the premium is based on an actuarial model and approved by the Commissioner.

Material changes anticipated by the Company in the markets and the mix of products

No significant changes are expected in the Company’s share of the principal markets in relation to products and services in this operating segment.

New products

No new products were marketed in the Reporting Period.

2.3.1.2 Compulsory motor

Compulsory motor insurance is insurance which the vehicle owner or its driver must purchase according to the Motor Vehicle Insurance Ordinance, as noted in Section 1.2.3.2 above). The failure to comply with this obligation is a criminal offense. The conditions of the insurance cover correspond with the wording of the Standard Policy prescribed in the Supervision of Financial Services (Insurance) (Conditions of a Compulsory Motor Vehicle Insurance Contract) Regulations, 2021. There is therefore no variety of products available in this sector.

The insurance cover in compulsory motor insurance is based on the CRAV Law which prescribes absolute liability, namely, according to the CRAV Law, persons injured in a road accident are entitled to compensation from the insurer of the vehicle, based on the scope of the compensation stipulated in the CRAV Law, without the need to prove the culpability of any of those involved in the road accident. This absolute liability is subject to certain exclusions prescribed in the CRAV Law which negate the right to compensation by law. The amount of compensation is limited to certain heads of damages .

The Standard Policy stipulates that the insurer's liability is in accordance with the provisions of Section 3 of the Motor Vehicle Ordinance, 1970, and covers any liability that may be incurred by the insured under the CRAV Law, any other liability that the insured may incur on account of physical injury sustained by a person who used a motor vehicle or resulting from the use thereof, and physical injury sustained by the insured in a road accident.

Claims in the compulsory motor sub-sector are typically long-tail, i.e. a long period may elapse from the occurrence of the event until the claim is paid. Consequently, in addition to the underwriting result for this operating segment, income from investments or investment losses also have a marked effect on overall profitability in this sector.

Key arrangements that characterize the compulsory motor sector

Light vehicle and heavy vehicle: According to the provisions of the Compensation of Road Accident Victims (Arrangements for Allocation of the Burden of Compensation among the Insurers) Order, 2001, in the event of an accident involving a vehicle defined as a "light" vehicle (weighing less than 4 tons) and a vehicle defined as a "heavy" vehicle (weighing more than 4 tons, excluding buses), the insurer of the light vehicle is entitled to a refund of half the amount of the claim from the insurer of the heavy vehicle or the other vehicle. Pursuant to Amendment no. 20 to the CRAV Law, in the event of a road accident involving one or more motorbikes and one or more vehicles that are not a motorbike, the insurers of the other vehicle shall pay the insurers of the motorbike 75% of the compensation for physical injury which the motorbike's insurers are liable for as a result of the accident .

The Pool: Owners of vehicles (usually motorbikes) may purchase insurance via the Pool (Israel pool for car insurance). In this regard, the Pool operates as an insurance company to all intents and purposes and its tariffs, which are set by the Commissioner. All the insurance companies which operate in the compulsory motor sector are partners in the

Pool, and each company bears a pro rata share of the Pool's losses in the compulsory motor insurance market for the previous year.

According to the Pool’s articles of association, the share of the insurance companies in the Pool is determined in accordance with the premiums they collect each year. The final share of Harel Insurance in the Pool for 2023 is 12.41% and the provisional share of Harel Insurance for 2024 is 13.2%. A final calculation for 2024 will be made after publication of the annual financial statements for this year.

Karnit: Fund for the Compensation of Road Accident Victims (“Karnit”) is a fund that was established under the Compensation for Road Accident Victims Law and its purpose is to compensate road accident victims who are unable to file for compensation from the insurance companies. The insurance companies are obligated to transfer to Karnit 1% of the net premium they collect in respect of compulsory motor insurance policies. Furthermore, to finance the medical services provided to road accident victims through the HMOs, the insurance companies must transfer to Karnit, every month, 12.66% of the premiums collected by the insurer in the previous month for all the compulsory motor policies they issued. Karnit will transfer these amounts to the National Insurance Institute, which in turn will transfer them to the HMOs.

Subrogation: On January 2018, a memorandum of the Economic Efficiency (Legislative Amendments to Achieve Budget Targets for 2019) Law, 2018, was published. According to the memorandum, the mechanism for the settlement of accounts between the National Insurance Institute (NII) and the insurance companies regarding road accidents was changed, such that the NII’s existing right to subrogation for road accidents was abolished and a comprehensive arrangement was established under which the insurance companies will transfer a fixed amount to the NII every year. The Minister of Finance will prescribe regulations concerning the amount to be transferred to the NII. With respect to road accidents that occurred between January 1, 2014 and December 31, 2018, and for which the NII has not submitted a claim or demand by January 1, 2019, the Minister of Finance promulgated in regulations an overall lump sum to be paid to the NII by the insurance companies for such claims or demands, the payment schedule and the amount from this sum to be paid by each insurance company.

From January 2025, an amount of 10.95% of the compulsory motor insurance premiums will be transferred as an alternative to the NII’s subrogation claims against the insurance companies.

For additional information see Note 36 to the Financial Statements.

On September 17, 2020, the Supreme Court ruled that the provision - whereby the discounting interest rate for compensation due to bodily injury in torts will remain 3% (unless a need to change it is proven, based on the mechanism set out by the Kaminetz Committee) - is presumed also to apply to NII subrogation claims (Civil Appeal 4025/19 the National Insurance Institute v. Megilot Dead Sea Regional Council).

The maximum threshold for fees collected by insurers from the net premiums in compulsory motor insurance is 18%.

Material changes anticipated by the Company in the markets and the mix of products

No significant changes are expected in the Company's share of the principal markets in relation to products and services in this operating segment.

New Products

In view of the fact that this is a standard policy dictated by the regulator, from which there can be no deviation, there are no new products in this operating segment.

2.3.1.3 Other liabilities sectors

In liabilities insurance (also known as professional indemnity insurance or E&O), Harel Insurance covers the insured's statutory liability due to his negligence for loss incurred by third parties. The policies in this sector cover the insured's liability for third party loss, such as: D&O liability, professional liability, product liability, liability due to a cyber event, etc. Additionally, employers' liability for covering the insured's liability towards his employees.

Insurance in the other liabilities sectors (like compulsory motor insurance, which is also a form of liabilities insurance) is typically long-tail, namely - notice of an insured event may be submitted many years after the event and settlement of the claim may take several years after receiving notice of the insured event. On this, Section 70 of the Contracts (Insurance) Law, 1981, prescribes that in liabilities insurance a claim for insurance benefits is not limited by time until the third party claim against the insured is prescribed.

In view of the fact that claims in the liabilities sub-sector are typically "long tail", in addition to the underwriting profit for this area of activity, revenues from investments or investment losses have a significant impact on overall profit in this area of activity.

The insurance coverages included in this area of activity:

Professional liability insurance

Professional liability policies provide various professionals, such as investment consultants, portfolio managers, attorneys, engineers, architects and accountants with insurance cover against claims that may be filed against them for third-party loss within the framework of their occupation, as a result of professional malpractice. Today, these policies are sold not only to professionals with any kind of qualification, but also to a variety of businesses who wish to have insurance cover against such claims. The policy may be purchased as a stand-alone product or as part of a business insurance package, where in many cases, the policy is combined with the product liability.

Medical malpractice policies provide insurance cover for medical professionals for a breach of professional obligation originating in a bona fide act of negligence, error or omission by the insured while practicing medicine, and which caused third-party loss.

Insurance for clinical trials

Insurance for clinical trials provides cover for clinical trials approved by the Helsinki Committee (National Helsinki Committee for Clinical Trials in Humans (genetic research)) in accordance with Ministry of Health procedures. The policy provides cover in the event of a torts claim by participants in the trial or by a third party.

Directors and Officers liability insurance (D&O)

Policies that provide cover for directors and officers for their liability in respect of an unlawful act or omission performed ex officio by the officeholders. The policy usually covers the officeholder's liability under the Companies Law and other statutory provisions which establish duty of care and various fidelity obligations for the officeholder.

Liability insurance for defective products (product liability)

Policies that provide the policyholder with cover for its lawful liability for damage sustained by the person or property of a third party (including consequential loss resulting from the damage to property) as a result of a defect in products that were manufactured, marketed, assembled, repaired or serviced by the insured once the product is no longer in its possession. The liability covered in a product liability policy is generally liability by virtue of the Responsibility for Defective Products Law, 1980, and by virtue of the Torts Ordinance (New Version), (“the Torts Ordinance”). The policy may be purchased as a stand-alone product or as part of a business insurance package, where in many cases, the policy is combined with product liability insurance.

Cyber insurance

Policies that cover loss caused to the insured in respect of a cyber event (as defined in the policy), such as: the costs of managing cyber events, costs of restoring data, loss of income due to the shut-down of operations, etc. The policy also covers the insured’s liability resulting from claims filed against him by any third party. This cover may be purchased as an extension (rider) to an existing policy (e.g. business premises policy, office policy, fire insurance policy, etc.).

Third-party liability and employers liability insurance

Third-party liability policies provide the insured with indemnity for amounts that the insured may be obligated to pay a third party as compensation by law, resulting from an unforeseeable event that caused damage such as: bodily injury, death, illness, physical, emotional or mental injury or disability or third-party property damage (including consequential loss). The responsibility covered in third-party liability is generally liability under the Torts Ordinance.

Employers liability policies are sold to employers, generally as part of a business insurance package or as a separate chapter in homeowners insurance. These policies cover the insured against torts claims against the employer in respect of bodily injury (illness or accident) sustained by the employee while and as a result of working for the insured (the employer). The policy generally covers the employer's liability under the Torts Ordinance, over and above the amount of compensation given by the National Insurance Institute.

Third-party and employers liability insurance are generally purchased as part of a homeowners policy or within the context of business insurance and/or insurance for contractors’ work together with other coverages. However in business insurance these insurances may also be purchased separately as a stand-alone product.

These policies also include indemnification for reasonable legal expenses incurred by the insured to defend an insured event over and above the limit of liability specified in the policy.

Substitute products

The different products in the other liabilities sub-branch are specific and unique to insurance companies and cannot be properly substituted with non-insurance products. Nevertheless, the need for insurance cover can be reduced if measures are taken to manage and mitigate the risk. Likewise, in some sectors of this area of activity, the need for insurance cover can be reduced by indemnity and exemption mechanisms or through independent funds that manage various businesses.

Material changes anticipated by the Company in the markets and the mix of products

No significant changes are expected in the Company’s share of the principal markets in relation to products and services in this operating segment.

New products

No new products were marketed in the Reporting Period.

2.3.1.4 Property and other sectors

Property insurance consists of a broad range of coverages for damage to property (except for vehicles) such as physical loss and/or damage to property, consequential financial loss stemming from the damage to property, comprehensive homeowners insurance, mortgage-related structural insurance, mortgage insurance, insurance for engineering equipment and construction work, insurance for goods in transit, etc.

The insurance cover in this segment is directed at private and business customers.

The principal coverages in this sub-sector are in the fire and property insurance branch and in the comprehensive homeowners insurance branch, including mortgage-related structural insurance.

Depending on the specific conditions listed in the different policies, the policies provide cover for the insured's property against loss or damage caused by various risks, including: fire, burglary, theft, water damage, flood damage, earthquakes, etc. The policy is designed to cover reinstatement of the insured property, by providing indemnity for the physical losses sustained by it and in some of the policies the insured is also indemnified for loss of profits resulting from the physical damage caused to the business (to the extent that such cover is purchased). Catastrophic natural perils and earthquakes are not frequent in Israel, although when they occur it is likely to be on a large scale. In contrast, losses from fire, water and burglary are much more frequent but generally less severe. The premium for these policies is usually set as a percentage of the sum insured, where the precise rate is determined in accordance with the classes of activity of the business or other property, the sums insured, scope of the cover provided, rate or amount of the deductible, the insured's claims experience, type and quality of protections, safety measures, etc.

The property and other insurance sub-segment provides the insured with cover against damage to or loss of property which is owned by the insured or in which he has an interest (e.g. property in custody or pledged property). This insurance covers direct losses to the property but it may also cover consequential loss, such as a loss of profits. The insured property may be an apartment, business premises, industrial plant, warehouse, goods in transit (by sea, air or over land), etc. The sums insured in property and other insurance may, in many cases, typically involve large amounts. In some of these policies, the insurer is required to cover its exposure through facultative reinsurance, the cost of which may affect the amounts of the premiums collected from the insureds (and even more so when they relate to catastrophes which may cause damage to a large number of independent insured's, such as natural perils in the form of earthquakes and floods).

The insurance coverage's included in this area of activity are:

Fire insurance

Policies that cover the insured for damage caused as a consequence of the risks as "extended fire" risks and generally include natural perils and earthquake. The insured may purchase riders to the policy such insurance against burglary, and insurance against consequential loss caused as a result of the aforementioned insurance events.

Comprehensive homeowners insurance

Policies that are directed and marketed mainly to the private sector and covers carious risks relating to the Insured's home, cover for the structure and/or contents of an apartment, where cover may be purchased for both or just one of the components. The Supervision of Insurance Business (Conditions of a Contract to Insure Homes and their Contents) Regulations, 1986, establish minimum conditions regarding policies for structure and contents ("standard homeowner's policy"). According to these regulations, the standard homeowners policy includes, inter alia, cover for the following risks: fire, lightning, flood, explosion, storm, earthquake, and burglary (the last two coverages are optional and the insured may waive them). Beyond the minimum conditions, the insured may purchase riders such as cover against damage from water, third-party liability, employers' liability and the addition of compensation for the value of a building in respect of loss resulting from earthquake.

Terror loss insurance

The policy provides cover for physical loss or damage to the insured property caused directly by an act of terror (an act that is expressly confirmed by Israel Police / Ministry of Defense / Property Tax Administration, under the Property Tax and Compensation Fund Law, 1961, including any amendments. The policy provides compensation over and above (an additional layer) the compensation given under the Property Tax Law. The policy can also be extended to include cover for consequential loss due to physical damage resulting from a terror event. (The cover can also be extended for loss resulting from a war event. but war cover is less common).

Comprehensive insurance for businesses/offices

Policies that provide broad insurance cover for small and medium businesses and offices. These policies are sold as a collection of chapters where each chapter provides the insured with cover against a particular risk or group of risks (direct or consequential). These policies are modular and the policyholder may choose which chapters to purchase depending on the nature of his business, the risks to which the business is exposed and the level of risk to which the owner is willing to be exposed.

Cash in transit insurance and fidelity insurance

A policy that covers physical loss or damage to money belonging to the insured business (cash, notes, checks, etc.). The money is covered while it is located on the insured premises or when being transferred from one place to another outside the insured premises.

Fidelity insurance covers direct financial loss caused to the insured business as a result of fraud / a dishonest act by an employee/s carried out with the intention to cause damage to the business or to benefit the defrauder and/or other persons.

Insurance for goods in transit

Policies that provide the insured with cover on an "all risks" basis (other than exclusions) for various risks involved in the movement of property (by sea, air or land). The principal coverages purchased by policyholders who purchase these policies are for damage caused to property as a result of the sinking of a ship, plane crash of the transporter, fire, collision, capsizing of the transport vehicle (ship / truck), burglary, loading and unloading risks and any other loss in line with the policy conditions.

Insurance for electronic equipment

Policies that cover the insured on an “all risks” basis (other than exclusions) against physical damage or loss sustained by electronic equipment, including external data storage media, including, among other things, cover for the recovery of lost information as well as for additional operating expenses due to physical loss to the damaged electronic equipment. This cover is generally residual and supplements the cover provided in the property policy, but it can also be marketed as a stand-alone product.

Insurance for the work of building contractors

These policies are on an “all risks” basis that cover the insured for physical, sudden and unforeseen damage to the work of the insured project in construction projects that are underway, such as the construction of infrastructure, buildings, various renovations and installations, etc. These policies include additional chapters relating to the insured’s lawful liability for physical loss caused to any third party person or property while the work is underway and to cover for the insured’s liability as an employer for physical injury or work-related illness caused to workers employed in performing the work, during the course of and as a result of the work. These policies are marketed to property developers, contractors and sub-contractors and they can be extended to include additional entities such as developers, sub-contractors and their workers.

Crop insurance

Policies that provide cover for farmers or for an agricultural association / moshav against physical, unforeseeable damage to the insured property (other than hothouses, field crops and orchards excluding cover for loss resulting from earthquake and natural perils). The policy is modular and also includes chapters on third-party, employers liability and mechanical breakdown insurance. The insured can choose which coverages to purchase, depending on the type of farm and the risks to which it is exposed. In the context of this line of insurance business, cover can also be purchased for the structure and contents of the farmer’s home and for motorized agricultural equipment.

Insurance for mechanical engineering equipment

Policies that cover accident loss of any kind (except for the exclusions listed in the policy) to heavy engineering equipment. The possible coverages include natural perils, earthquake and mechanical breakdown. The coverage may be extended to include third-party loss and certain physical injuries that are not covered by the CRAV Law.

Insurance against mechanical breakdown

Policies that provide cover against sudden physical damage or loss sustained by equipment and machinery as a result of mechanical failure. The insured may also purchase riders to the policy such as insurance against the loss of profits caused as a result of the occurrence of the aforementioned insurance event as well as cover for refrigerated goods damaged due to mechanical failure. This cover is residual and supplements the "extended fire" policy.

Insurance for the investments of homebuyers

Policies for homebuyers as required in the Sale (Housing) (Assurance of Investments of Persons Acquiring Apartments) Law, 1974.

Substitute products

The different products in the other property sub-segment are specific and unique to insurance companies and generally cannot be replaced with non-insurance products. Nevertheless, the need for insurance cover can be reduced if measures are taken to manage and mitigate the risk. Similarly, for some risks in this branch, the need for insurance coverage can be reduced by applying mechanisms such as a self-owned fund to cover damage or by means of a captive. Furthermore, cover for loss from natural perils, war, etc. can also be obtained through the property tax office, and this subject to the restrictions and conditions prescribed in the Property Tax and Compensation Fund Law, 1961.

Nevertheless, in insurance for the investments of home buyers, substitute products are available that are provided by the banks.

Material changes anticipated by the Company in the markets and the mix of products

No significant changes are expected in the Company's share of the principal markets in relation to products and services in this operating segment.

Nonetheless, it is noting that in the line of insurance for the investments of home buyers, during the Reporting Period, the Company increased the scope of its operations in this branch and built up its market. Nevertheless, this change is not expected to have any significant impact on the revenues of Harel Insurance in this line of activity.

New products

No new products were marketed in the Reporting Period.

2.3.1.5 Credit insurance for mortgages

EMI commenced its insurance activity in 1998, as a pioneer in mortgage insurance in Israel. As noted in Section 1.2.3.5 above, in 2013 EMI discontinued the issue of new policies and it is currently handling policies issued in the past only.

Until it discontinued the issue of new policies, EMI offered insurance for highly financed residential mortgages (mortgages with a high LTV ratio) and insurance for loans for any purpose - insurance that is designed to provide indemnity for loss incurred as a result of borrower default on loans given against a first-ranking lien on a single, residential property only, and after disposal of the asset that serves as the collateral for such a loan.

The policyholder pays the premiums to EMI in advance as a lump sum. The policyholder collects the premiums directly from the borrower when the loan is taken, or alternatively, the amount of the premium is added to the borrower's loan so that the amount of the loan in respect of the premium is paid to the policyholder throughout the duration of the loan.

The period of cover with respect to any loan is for the entire period of the loan. The policyholder is entitled to cancel the insurance cover in respect of the loan at any stage, and in this case EMI will refund the policyholder and/or the borrower (at the policyholder's request) 75% of the balance of the unearned premium in respect of that loan.

A claim for the payment of insurance compensation under the policy shall be filed by the policyholder only after the property has been disposed of, that is - the property has been sold and the proceeds in respect thereof have been received (sale by the policyholder or voluntary sale by the borrower for which the company has given its prior consent).

The amount of the insurance benefits payable to the policyholder is the outstanding principal of the loan at the time of disposal of the property, plus: linkage as per the conditions of the loan, contractual interest of up to 36 months (but without interest in arrears and bank charges), legal expenses and expenses associated with the sale, all after deducting the amounts received by the policyholder in respect of the sale of the property. This amount is limited to the level of the maximum insurance cover.

Commencing in 2022, EMI also operates in the development and operating services sector in connection with mortgage portfolios - for additional information see Sections 1.2.3.5 and 1.2.5.4 above.

<u>Substitute products</u>

There are no substitute products in this segment given that EMI is the only insurance company in Israel which holds a license in the credit insurance sector for residential mortgages.

Material changes anticipated by the Company in the markets and the mix of products

In view of a Bank of Israel directive dated November 1, 2012 on limiting the LTV ratio for housing loans (as noted in Section 1.2.3.5 above), during the reporting year EMI only handled policies it had issued prior to the directive. This corresponds with the plan to cut back the operations of EMI as approved by the Company's board of directors so that EMI will continue to provide policyholders with the same service as in the past, while significantly reducing the size of the departments which are engaged in underwriting and the issue of new policies.

This discontinuation of activity negatively affected the premiums earned from this activity, so that in the periods after the date on which the provision entered into force, the Company recorded new premiums of an insignificant amount and it is not expected to record any significant premium in the forthcoming period as long as this provision remains in force.

The insurance cover is long-term cover, where the entire premium is received in advance when the policy is issued. Accordingly, recognition of the revenue and the profit is spread over the period of the insurance risk and EMI has an insurance undertaking for many years in advance.

Almost all the premiums earned in the Reporting Period are from policies that were sold before the aforementioned provision entered into force.

No changes are expected in the markets and mix of products in this segment, given that due to the Bank of Israel regulatory requirements, EMI has discontinued its marketing operations.

New products

No new products were marketed in the Reporting Period.

2.3.2 Trends and changes in the segment of operations

<u>Development of digital processes</u>

In the past few years, this operating segment has undergone a gradual transformation to enable insureds and agents to conduct business digitally and online through the development of advanced tools for enrolment in the insurance, the renewal of existing insurance, claims handling and ongoing service.

The Company markets Harel Switch as part of the comprehensive and compulsory motor insurance approved for marketing. Harel Switch is a unique comprehensive and compulsory motor insurance policy for private or commercial vehicles weighing up to 3.5 tons which requires the use of an app and where the monthly payment for the comprehensive insurance is set according to a basic premium plus pricing based on the number of kilometers travelled by the vehicle every month (monthly kilometrage).

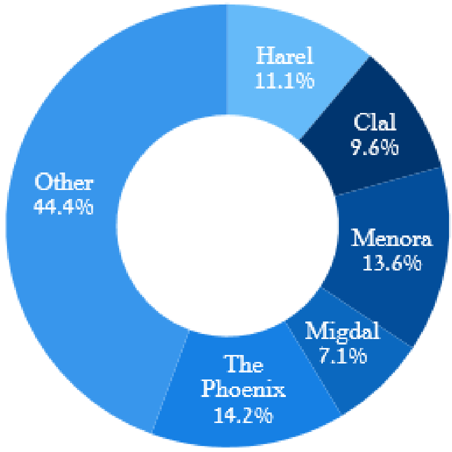
The policy is suitable for drivers with low car usage and is based on a basic premium with a supplement for each kilometer driven. The distance travelled is measured by a GPS component installed in the vehicle and the monthly charge is calculated accordingly.

2.3.3 Competition

2.3.3.1 Motor property (CASCO)

Most of the insurance companies in Israel are active in the motor property insurance sub-segment. Harel Insurance accounts for 11.1% of this segment (based on figures in the Q3 2024 reports), compared with a market segment of 11.3% for the corresponding period last year.

The following diagram shows the allocation of the motor property sub-segment, based on figures published at the end of Q3 2024:



Motor property policies for vehicles weighing up to 3.5 tons are governed by the Standard Policy and must be approved by the Commissioner, so that there is no significant difference in the policies offered by the different companies. Additionally, comparative information about prices and other conditions is readily available. Consequently, there is considerable sensitivity in this segment to the product price (the premiums) and competition is strong.

The Group’s principal competitors in this sector are: Menora, Shomera, The Phoenix, Migdal, Clal, IDI and AIG.

The measures employed by the Company to address the competition are:

(a) Streamlining operations, improving work methods and the use of digital and technological methods.

(b) High standard of customer service.

(c) Improved underwriting, costing and preparation of actuarial calculations.

(d) Improved work methods, as: policy production in the agents' offices, and the streamlining of claims settlement activity.

(e) Quality and availability of the service at the time of purchasing the insurance and submission of claims.

(f) Systematic action to improve the services, at the same time reviewing the customer's needs efficiency and professionalism in dealing with customers.

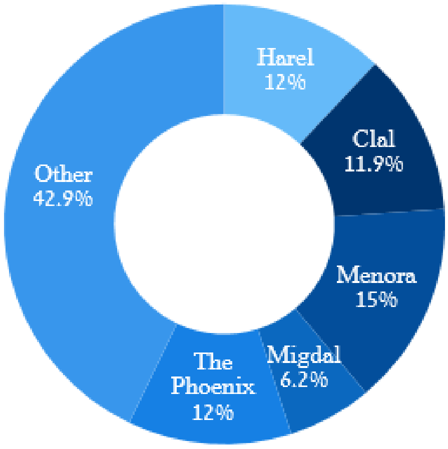
(g) Marketing campaigns for agents - to encourage the enrollment of new members and increase the rate of renewals.

(h) Marketing campaigns for customers - a variety of benefits offered to customers, including discounts consistent with the nature of the product.

2.3.3.2 Compulsory motor

Most of the insurance companies in Israel engage in the compulsory motor insurance sub-segment. Harel Insurance accounts for 12% of this segment (according to figures in the Q3 2024 reports).

Allocation of the market into the compulsory motor sub-segment. Figures are based on data published at the end of Q3 2024:



The insurance cover in this sub-segment is standard. Information about prices and conditions, including information published on the Commissioner's website, is readily available. Consequently, there is considerable sensitivity to price and terms of payment. The variance in the tariffs offered by the different insurers in this area of activity and the increased public awareness of the price differences, has led policyholders, or agents acting on their behalf, to decide to split the motor insurance so that the compulsory insurance is done through one company while the motor property insurance is done through another.

The differences between the insurance companies are also reflected in the level of service, particularly for claims settlement.

Harel Insurance is known to be a financially robust company, it has proven experience, integrity and is fair and professional when settling claims. Harel Insurance has diverse marketing channels tailored to the needs of its customers. The combination of all the aforementioned parameters has helped Harel Insurance to be successful despite the fierce competition which has developed in Israel in recent years in this sub-segment.

Another factor which affects the choice of insurer is the insurance agent.

The Group's principal competitors in this sector are: Menora, Shomera, Migdal, Clal, The Phoenix, Bituach Yashir (IDI) and AIG, and Shlomo Insurance.

The principal methods of dealing with the competition are:

(a) Streamlining operations, improving work methods and the use of digital and technological methods.

(b) Improved agreements with service providers that handle claims settlement.

(c) Improved costing methods and work based on a broad database for setting premiums.

(d) Focused marketing to policyholders with lower-than-average risk specifications.

(e) Availability of the operating systems of Harel Insurance and producing compulsory motor insurance certificates in real time, including at the agents' offices.

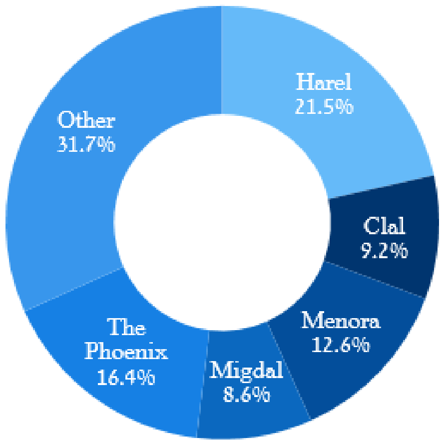
(f) Marketing campaigns by agents.

2.3.3.3 Other liabilities sectors

Most of the insurance companies in Israel engage in the other liabilities insurance sub-segment.

Harel Insurance accounts for about 21.8% of the market in this sub-segment (according to figures in the reports for Q3 2024 reports).

Allocation of the market into the liabilities insurance sub-segment, based on figures published at the end of Q3 2024:



Competition in this sub-segment is affected largely by the overall competition in providing insurance cover for business insurance packages, as a considerable part of the coverages in this area of activity are sold as part of a basket of insurance cover to business customers.

The Group’s principal competitors in this sector are: Menora, Migdal, Clal, The Phoenix, Ayalon and AIG.

The methods employed to address the competition are meeting high professional and service standards, and the ability to tailor the insurance cover packages to the special needs of specific business customers. Likewise, the ability to enter into reinsurance treaties for the policies offered has a marked impact on the ability to compete effectively in this sub-segment.

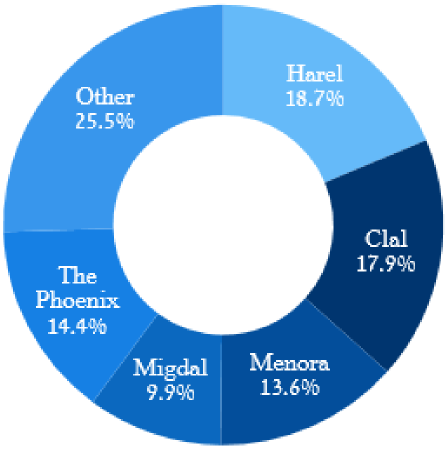
Harel Insurance has unique experience in the professional liability branch which has given it an edge on medical professional liabilities policies.

Notably, a variety of professional organizations (e.g. the Institute of Certified Public Accountants, the Bar Association, the Engineers Association, etc.) publish tender proposals from time to time for the purchase of professional liability insurance for members of the relevant organization. Organization members are not obligated to purchase insurance from the winning companies. These tenders affect competition in the professional liability insurance branch.

2.3.3.4 Property and other sectors

Most of the insurance companies are engaged in property and other insurance. According to figures published by the Israel Insurance Association, based on reports Q3 2024, Harel Insurance accounts for 18.7% of the insurance in this market. The key products in this sub-segment are fire insurance and comprehensive homeowners insurance.

Allocation of the property and other insurance sub-segment, based on figures published at the end of Q3 2024:



Comprehensive homeowners policies are subject to the conditions of the Standard Policy for homes and must be approved by the Commissioner. Consequently, there is little variance between the products offered by the different companies competing in this sector. Thus, there is considerable sensitivity in this sector to the price of the product (the premium) and the preferential conditions over those of the Standard Policy for homeowners.

The Group's principal competitors in this sector are: Menora, Shomera, Migdal, Clal, The Phoenix, IDI and AIG.

The key methods employed to deal with the competition are streamlining of operations, continuous improvement of costing and actuarial practice, emphasizing improved quality of customer service and agreements with the mortgage banks’ insurance agencies.

2.3.4 Customers

2.3.4.1 Motor property (CASCO)

Distribution of gross premium revenues:

	Premiums					
	NIS million			Percent		
	2024	2023	2022	2024	2023	2022
Private policyholders and small business customers	1,338	1,169	955	87%	83%	80%
Collectives and large plants	204	233	234	13%	17%	20%
Total	**1,542**	**1,402**	**1,189**	**100%**	**100%**	**100%**

2.3.4.1.1 No single customer in this sub-segment accounts for 10% of more of all premiums in the consolidated financial statements.

2.3.4.1.2 The percentage of renewals in the motor property sector in 2024, in terms of premiums, on policies that were in force in 2023, is 67.8%, compared with 73.5% on renewals in 2023 and 59.6% in 2022 (relative to 2022 and to 2021, respectively).

Information about premiums paid in the Reporting Period, by years of seniority, in the motor property (CASCO) sector:

Number of Years of Insurance (seniority)	Premiums (NIS million)	Percent of total income
First year of insurance (no seniority)	611	39.6%
Second year of insurance (one year seniority)	313	20.3%
Third year of insurance (two years seniority)	169	11.0%
Three years or more	449	29.1%
Total premiums (2024)	**1,542**	**100%**

2.3.4.1.3 The joint share of customers in the motor property sub-segment that the Company also insures for compulsory motor insurance was 88% in 2024, compared with 8.8% in 2023 and 89% in 2022.

2.3.4.1.4 Customer seniority in the motor-property sub-segment in terms of premium turnover is as follows: first year of insurance (new policies) – 39.6%, one year seniority – 20.3%, two years seniority – 11%, three years or more – 29.1%.

2.3.4.2 Compulsory motor

Distribution of gross premium revenues:

	Premiums					
	NIS million			Percent		
	2024	2023	2022	2024	2023	2022
Private policyholders and small business customers	663	617	602	86%	85%	71%
Collectives and large plants	106	106	241	14%	15%	29%

	Premiums					
	NIS million			Percent		
	2024	2023	2022	2024	2023	2022
Total	**769**	**723**	**843**	**100%**	**100%**	**100%**

2.3.4.2.1 No single customer in the compulsory motor sub-segment accounts for 10% or more of all premiums in the consolidated financial statements.

2.3.4.2.2 The percentage of renewals in the compulsory motor sector in 2024, in terms of premiums, on policies that were in force in 2023, is 67.5%, compared with renewals at a rate of 51.3% in 2023 (relative to 2022) and 66.6% in 2022 (relative to 2021).

Information about premiums paid during the Reporting Period, according to number of years' seniority, in the compulsory motor segment:

Number of Years of Insurance (seniority)	Premiums (NIS million)	Percent of total income
First year of insurance (no seniority)	285	37.1%
Second year of insurance (one year seniority)	153	19.9%
Third year of insurance (two years seniority)	92	11.9%
Three years or more	239	31.1%
Total premiums (2024)	**769**	**100%**

2.3.4.2.3 The joint share of customers in the compulsory motor sub-segment that the Company also insures for motor property was 73% in 2024, compared with 74.1% in 2023 and 73.3% in 2022.

2.3.4.2.4 Customer seniority in the compulsory-motor sub-segment in terms of premium turnover (excluding Harel's share of the Pool) is as follows: first year of insurance (new policies) – 37.1%, one year seniority – 19.9%, two years seniority – 11.9%, three years or more – 31.1%.

2.3.4.3 Other liabilities sectors

Distribution of gross premium revenues:

	Premiums					
	NIS million			Percent		
	2024	2023	2022	2024	2023	2022
Private policyholders and small business customers	757	699	614	68%	64%	58%
Collectives and large plants	364	388	449	32%	36%	42%
Total	**1,121**	**1,087**	**1,063**	**100%**	**100%**	**100%**

2.3.4.4 There are several large customers in the other liabilities insurance sub-segment, although no single customer accounts for 10% or more of all the premiums in the consolidated financial statements. A significant part of the premiums originates in a small number of customers. The loss of premiums from these customers will not significantly affect profitability in this area of activity.

2.3.4.5 Property and other sectors

Distribution of income from gross premiums:

	Premiums					
	NIS million			Percent		
	2024	2023	2022	2024	2023	2022
Private policyholders and small business customers	954	946	908	64%	66%	69%
Collectives and large plants	545	491	402	36%	34%	31%
Total	**1,499**	**1,437**	**1,310**	**100%**	**100%**	**100%**

2.3.4.5.1 In the property and other sectors sub-segment, there is no dependence on a single customer or a small number of customers, the loss of which would significantly impact this area of activity.

2.3.4.5.2 No single customer accounts for 10% or more of all premiums reported in the consolidated financial statements.

2.3.4.5.3 The percentage of policy renewals in the comprehensive homeowners segment in 2024 (excluding mortgage-related structural insurance sold through the mortgage banks), in terms of premiums, of policies that were in force in 2023, is 90.9% compared with a renewal rate of 92.5% in 2023 (relative to 2022) and 90.2% in 2022 (relative to 2021).

Information about premiums paid in the Reporting Period, by number of years seniority, in comprehensive homeowners policies (excluding mortgage-related structural insurance sold through the mortgage banks):

Number of Years of Insurance (seniority)	Premiums (NIS million)	Percent of total income
First year of insurance (no seniority)	72	17.9%
Second year of insurance (one year seniority)	54	13.2%
Third year of insurance (two years seniority)	43	10.6%
More than three years	236	58.3%
Total premiums (2024)	**405**	**100%**

2.3.4.5.4 Customer seniority in the comprehensive homeowners policies in terms of premium turnover (excluding mortgage-related structural insurance sold through the mortgage banks) is as follows: first year of insurance (new policies) – 17.9%, one year seniority – 13.2%, two years seniority – 10.6%, three years or more – 58.3%.

Section 2.3, including its subsections, concerning the structure of this area of activity and applicable changes, also includes forecasts, evaluations, estimates and other information relating to future events and affairs, the materialization of which is uncertain and is not within the Company's exclusive control (forward-looking information). The principal facts and data which formed the basis for this information are those pertaining to the Company's present position and its business in this area of activity (such as the volume of sales, profit rates, manpower, business agreements, etc.), facts and data pertaining to the current situation in Israel and worldwide for this segment (such as sector-based economic developments, regulatory environment, competitors, technology developments, reinsurance market, etc.), and macro-economic facts and data (such as the economic situation in Israel and worldwide, yield rates in the capital markets, political and social developments, etc.), as they are known to the Company at the time of this report. The forward-looking information contained above in this section is based significantly, in addition to the information available to the Company, on current projections and estimates of the Company regarding future developments in each of the aforementioned parameters, and the extent to which these developments are interconnected. The Company cannot be certain that its projections and estimates will in fact materialize, and the Company's performance may differ significantly from the estimated or inferred performance noted above, in part due to changes in any of the above-mentioned factors.

2.4 Insurance companies overseas

2.4.1 Products and services

Description of the insurance sectors and coverages included in this segment

The insurance coverages included in the Group's overseas insurance companies segment are non-life and health insurance in Greece through Interasco, and non-life and health insurance in Turkey through Turk Nippon.

2.4.1.1 Non-life insurance

Non-life insurance consists of sub-segments, similar to non-life insurance in Israel, with the exception of a difference in the motor vehicle sectors:

2.4.1.1.1 Compulsory motor

The insurance in accordance with the requirements of the statutory provisions in Greece and Turkey (the scope of cover is similar and meets the requirements of local law). Compulsory motor insurance covers third-party loss only - to person and property, caused as a consequence of the use of a motor vehicle. Both Turkey and Greece have a limit of liability for compulsory motor insurance cover, allocated by type of victim, category of loss and total loss. The limits to cover change from time to time according to the local regulator's instructions (in Turkey) and to the statutory provisions (in Greece which is a member of the EU).

Turk Nippon: From April 2017, a database for motor insurance was set up in Turkey, including the following categories of vehicles: taxis, minibuses, buses and trucks ("the Pool"). The Pool is managed by the Turkish Motor Insurers' Bureau (TMTB), where the Pools premiums and claim losses are shared among the insurance companies who are party to it.

To make adjustment for the volatility that might have been caused in the capital requirements of Turk Nippon as a result of the foregoing, the increase in premiums is not included in the capital requirements of Turk Nippon .

The health expenses of private and public hospitals relating to road accidents are covered by Turkey's Social Security Institute, while the insurance companies in Turkey are obligated to issue third-party policies and transfer to the Social Security Institute part of the premium collected from the customer.

In June 2021, the regulatory provisions concerning claims payments were updated. This update is expected to lead to greater clarity regarding all aspects of claims handling. Due to the inflationary environment, claims payments grew significantly in 2022, 2023 and 2024. In 2024, the regulator gradually raised the ceiling on monthly premiums in compulsory motor insurance based on market requirements.

Interasco: The insurance coverage in the compulsory motor sub-segment is in accordance with the regulatory provisions in Greece and entails compulsory cover for all owners of motor vehicles. According to local regulations in Greece, the policy covers any bodily injury, death and property loss sustained by a third-party as a consequence of damage caused by the insured vehicle.
There is no price regulation on insurance prices in these sectors in Greece.

2.4.1.1.2 CASCO/MOD (not only motor property):

Since the compulsory insurance does not cover the driver (in Greece, from June 2022 the driver is not included in the compulsory motor insurance) and other potential injured parties who are not defined as third party (in Turkey the maximum cover in compulsory motor insurance for third-party loss is limited to a low sum), an extended supplement for compulsory motor insurance may be purchased). This is an insurance sector in which the policies are voluntary. This branch covers loss (to person and property) sustained by the owner of the vehicle, first-degree relatives and/or the driver of the vehicle, as a result of an accident and/or theft and/or liability of the vehicle owner, or the driver, for damage (to property and/or person) sustained by a third party and that are over and above the limits of cover of the compulsory insurance (in Turkey: the policies also include personal accident cover for passengers in the vehicle, including the driver, with relatively low limits of liability).

Turk Nippon: From the middle of 2018, a new tariff structure was applied in this sub-segment for private and light commercial vehicles. With respect to other categories of vehicles, pricing of the premiums is closely controlled by actuarial standards.

Turk Nippon offers three categories of policy: one is an extended MOD policy with a broad service network; the second is the same MOD policy but with a more limited service network; the third and last is a policy exclusively for Total Loss events.

Like the other insurers in the motor insurance market in Turkey, Turk Nippon has been affected by significant changes in inflation and in the exchange rates, which increased the prices of spare parts in the motor sector. After the lifting of the lockdown (due to the Covid-19 pandemic), from the middle of 2021 there was a significant increase in the number and volume of claims. In an effort to cope with the negative effects of the foregoing, the average premium increased significantly in 2022.

Turk Nippon was affected by fluctuations in the economy, due to the effect on the price of spare parts and an increase in labor costs, but it balanced the portfolio by adjusting prices, controlling tariffs and other coverages as well as by designing substitute products in order to reduce costs.

Interasco: The products in this sub-branch are policies that guarantee cover for loss incurred by the vehicle owner as a result of an accident or theft, as well as certain natural perils. Additionally, the policy can be extended by purchasing riders and supplements, such as: legal defense, cover for damage to windscreens, a substitute vehicle in the event of fire or theft, towing and roadside services, as well as cover for the vehicle's sound system.

Additionally, an extension for personal accident insurance may be purchased for drivers of the vehicle who are not covered by the compulsory motor policy (see above).

2.4.1.1.3 Other liabilities sectors

These sectors consist of cover in the different liabilities sectors, similar to the existing cover in these sectors in Israel, and subject to the relevant provisions of law in Turkey and Greece.

Regarding employers' liability insurance in Greece: the policy provides cover for torts claims against an employer in respect of physical injury in the event of an accident only (and not for illness) caused to the employee during the course of his work due to the employer's negligence. The policy covers the employer's liability over and above the compensation granted by Greece's national insurance or other entities which provide similar compensation.

Substitute products

The different products in the other liabilities sub-segment are specific and unique to insurance companies and are not fully interchangeable with non-insurance products. Nevertheless, the need for insurance cover can be reduced if measures are taken to manage and mitigate the risk. Likewise, in some sectors of this area of activity, the need for insurance cover can be reduced by indemnity and exemption mechanisms (such as D&O liability or other professional liability) or through self-owned funds.

2.4.1.1.4 Other property sectors:

Property insurance consists of a broad range of coverages for damage to property (excluding vehicles) such as physical loss and/or damage to property, consequential financial loss stemming from the damage to property, comprehensive homeowners insurance, insurance for engineering equipment and construction work, insurance for goods in transit, etc.

The insurance cover in this sector is directed at private and business customers.

In Turkey there is an obligation to insure residential buildings against earthquake, for a minimum mandatory sum insured. In the framework of this insurance, the insurance liability is transferred in full to an entity called Turkish Catastrophe Insurance Pool (TCIP). In this case, the insurance companies only act as the distributors and they do not bear the insurance liability, i.e., for the loss when an earthquake occurs. Accordingly, the premiums in respect of this insurance are not included in Turk Nippon's financial statements. The insurance companies in this insurance receive commissions only. On November 25, 2022, the tariff changed due to an increase in the maximum cover when renewing a policy.

At the beginning of 2023, Turkey experienced a number of earthquakes that caused severe damage to life and property. At this stage, it is impossible to estimate the effect of the foregoing on the results of Turk Nippon’s activity.

The effect of the earthquake in Turkey on the insurance market was material in 2023. The TCIP determined a more detailed plan for cover for residential buildings that will enter into force in 2024, and prices were also updated. The cover also includes risks for fire, explosion, landslide, tsunami, avalanche and forest-related risks.

Insurance coverages in this sub-segment:

Fire and theft insurance

The insurance coverage is similar to the cover provided by these policies in Israel. For additional information, see Section 2.3.1.4 above.

Comprehensive homeowners insurance

Comprehensive homeowners insurance covers the structure and/or contents of an apartment, where the insured may purchase cover for both or just one of the components. A household insurance policy includes, inter alia, cover for the following risks: fire, lightning, explosion, earthquake (in Turkey above the amount for compulsory insurance, which is fully covered by TCIP). The coverages will be extended.

Comprehensive insurance for businesses

The insurance coverage is similar to the cover provided by these policies in Israel. For additional information, see Section 2.3.1.4 above.

Insurance for goods in transit, insurance for electronic equipment, mechanical failure insurance, insurance for building work and range of projects by contractors

The insurance coverage is similar to the cover provided by these policies in Israel. For additional information, see Section 2.3.1.4 above.

Substitute products

The different products in the other property sub-segment are specific and unique to insurance companies and generally are not interchangeable with non-insurance products. Nevertheless, the need for insurance cover can be reduced if measures are taken to manage and mitigate the risk. Similarly, for some risks in this branch, the need for insurance coverage can be reduced by applying mechanisms such as a self-owned fund.

2.4.1.2 Health insurance:

The purpose of health insurance is to indemnify or compensate the insured for of medical expenses in the event that the insured's health is impaired due to illness or an accident.

Interasco: In Greece, this segment is written into public health insurance legislation which provides cover for basic health services (doctors, hospitals, medical examinations, etc.) for all the country's residents .

Greek citizens consider the country's public health system to be poor quality due to overcrowding in public hospitals and clinics, and particularly due to the long queues. However, private medical services are well developed (regarding professional treatment and availability and with regard to the standard of accommodation in case of hospitalization). Many Greek citizens therefore use private medicine for almost all their needs, from doctors' appointments, out-patient care, pregnancy and birth, hospitalization and surgery. The insurance companies provide cover for services that the customer wishes to purchase outside the public system, such as: prescription drugs, doctor's appointments, diagnostic tests, surgery and hospitalization. These coverages provided by the insurance companies serve as a substitute for coverage in the health service package provided by the Greek government.

Information about the categories of policies in the health sector that are sold by Interasco as personal lines policies:

Illness and hospitalization insurance

(a) Cover for medical expenses

Among other things, these policies offer the insured cover for surgery and hospitalization in private hospitals, in the event of surgery or hospitalization at a public hospital for cases in which the Greek government does not participate. When the insured is far away from his place of residence, evacuation to a nearby hospital in case of emergency, a private nurse for surgery in Greece and hospitalization and surgery abroad. The ambulatory coverages are given as part of a service note which is a rider to the health insurance policy.

(b) Compensation policies

Compensation in the event of surgery that is performed according to the list of operations defined in the policy as well as a compensation policy for hospitalization according to the number of days of hospitalization.

<u>Other insurance</u>

Personal accident - these policies offer the insured cover in the event of death, disability and work disability resulting from an accident as well as medical expenses.

<u>Turk Nippon</u>:

Turk Nippon markets policies for foreign workers resident in Turkey and travel insurance and insurance for tourists. Activity in these sectors slowed as a result of the COVID-19 pandemic but they recovered in 2022, 2023 and 2024. Additionally, the regulatory changes in health insurance for foreign workers are expected to lead to an increase of the average premiums and the sum total of premiums in this sector. Turk Nippon continues to focus on supplementary health insurance, which cover health expenses that are not covered or are only partially covered by public health insurance. Other than the standard supplementary health insurance policy, Turk Nippon markets an additional health policy together with Medical Park, Turkey's largest hospital chain network.

2.4.2 Changes and trends in this area of activity

<u>Turk Nippon</u>: The key changes that occurred in Turkey's insurance market in 2024 are: raising the premium ceiling in compulsory motor insurance (see Section 2.4.1.1.1 above) and an increase of the average premium in all other sectors due to high inflation.

Notwithstanding the fierce competition and entry of new local insurance companies, the premiums for compulsory motor insurance have changed frequently in recent years, due to the effects of car prices and expenses.

Material changes anticipated by the Company in the markets and the mix of products

<u>Interasco</u>: No significant changes are expected in the company's share of the principal markets in relation to products and services in this operating segment.

<u>Turk Nippon</u>: Due to the regulatory changes and burden of compulsory motor claims, Turk Nippon is directing its marketing efforts towards health, motor property (CASCO), property insurance, marine insurance and personal accident insurance and in parallel is cutting back its activity in compulsory third-party motor insurance.

New products

<u>Interasco</u>: No new products were marketed in the Reporting Period.

Turk Nippon: No new products are expected to be launched, although changes are expected in some of the existing products in different lines of business, e.g.: comprehensive homeowners insurance, MOD (motor own damage) insurance, marine cargo insurance and hull insurance, and supplementary health insurance. The health products for foreign workers were recently updated as a result of the aforementioned regulatory changes.

2.4.3 Competition

The non-life and health insurance sectors in Greece and Turkey, in which both Turk Nippon and Interasco operate, are extremely competitive sectors with a large number of insurers operating in these markets and multiple products that are offered in the Greek and Turkish insurance markets.

At December 31, 2024, 57 insurance companies operate in Greece. Some of the insurance companies are owned by the banks (mostly local banks) and are authorized to market insurance products, even those issued by the companies they own. More than 50% of the insurance companies which operate in the insurance sector in Greece are owned by foreign companies, such as Allianz, Ergo, Eurolife, Generali, Groupama and NN. Interasco is a relatively small company and has a small share of the market (1.6%). Interasco's main competitors in the non-life sector are: Ethniki Asfalistiki, Ergo and Generali, and in the health insurance sector are: Eurolife and Generali. As a relatively small company, Interasco works to differentiate its status as an efficient, accessible and trustworthy company on the one hand, and as a niche company that emphasizes profitability at the expense of sales turnover on the other. Interasco assesses the competition and responds to the relevant changes in the market, with the emphasis on providing its customers with quality service. Furthermore, Interasco has close relationships with the distribution networks (insurance agencies) in Greece.

At December 31, 2024, 67 insurance companies operate in Turkey. Turk Nippon accounts for 0.64% of the Turkish market. The international companies that operate in Turkey's insurance market in the non-life insurance sector account for 34% of the market.

2.4.4 Customers

Distribution of gross premium revenues:

	Premiums					
	NIS million			Percent		
	2024	2023	2022	2024	2023	2022
Private policyholders and small business customers	638	596	311	88%	91%	56%
Collectives and large plants	91	61	248	12%	9%	44%
Total	**729**	**657**	**559**	**100%**	**100%**	**100%**

2.4.4.1 No single customer accounts for 10% or more of all premiums in the consolidated financial statements.

2.4.4.2 The rate of renewals in the overseas insurance companies sector in 2024, in terms of premiums, on policies that were in force in 2023, is 73%, compared with renewals at a rate of 83% in 2023 (relative to 2021), and 57% in 2022 (relative to 2021).

2.4.4.3 The rate of cancellations in terms of premiums, from long-term personal lines policies that are in force at the beginning of the year in Interasco's health insurance segment is 30% in 2024, 20% in 2023 and 17% in 2022.

2.4.4.4 The joint share of customers in the motor property segment that Interasco and Turk Nippon also insure for compulsory motor insurance was 61% in 2024, compared with 59% in 2023 and 64% in 2022.

2.4.4.5 The joint share of customers in the compulsory motor segment that Interasco and Turk Nippon also insure for motor property was 35% in 2024, as against 40% in 2023, and 36% in 2022.

2.4.4.6 Customer seniority in the overseas insurance companies sector in terms of premium turnover is: first year of insurance (new policies) – 47%, one year seniority – 19%, two years seniority – 15%, three years seniority or more – 19%.

2.4.5 Capital Requirements

Interasco: At June 30, 2024, based on a calculation prepared by Interasco, Interasco has a capital surplus for solvency purposes in the amount of EUR 9.9 million (about NIS 39.8 million according to the exchange rate at June 30, 2024), reflecting a solvency ratio of 153.7%.

Turk Nippon: At June 30, 2024, based on a calculation prepared by Turk Nippon, there is a capital deficiency for solvency purposes in the amount of GBP 111million (about NIS 11 million according to the exchange rate at December 31, 2024), reflecting a solvency ratio of 79.5%.

Additionally, Turk Nippon prepared an indicative calculation at December 31, 2023, according to which it has a capital deficiency for solvency purposes in the amount of GBP 434 million (about NIS 45 million according to the exchange rate at December 31, 2024), reflecting a solvency ratio of 34.2%.

Notably, Turk Nippon is waiting for publication of the instructions by the regulator in Turkey, that are expected to be published as part of a series of alleviations to be given to the insurance companies in Turkey following the earthquakes that occurred at the beginning of 2023 and the economic situation in Turkey, and that will ease the Solvency calculations as at December 2023. Following the earthquake at the beginning of 2023, the regulatory authorities made several changes to the capital adequacy calculation. Additionally, a number of changes were made in the second quarter of 2024 for calculating the capital adequacy and additional changes are expected to be made in calculation of the capital adequacy in 2025. The regulator takes a cautious approach in calculating the capital adequacy for the losses attributable to compulsory motor insurance (third party) and particularly with respect to new companies, it is expected that the capital will be extremely strong.

Section 2.4, including its subsections, concerning the structure of this area of activity and applicable changes, also includes forecasts, evaluations, estimates and other information relating to future events and affairs, the materialization of which is uncertain and is not within the Company's exclusive control (forward-looking information). The principal facts and data which formed the basis for this information are those pertaining to the Company's present position and its business in this area of activity (such as the volume of sales, profit rates, manpower, business agreements, etc.), facts and data pertaining to the current situation in Israel and worldwide for this segment (such as sector-based economic developments, regulatory environment, competitors, technology developments, reinsurance market, etc.), and macro-economic facts and data (such as the economic situation in Israel and worldwide, yield rates in the capital markets, political and social developments, etc.), as they are known to the Company at the time of this report. The forward-looking information contained above in this section is based significantly, in addition to the information available to the Company, on current projections and estimates of the Company regarding future developments in each of the aforementioned parameters, and the extent to which these developments are interconnected. The Company cannot be certain that its projections and estimates will in fact materialize, and the Company's performance may differ significantly from the estimated or inferred performance noted above, in part due to changes in any of the above-mentioned factors.

2.5 Credit segment

2.5.1 Financial information for the credit segment

Segmentation of financial information

Credit segment (NIS million)	For the year ended December 31 2024	2023
Profit from investments, net, and financing income	388	289
Other income	28	28
Total income	**416**	**317**
General and administrative expenses	50	32
Other expenses	1	-
Finance expenses, net	238	182
Total expenses	**289**	**214**
Profit before taxes on income	**127**	**103**
Total comprehensive income before taxes on income	**127**	**103**
Total assets at December 31	**6,372**	**4,152**
Total liabilities at December 31	**5,749**	**3,976**

2.5.2 General and macroeconomic trends in the credit segment[5]

Israel’s credit sector is controlled largely by the banking system, although in recent years the presence of non-banking entities, such as the insurance companies, credit card companies and non-banking credit companies, has grown. These companies operate in the credit sectors for corporations and small and medium businesses in the different segments, credit for households - retail credit and credit for housing, credit cards, payments, etc.

In the past few years, the government and regulators, such as the Bank of Israel and Capital Market Authority have been working to regulate activity in the financial services sector, the licensing of oversight and controls over the modes of operation of the financial service providers to create a secure and trustworthy environment, to enhance the confidence of customers and investors and also to encourage competition and technological innovation.

The measures aimed at enhancing competition in the credit sector focus on lifting of obstacles to competition and increasing transparency together with promoting technology changes. This is to encourage new entities to enter the sector and to allow customers to move more easily between the different credit providers, as well as to improve customers’ ability to compare prices and products. The most notable regulatory measures introduced in recent years include, among others, the development of a credit data system and separation of the credit card companies from the banks and encouraging open banking.

[5] The description of macroeconomic trends in the credit segment is based, among other things, on macro studies published on the Bank of Israel website.

Among the measures to increase competition for credit and simplify the entry of new players by lifting barriers, the Bank of Israel is advancing a gradual plan to grant banking corporation permits to non-bank entities in the hope of enhancing competition for both credit and deposits, since after receiving a banking corporation license, these entities will be able to offer deposits to the public.

Under the Supervision of Regulated Financial Services Law, the Commissioner is also the Supervisor of Financial Service Providers while the Bank of Israel supervises the credit card companies.

In the past few years, the non-bank credit market has grown rapidly as a result of allowing the non-bank entities to raise debt in the capital market and regulatory and licensing measures introduced for companies operating in the sector, that will enhance the transparency and safety of investors. This in parallel with the growth of the economy and increased demand for credit supported by the low interest rate environment that prevailed until 2022.

In 2023, Bank of Israel interest rate reached its highest level since the end of 2006. The rising interest rate contributed to reducing the growth of credit, which became more severe in the last quarter of 2023 when the Swords of Iron War broke out. Preliminary data for 2024 indicate that despite the ongoing War, the credit sector continued to grow in the second half of 2024, with respect to credit for households as well as credit for the business sector.

Similar to 2023, in 2024 as well, debt in the non-financial business sector, accounting for most of the debt in the economy, continued to grow, although more slowly than in previous years. The outstanding debt of the business sector was NIS 1.4 trillion, most of which (56%) was to the banking system, 18% to the financial institutions and 13% to households and others, including business and financial companies. Among other things, moderation of the pace of growth of business sector debt is attributable to the sharp increase in the interest environment and also to an economic slowdown after the outbreak of the Swords of Iron War on October 7, 2023 and the growing uncertainty and rising risk level in the activity environment. Accordingly, the credit companies became more selective, applying more stringent underwriting in credit transactions, while increasing the sureties required to reflect the economic risk. Nonetheless, in the second half of 2024, credit to the business sector accelerated, most of which is to the construction and real-estate sector.

The construction and real-estate sector accounts for 40% of the total, non-financial business credit. Credit for the real-estate sector also accounts for a growing and substantial share of the credit portfolio of the non-bank financing companies (accompanied by a drop in the volume of check clearing activity) mainly project finance and credit for real-estate developers. Consequently, and given that credit in the real-estate sector is usually given for relatively long periods, the duration of the credit portfolio of the non-bank financing companies has lengthened significantly in recent years.

Most of the transactions in the real-estate sector rely on substantial volumes of credit: for the purpose of purchasing, financing, executing and costing. The present Bank of Israel interest rate and the expectations of the future interest rate therefore significantly impact demand as well as pricing of the yields on assets in the sector.

Accordingly, the companies in the real-estate sector are mostly leveraged and as a result have experienced a significant increase in financing expenses together with rising interest rates in the economy and the higher cost of raw materials. Additionally, with the outbreak of the Swords of Iron War, many buildings sites were shut down due to a shortage of labor and this also affected progress on projects and on cash flows. Following a sharp drop when the War erupted, the pace of sales recovered in 2024, thanks mainly to marketing campaigns and the resumption of activity on building sites and further implementation of projects, although at a slower pace. The interest rate in the economy remained high so that the high financing expenses continued to be a burden on the profitability of the companies in the sector. Prolonging the period of execution of the projects and sluggish sales could hamper the cash flows of the construction companies and lead to an increase in the provision for credit losses.

Nonetheless, in 2024 indicators for the quality of the assets of the non-bank financing companies improved slightly, in light of the forecasts for an improvement in the macroeconomic situation, after the companies increased the general provision in the last quarter of 2023 due to growing uncertainty following the outbreak of the Swords of Iron War. In the banking system, the non-accrual credit ratio (credit on which there are no principal or interest payments) is trending downwards from its peak in the last quarter of 2023.

Household debt for housing and non-housing rose slightly in 2024 to NIS 824 billion at November 2024, a recovery compared with 2023, although the rate of growth was more moderate than in 2022. The outstanding debt of households for housing was NIS 602 billion at November 2024, reflecting moderation in the rate of growth in 2023 and 2024.

The banks are the key players controlling the household credit sector, both with respect to credit for housing - mortgages and non-housing credit - consumer credit. At the same time, in the past few years, following the aforementioned regulatory changes, the financial institutions, credit card companies and non-bank financing companies gradually increased their share of consumer credit to 30% in 2022. However, when interest rates increased and the Swords of Iron War broke out at the end of 2023, the growth of consumer credit moderated and even declined in 2023 so that the non-bank entities accounted for 27% of this credit in November 2024.

In contrast, 97% of the credit for housing is from the banking system with the non-bank entities accounting for a lower share in this sector. Between January and September 2024, credit was extended for housing purposes in the amount of NIS 65 billion, an increase over the corresponding period last year, although this is lower than in the preceding years, due to the high interest rate environment. The number of transactions rose sharply towards the end of the year, possibly due to buyers bringing forward their transactions before the VAT increase. Most of the housing-related credit activity continues to be for the purchase of a single or substitute residential home while investors accounted for 10% of performance. At September 2024, the average loan was slightly more than one million shekels, consistent with the rising price of homes.

Against the backdrop of the slowdown in the housing market due to the high interest rates, which intensified after the outbreak of the Swords of Iron War, contractors offered buyers special benefits, including deferral of most of the payment to the occupancy date (80-20 or 90-10) and “bullet loans” subsidized by the developers. This led to an increase in the volume of bullet and balloon loans that accounted for more than 20% of total credit extended for housing at November 2024. For the developers, who bear the interest payments instead of the buyers until the apartment is handed over and the mortgage is taken, this is an additional cost, although interest on housing loans is generally lower than the interest rate on credit for construction.

In 2024, indicators for the quality of housing and non-housing household credit extended by the banks and credit card companies, stabilized. It is possible that the assistance provided by the banks for their customers, whether as part of the Bank of Israel plan for the deferral of loan repayments or as part of private initiatives, helped borrowers to avoid defaulting on credit. Nonetheless, there is a risk that the credit quality indicators will worsen when the programs for assistance come to an end or if the current macroeconomic conditions persist.

Housing prices continued to rise in 2024, and in December 2024 the housing prices index was 4.1% higher than in December 2023. This is due to the recovery in the volume of private transactions in the second half of the year, after activity shrank in 2022-2023, partly due to the rising interest rates.

In recent years, the financial institutions and non-bank financing companies increased the volume of their activity in the reverse mortgage sector, in which a number of banks are active on an insignificant scale. A reverse mortgage is a loan given to borrowers aged 60 or more who have full ownership of a property which is then used as collateral and pledged to the lender. These loans do not usually involve monthly repayments and the interest is added to the principal and paid at the end of the loan period. The loan is repaid by selling the asset after the death of the borrowers or by their heirs. A reverse mortgage is a financial instrument that allows borrowers to continue to live in the property while they generate capital from the assets for which the debt is paid. Consequently, the risks entailed in this product differ from those of ordinary mortgages, and relate mainly to uncertainty over the settlement date and the possibility that the value of the asset may fall below the accrued debt. Nonetheless, the risk is significantly moderated by the LTV ratio which is substantially lower than for ordinary mortgages.

For additional information about reverse mortgage activity, see Section 2.5.3 below.

The Swords of Iron War which broke out at the beginning of Q4 2023 and the subsequent security escalation along the northern border significantly increased economic uncertainty in Israel making it difficult to make future investment decisions.

For additional information about the effects of the Swords of Iron War on the Group’s risks up to immediately prior to the date of publication of the Financial Statements, see Section 2.2 in Chapter 2, Board of Directors Report, in the Company’s Periodic Report as well as Note 1B to the Financial Statements.

2.5.3 Products and services

Following is information about the products and services provided by the Group in the credit segment through the subsidiaries, by sub-sectors.

The Group’s activity in support and financing through debt for medium businesses

The Group performs finance activity for companies and provides mezzanine loans, partly through Hamazpen (a subsidiary in which it has a 70% holding). Hamazpen’s activity includes providing loans that rely on a business financial analysis and support by means of debt transactions of more than NIS 3 million for a single debt transaction. Hamazpen also has two wholly owned subsidiaries: “Hamazpen Sipur Derech 26 Ltd.”, which performs transactions that include a share of the profit (equity) and mezzanine loans; and “Effective - Connecting partners for life Ltd.” which performs real partnership transactions.

Hamazpen has an extended license to provide credit from the Capital Market, Insurance and Savings Authority under the Supervision of Regulated Financial Services Law.

According to the Supervision of Financial Services (Regulated Financial Services) (Exemption from Licensing Obligations) Law, 2022, the activity of Hamazpen, a corporation engaged in the provision of credit exclusively to business companies that are not purchasing groups, in the amount of at least NIS 3,000,000 per single credit transaction, is exempt from mandatory licensing by law.

The Group’s activity in providing ordinary mortgage loans and reverse mortgage loans

The Group’s activity in providing ordinary mortgage loans and reverse mortgage loans takes place through Harel 60+ (a fully owned subsidiary of Harel Insurance). The combination of a number of trends in Israel (and in other countries in the western world) has created a significant rationale for utilizing real estate assets as a supplementary source of income among parts of the population after the age of retirement. Macroeconomic trends in the credit sectors constantly affect the volume of activity, profitability and development of the market in this operating segment. For additional information about macroeconomic trends affecting the mortgage sector, see Section 2.5.2 above.

Harel 60+ began its operations in the reverse mortgage sector. At the end of 2022, Harel 60+ branched out into the ordinary mortgage sector as well. A “reverse mortgage” is a loan that allows a residential property to be pledged in favor of the lending entity. Unlike ordinary mortgages that are given to young borrowers with a lien placed on their homes, a reverse mortgage is a loan designated for the over 60s and it is given in return for a lien on their home. Reverse mortgages are given by financial institutions to single borrowers or to a couple aged 60 or more who have full ownership of a property. This property serves as collateral for receiving the loan and it is pledged to the lending entity that provides the money as a lump sum or in installments. The loan to value ratio is determined according to defined criterion, based on the borrower’s age and an assessor’s report on the property.

Reverse mortgage loans may be repaid on several tracks offered to customers: ballon mortgage, grace track and Spitzer loan agreement. The loan may be repaid at any time, including when the property is sold, either by the borrowers or their heirs after the borrowers have died. The loan amount bears interest and linkage paid upon repayment of the loan.

Distinction between an ordinary mortgage and reverse mortgage:

Product	**Reverse mortgage**	**Ordinary mortgage**
Population	Age 60 and above	Entire population
Purpose	Any purpose	For any purpose or to purchase a home
Provision of the loan	Flexible - can be received in several installments or as a lump sum	Generally as a lump sum, as necessary
Period of the loan	Unlimited in time - until the death of the last borrower / sale of the property	Generally up to 30 years
Repayment of the loan	Grace track - ongoing payment of interest, principal at the end of the period Balloon mortgage - no monthly repayments - principal + interest paid at end of the period Spitzer loan agreement - principal and interest paid monthly	Monthly CPI-linked track Prime track Unlinked, fixed track Spitzer / grace + Spitzer / grace balloon

The Group's activity in development property and project financing – Department of Project Financing and Development Property Finance in Harel Insurance

The activity takes place through the development property project finance department in Harel Insurance.

The development property finance department provides credit to property developers as part of project financing for construction in Israel, mainly in a "closed financing" format alongside Sale Law guarantees, both independently and jointly with the banks and non-bank entities.

The developers (the borrowers) with which Harel Insurance operates are financially robust companies with rich, proven experience in the development, establishment, management and marketing of real-estate projects.

The Group's activity in development property finance takes place through Gamla Harel

In December 2024, the Group began to operate through Gamla Harel in providing loans to finance the equity required for real-estate projects in Israel, also known as mezzanine loans. A mezzanine loan is considered a subordinate loan in real-estate projects and together with the senior debt forms the total credit required for financing a real-estate project in the project financing method and it is part of the collaterals for the entity providing the senior debt (together with liens given in favor of the entity providing the senior debt). The amount of financing that Gamla Harel will designate for a specific project is within the boundaries of

50%-70% (other than exceptional cases) of the total equity that the entity providing the senior debt asks the developer to provide for a specific project.

Except for certain cases, Gamla Harel will require that the equity loan must be secured by a junior mortgage (i.e. after the entity providing the senior debt) on the land and surplus account.

Most of the Company’s loans bear interest at the prime rate plus a fixed margin. In some cases (and for insignificant amounts) the loans bear interest at a fixed rate, sometimes they bear interest which is calculated as a certain percent of the project profits, or a combination of the two. The interest charged on equity loans is derived, among other things, from the risk level of the project and the company that received the loan.

The Group’s activity in providing financial guarantees and development and operating services for mortgage portfolios

This activity takes place through the subsidiaries Harel Insurance and EMI. As part of this activity, Harel Insurance provides financial guarantees to an international reinsurer in respect of mortgage portfolios provided by Israeli banks. These guarantees are at a rate of 50% of the cost of the claims, insofar as they may be filed against that reinsurer. For its part, EMI provides development and operating services in connection with the insured portfolios, in a TPA (Third Party Administrator) format. In consideration of the aforementioned development and operating services, Harel Insurance and EMI are entitled to a commission of 50% of the net premium received by the insurer.

2.5.4 New products

On December 12, 2024, a transaction was completed for the acquisition of all the shares of Gamla Harel, which provides finance for developers in the construction industry, where most of the finance is supplementing the equity required for the developers in order to obtain funding for building projects. The Company holds Gamla Harel through the subsidiary Harel Credit. For additional information see Note 39.

2.5.5 Customers

Harel Group is not dependent on any single customer or small number of customers, the loss of which would significantly affect the Group’s credit activity and the Group has no single customer the income from which accounts for 10% or more of the Group’s income.

The following provides information about customers of the Group’s subsidiaries in the credit sector, according to sub-sectors.

Hamazpen customers

Hamazpen’s activity targets business corporations and private companies from every sector of the economy (e.g. real estate, hi-tech and infrastructure) as well as private entrepreneurs operating in the Middle Market market.

Harel 60+ customers

Most of the customers of Harel 60+ in the reverse mortgage product are 70 - 80 years old, from the center of the country.

Most of the customers of Harel 60+ in the ordinary mortgage product are 40 - 60 years old.

Harel Insurance customers - development property finance department

The customers of Harel Insurance in this operating segment are publicly traded and private companies with considerable experience in large-scale development projects.

Gamla Harel customers

Gamla Harel customers are private or public entrepreneurial companies / contracting companies with different volumes of activity. Gamla Harel does not provide credit to private individuals.

The Group's customers in the financial guarantees sector and development and operating services for mortgage portfolios

The Group has a single customer in this activity (an international reinsurer for mortgage portfolios provided by Israeli banks). The potential loss of this single customer will not significantly affect Harel Group's credit segment activity.

2.5.6 Marketing and distribution

Following is a summary of the marketing and distribution methods for the products and services provided by the Group through the subsidiaries, by sub-sectors.

Marketing and distribution activity in the Hamazpen sector

Harel Investments has no marketing and distribution activity in the areas of Hamazpen's activity.

Marketing and distribution activity in the Harel 60+ sector

Harel 60+ markets its products through a number of marketing and distribution channels: via authorized marketers working for the Company and by digital advertising and the media.

Marketing and distribution in development property - development property finance department within Harel Insurance

Harel Insurance markets its activity in the development property and project financing sector at conventions and by word of mouth.

Marketing and distribution within Gamla Harel's activity

Gamla Harel reaches out to its target audience, in part, by: attending and advertising at real-estate conventions; initiating contact with property developers; marketing by word of mouth through professionals who work in this sector.

Marketing and distribution in the financial guarantees and development and operating services for mortgage portfolios

The Group has no marketing and distribution activity in this operating segment.

2.5.7 Competition

Competition in the Group's operating segment in project financing through debt for medium businesses

Competition in Hamazpen's area of activity is affected mainly by the macroeconomic trends set out in Section 2.5.2 above, by the risk levels undertaken by the competitors as well as by interest rates, sources of finance, liquidity, quality of service and the Company's reputation. Hamazpen's advantages in addressing the terms of competition are, among others, the fact that it is part of Harel Group and as such it benefits from the financial strength of Israel’s leading insurance and finance group; and by taking advantage of the considerable business experience of Hamazpen’s managers and the excellent relations between Hamazpen and its customers.

The Company is unable to estimate the size of Hamazpen’s activity in the market as no public information is available about the data or segmentation of similar services provided by other companies.

Competition in the sub-sector of providing ordinary mortgage loans and reverse mortgage loans - Harel 60+

The competitors of Harel 60+ are mostly Israel’s banking institutions as well as insurance companies and other non-bank entities. Competition in the mortgage and reverse mortgage sectors is generally affected by macroeconomic trends in the real-estate sector in Israel as detailed in Section 2.5.2 above, by interest rates in the economy and by the quality of service and reputation of each competitor.

Competition in the development property finance sub-sector, managed by the project financing department within Harel Insurance

In the Israeli market, property financing is mostly conducted through the banking system. Nevertheless, the entry of non-bank entities to this sector is a significant factor and the financial institutions market share has gradually increased over the years.

The Company does not have any information about the competition conditions in this operating segment or about its position among the various competitors, if there are any.

Competition in the development property and project financing sub-sector through Gamla Harel

A number of competing entities operate in the market which engage in project financing as follows: (1) entities operating in the equity financing sector for developers (mezzanine loans) - private funds and public companies; (2) banks and insurance companies involved in project financing; (3) issuing of bonds on the capital market.

Competition in the provision of financial guarantees and development and operating services for mortgage portfolios

The Company does not have any information about the competition conditions in this operating segment or about its position among the various competitors, if there are any.

For additional information about the Group’s activity in providing financial guarantees and development and operating services for mortgage portfolios, see Note 3C2(m)(12) to the Financial Statements.

2.5.8 Seasonality

As far as the Company is aware, its activity in the credit segment is not characterized by seasonality.

2.5.9 Intangible assets

For information about the Group’s intangible assets (licenses, permits, trademarks) in the credit segment, see Section 3.11 below in Section C - Information at the Level of the Group’s Overall Activity.

2.5.10 Human capital

The Group's credit activity consists of a number of business activities which take place mainly through subsidiaries with a separate organizational structure and separate human capital and also through a designated department within Harel Insurance.

For information about the human capital structure within Harel Group, see Section 3.6 below.

2.5.11 Substitutability

The substitutes available to businesses that require solutions for capital requirements or development property finance are generally submitting an application to the banks or insurance companies and non-bank entities operating in this sector.

2.5.12 Restrictions and supervision applicable to the credit operating segment

Following is a summary of the main points of the legislative restrictions and other regulations pertaining to the Group's activity in the credit sector, changes that took place in the Reporting Period and new provisions of law that were promulgated and/or published in the reporting year.

The regulations and provisions set out below are not an exhaustive list. There are numerous, additional provisions of law regulating the mode of operation of the Group and its subsidiaries, in part in the credit operating segment. On additional provisions of law, see Section 3.1. below.

2.5.13 Legislation and provisions of law in the credit segment

2.5.13.1 Provisions of law

2.5.13.1.1 The Supervision of Regulated Financial Services (Regulated Financial Services) Law, 2016, regulates the activity of entities obligated to obtain a license for providing credit and rendering a service in a financial asset. This legislation was an important stage in the regulation of financial services provided by entities that are not banking corporations or financial institutions, including the regulation of the non-bank credit sector in Israel. Among other things, the law prescribes licensing requirements for service providers as well as limitations and provisions regarding management of their business activity in providing the financial services, and safeguarding the customers' interests from various consumer perspectives, including a prohibition on misrepresentation, fair disclosure, and a prohibition on exerting unfair influence.

The law also stipulates that the Commissioner of the Capital Market, Insurance and Savings Authority shall be the entity entrusted with application of the law and by virtue of this position he has extensive powers of regulation, supervision and enforcement, including to impose financial penalties, and that the providers of financial services are subject to the Commissioner's instructions and directives as they are published from time to time.

2.5.13.1.2 The Supervision Financial Services (Regulated Financial Services) (Exemption from Licensing Obligations) Regulations, exempt certain entities from a licensing obligation if their activity is included under the definition of "provision of credit" or "provision of service in a financial asset" in the Supervision Law, and this after the legislator has found that the licensing obligations are not applicable to them.

2.5.13.1.3 Anti-money Laundering Law - 2000, including its subsequent orders, prescribe, among other things, various instructions with the purpose of preventing money laundering in Israel, whether directly or through various categories of financial institutions.

2.5.13.1.4 The Anti-Money Laundering Order (Duties of Identification, Reporting and Record Keeping of Money Service Businesses and Credit Service Providers for the Prevention of Money Laundering and Terror Financing), 2018, imposes the accepted obligations applicable to financial institutions on credit service providers, including to verify and identify service applicants and recipients, an obligation to regularly monitor the activities of the service recipient and to check identifying details against a list of declared terror of organizations and terror activists as well as a duty to record and report details to the Anti-Money Laundering Authority, and to document and save documents.

2.5.13.1.5 In 2019, Amendment no. 5 to the Regulation of Non-bank Loans Law, 1993, entered into force. The amendment changed the name of the Regulation of Non-bank Loans Law to the "Fair Credit law", to create uniformity between the norms applicable to non-institutional lenders and those applicable to institutional lenders and the banking system. Among other things, the amendment broadens definitions that were included in the Regulation of Non-bank Loans Law so that its provisions will apply to all credit transactions and limitations were set on the "rate of the real cost of the credit".

2.5.13.2 Circulars

2.5.13.2.1 In 2023, an amendment was published to the circular on the management of money laundering and terror financing risks among the providers of regulated financial services, with the purpose of providing guidelines for the providers of financial services in adopting a risk-based approach so as to enable them to effectively address money laundering and terror financing risks. This, among other things, by formulating policy and procedures for the management of money laundering risks, appointing a person responsible for compliance with the anti-money laundering and terror financing obligations, and establishing procedures for maintaining ongoing control and the proper application of the KYC (Know Your Customer) procedure. This amendment abolished the obligation to report special cases to the Commissioner that had been reported to the competent authority as part of the reporting obligations.

2.5.13.2.2 The Banking (Customer Service) (Proper Disclosure and Submittal of Documents) Regulations, extend the general obligations listed in the Banking (Customer Service) Law and prescribe various disclosure obligations, including with respect to the drawing up of agreements for different banking services with customers and sending various notices to customers.

2.5.13.2.3 In 2022, a circular was published for financial service providers on the subject of risk management by regulated financial service providers with the purpose of ensuring that financial service providers practice proper risk management. Among other things, this circular mandates that policy, work processes and routine reporting must be defined for the purpose of identification, measurement, monitoring, management and the reporting of risks to which the service provider is or may be exposed and that a risk manager with expertise or relevant experience must be appointed and it also extends the provisions to holders of an extended license for providing credit.

2.5.13.3 Following is a summary of the principal legislative arrangements and provisions of law published in the Reporting Period and up to the date of publication of this report.

2.5.13.3.1 On September 4, 2024, an amendment was published to the circular on the management of money-laundering and terror financing risks by regulated financial service providers. Among other things, the circular updates the authorization clause by virtue of which the circular was amended so that it explicitly states that the provisions of the circular were issued by virtue of the Commissioner's authority. Additionally, clauses were added with respect to prohibiting license holders from rendering a service to a service applicant who does not hold a license, if there is concern that such activity requires a license to be held, and it also allows financial service providers to refuse to perform a transaction if there is reasonable concern that such action is associated with money laundering or terror financing.

2.5.13.3.2 On February 21, 2024, an amendment was published to the circular on risks among regulated financial service providers published on May 29, 2022. The circular broadens the application of the original circular so that its provisions were also applied to holders of an extended license for providing credit. The provisions of the circular instruct financial service providers to adopt risk management procedures that will help them effectively address the various risks to which they are, or might be, exposed. This, in part, by formulating risk management work procedures, appointing a risk manager, allocating the appropriate resources for risk management and establishing reporting routines for risk factors.

2.5.14 The following table presents the Group's risk factors in the credit segment, according to their quality and possible effect, in the opinion of the Group's management:

Risk factor	Total
Macro risks	
• Economic slowdown in Israel	Strong
• Market risks:	
○ Interest rate risk	Moderate
○ Credit spread risk	Strong
○ Inflation risk	Moderate
○ Exchange rate risk	Small
○ Capital instruments risk	Small
○ Risk associated with prices of real estate and other assets	Strong
• Credit risks	Strong
• ESG (sustainability) risks	Small
Sector-based risks	

• Availability and stability of reinsurers	Moderate
• Earthquake or other large-scale natural peril in Israel	Moderate
• Competition risks	Moderate
• Legislation and regulation risks	Moderate
Risks specific to the Company	
• Operating risks:	
○ Cyber and information security risks	Strong
○ IT risks	Moderate
○ Risk from outsourcing and agreements with external service providers	Small
○ Other operating risks	Small
• Liquidity / refinancing risks	Moderate
• Compliance risks	Moderate
• Reputation risk	Moderate

Section 2.5, including its sub-sections, on the structure of this operating segment and changes therein, also includes forecasts, evaluations, estimates and other information relating to future events and affairs, the materialization of which is uncertain and is not within the Company's exclusive control (forward-looking information). The key facts and data which formed the basis for this information are those pertaining to the Company's current position and its business in this segment (such as the volume of sales, profit rates, manpower, business agreements, etc.), facts and data pertaining to the current situation in Israel and worldwide in this operating segment (such as sector-based economic developments, regulatory environment, competitors, technology developments, reinsurance market, etc.), and macro-economic facts and data (such as the economic situation in Israel and worldwide, yield rates on the capital markets, political and social developments, etc.), as they are known to the Company at the time of this report. The forward-looking information contained above in this section is, in addition to the information available to the Company, based significantly on current projections and estimates of the Company regarding future developments in each of the aforementioned parameters, and the extent to which these developments are interconnected. The Company cannot be certain that its projections and estimates will in fact materialize, and the Company's performance may differ significantly from the estimated or inferred performance noted above, in part due to changes in any of the above-mentioned factors.

2.6 Financial services and capital market activity

Financial information about the capital market and financial services segment

Financial services and capital market (NIS million):	2024	2023	2022	Change in 2024 against 2023	Change in 2024 against 2022
Total income	**561**	**365**	**264**	**53.7%**	**-**
Costs that are not considered income from the Company's other segments of operation	454	283	187	60.4%	-
Total costs	**454**	**283**	**187**	**60.4%**	**-**
Write-down of intangible assets	1	2	4	(50.0%)	(75.0%)
Write-down of goodwill	-	-	-	-	-
Pre-tax profit from ordinary activity	**106**	**80**	**73**	**32.5%**	**45.2%**
Total comprehensive income from ordinary activity before taxes on income	**106**	**80**	**73**	**32.5%**	**45.2%**
Total comprehensive income before taxes on income	**106**	**80**	**73**	**32.5%**	**45.2%**
Total assets in balance sheet	**19,074**	**10,874**	**6,601**	**75.4%**	**-**

2.6.1 General information about this area of activity

For general information about the segment of operations, see Section 1.2.6 above.

2.6.2 Structure of the segment and the applicable changes

The Group's activity in the financial services segment takes place through Harel Finance and the companies it controls, which together form the Group's financial wing.

Harel Finance holds the following companies:

2.6.2.1 Harel Mutual Funds, a company with a permit to manage mutual funds, that manages open mutual funds and ETFs.

2.6.2.2 Harel Index Trade, a company that operates as a statutory market maker for the ETFs managed by Harel Mutual Funds.

2.6.2.3 Harel Investment Management, a company which is a licensed portfolio manager and performs portfolio management activity for its customers.

2.6.2.4 Harel Finance Alternative, that functions as a general partner in limited partnerships that are foreign private equity funds.

2.6.2.5 Harel Investment Funds, a company that functions as a general partner in limited partnerships that are private equity funds operating in joint investments with Harel Insurance.

2.6.2.6 Harel Exchange Traded Deposit and Harel Interests and Deposits, companies that issue tradable certificates of deposit (CDs) and are reporting companies (held through Harel Sal Currencies).

2.6.2.7 Harel Strategies, a company that performs transactions for its own account (Nostro). This activity is also performed through additional subsidiaries of Harel Finance.

2.6.2.8 Harel Operating Services Ltd., a company that provides management resources and operating services to different companies in the finance arm and provides consulting activity in foreign currency to qualifying customers.

2.6.3 Legislative restrictions, regulations and special constraints that apply to this operating segment

Activity in the financial services and capital market sector is subject to several laws, of which the most important are:

(a) Securities Law, including the subsequent regulations, orders and directives.

(b) Regulation of Investment Advice Law.

(c) Joint Investment Trust Law, including subsequent regulations.

(d) Prohibition on Money Laundering Law, 2000, and the Prohibition on Money Laundering (Duty of Portfolio Managers to Identify, Report and Keep Records for the prevention of Money Laundering and Financing of Terror) Order, 2010.

Moreover, other restrictions apply to the Group companies by virtue of other laws. For details of the regulation which applies to this area of activity, see Section 2.6.16 below.

2.6.4 Changes in the scope of operations and in profit in this segment

The financial services and capital market segment is typically extremely volatile, due to growth or recession in the global and the domestic capital markets, as well as due to political events in Israel and worldwide which affect share prices and the volume of activity in the capital market, global macroeconomic data (e.g. interest rates), and growing competition. This volatility affects the Group’s performance in this segment.

Additionally, this segment is constantly subject to changes in regulation.

2.6.4.1 Management of mutual funds

The volume of AUM increased substantially during the Reporting Period. At December 31, 2024, the AUM of Harel Mutual Funds was NIS 87.9 billion, compared with AUM of NIS 67.7 billion at December 31, 2023.

2.6.4.2 Portfolio management

The volume of AUM grew during the Reporting Period. At December 31, 2024, the volume of assets under management (AUM) was NIS 16.6 billion, compared with AUM of NIS 13.5 billion at December 31, 2023. The increase is mainly attributable to the raising of funds and market yields.

Notably, at December 31, 2024 about NIS 3 billion was managed by Harel Investments as an external investment manager for the investment provident funds managed and operated by Harel Pension & Provident and the central severance pay fund managed by Harel Insurance.

From December 1, 2023, Harel Investment Management manages, as an external investment manager, the investments of S&P 500 Basket Partnership, a limited partnership established by the management companies Harel Pension & Provident Ltd., Harel Insurance Company Ltd., Tzva Hakeva Savings Fund - Provident Funds Management Company Ltd., and LeAtid Pension Funds Management Company Ltd., and which manages the money and assets of members on the S&P 500 index tracker tracks. At December 31, 2023, the managed assets amounted to NIS 0.2 billion, and at December 31, 2024 the value of these assets was NIS 35.3 billion.

2.6.4.3 Management of private equity funds

At the end of 2024, Harel Finance manages, directly and indirectly, through Harel Finance Alternative, the following investment funds: (1) Harel Alternative Real Estate L.P., a real-estate investment fund in the USA, which at December 31, 2024, has AUM of USD 30 million; (2) Harel Finance Alternative Hamagen L.P., a real-estate debt investment fund in the USA, which at December 31, 2024, has AUM of USD 200 million; (3) Harel Finance Alternative Hamagen Europe S.C.Sp, a real-estate backed loan fund in Europe which at December 31, 2024 has AUM of EUR 46 million; (4) Harel Finance Alternative Hamagen Israel L.P. (Harel Hamagen Israel), which provides credit to contractors and developers for construction projects in Israel and began to enlist investors in the fund in the second quarter of 2024 and at December 31, 2024 has AUM of NIS 69 million; and (5) Harel Finance Alternative PE L.P. which invests in ELTIF 2023 (European Long Term Investment Funds), a fund which is part of the Schroders Capital investment house and which at December 31, 2024 has AUM of NIS 35 million.

Additionally, Harel Finance Alternative holds 49.9% and Harel Investments holds 50.1% of the shares of Harel Investment Funds, which is the general partner for two investment funds in the real-estate and non-tradable credit sectors (“the Related Funds”). Of these two funds, the non-tradable credit fund is the only fund that has begun to make investments and at December 31, 2024 it has AUM of NIS 230 million.

2.6.4.4 Issue of marketable deposits

In 2019, 2020, 2022 and 2024, Harel Exchange Traded Deposit issued four series of bonds - Series 1, Series 2, Series 3 and Series 4. All four are backed by bank deposits deposited in banks with a high rating. On August 5, 2024 the Company made final and absolute redemption of NIS 720 million of Series 1 bonds in accordance with the repayment schedule.

The total AUM for the three series together (Series 2, 3 and 4) at December 31, 2024 is NIS 6.8 billion, compared with NIS 3.5 billion at December 31, 2023. The series were expanded during the Reporting Period.

In December 2024, the activity of issuing the tradable certificates of deposit was extended to an additional company, Harel Interests and Deposits, which issued a series of bonds (Series 1) backed by bank deposits deposited with highly rated banks and then became a reporting company. The total AUM for Series 1 at December 31, 2024 is NIS 1.44 billion.

2.6.5 Developments in the markets of this operating segment, or changes in the characteristics of its customers

The state of the capital markets in Israel and around the world has a significant impact on this operating segment and on the volume of activity conducted by the customers of Harel Finance companies. For example:

The high yields generated by the main share indices in Israel and the USA as well as the relatively high interest rate environment in Israel and other parts of the world, contributed significantly to the activities of Harel Finance.

By the close of 2024, the mutual funds recorded net raisings of NIS 11.9 billion, of which NIS 5.1 billion was raised by the money-market funds.

The ETFs recorded net raisings of NIS 2.6 billion.

On the repercussions and effects of the Swords of Iron War, see Section 2.2 in Chapter 2, Board of Directors Report, in the Company's Periodic Report.

2.6.6 Critical success factors in this area of activity and the applicable changes

The Group believes that several factors are critical to the success of the financial services and capital market sector, including: state of the global capital market, state of the capital market with respect to turnover and yields, interest rates, the public's tastes, the yields generated by the investments that the Group manages for its customers, rating of mutual funds in the banks' rating software, financial risk management, portfolio retention, high level of customer service, fairness and credibility for the Group's customers, while upholding the customer's interests, effective marketing and distribution channels that allow the Group to increase its volume of business, operating and budget effectiveness, the mix and variety of products, positioning of Harel Finance as a leading investment house, and the Group's ability to leverage all the foregoing by way of creating a brand which will enhance its competitive position, while preserving values such as integrity, professionalism and a quality service experience.

Additionally, the factors critical to the Group's capital market activity are skilled, professional manpower which includes investment personnel and experienced, professional traders, marketing and financing personnel to cost the products and services offered by Harel Finance and marketing them to customers in this sector, and close, on-going working relationships with the institutional investors so as to learn their requirements and preferences.

Other critical success factors are the Group's reputation (goodwill), computer and information systems that support the management of customer relations, control and risk management.

2.6.7 Substitutes for products in this segment and the applicable changes

The substitute products and services available to customers in the portfolio management and mutual fund management segment are savings channels in financial institutions, including structured deposits, financial investment policies, investment in investment provident funds, foreign funds or investment in securities by the investor without the assistance of a professional investment manager or advisor in the pension savings channel.

2.6.8 Products and services

2.6.8.1 Management of mutual funds

A mutual fund is established according to an agreement between a fund manager and a trustee ("the Fund Agreement"). The Fund Agreement sets out the fund's investment policy, the maximum wage that the fund manager may receive, and the maximum wage which the trustee may receive, the maximum supplement that the fund manager may collect from a person who purchases units in the fund, as well as technical provisions pertaining to the operation of the fund. Units in mutual funds are offered in accordance with a "new fund prospectus" or in accordance with the prospectus of a fund manager and the funds that it manages. The prospectus is valid for one year from its date of publication. The fund's prospectus is prepared in accordance with the Joint Investment Trust (Particulars of Prospectus of Fund, Structure and Form) Regulations, 2009.

At December 31, 2024, Harel Mutual Funds manages 302 mutual funds of various categories, based on different investment characteristics and investment channels. The mutual funds sector is regulated through the Joint Investment Trust Law and subsequent regulations.

Harel Mutual Funds manages mutual funds that are differentiated from one another by their investment policy. Mutual funds facilitate investing in a large number of varied assets, while maintaining a high level of diversification. Each mutual fund has an investment policy applied by the fund manager when purchasing securities for the fund. The mutual fund issues participation units to its investors representing a proportion of the fund’s assets. Participation units in the mutual funds are purchased and redeemed via TASE members (primarily the banks) both as part of the investors’ independent activity and within the context of investment advice or portfolio management.

In accordance with the provisions of the Joint Investment Trust Law, Harel Mutual Funds has a board of directors investments committee which is responsible for determining how the fund operates within the context of the investment policy set out by the board of directors and instructing the CEO on implementation of the investment policy based on the decisions of the board and the committee. The investments committee is made up of the two external directors of Harel Mutual Funds and the chief investment officer of Harel Finance.

In certain funds, the fund’s investments are made by an external investment manager who is not part of Harel Finance Group, in a hosting model. At the end of 2024, Harel Mutual Funds manages 8 funds according to a hosting model, and their AUM is NIS 370 billion.

The principal categories of funds managed by Harel Mutual Funds are:

1. Funds that track indices (open tracker funds and ETFs);
2. Mutual funds with active investment management, including money-market funds (“active funds”), based on the investment policy for each fund. The active funds have diverse investment policies (foreign exchange, shares, shekel based, money-market, flexible, bonds, mixed, conversion, etc.) in an effort to provide investors with a range of investment options based on the investor’s needs;
3. Mutual hedge funds that operate under the supervision of mutual funds, under a temporary order published by the Capital Market Authority for assets that may be purchased and held by a mutual hedge fund. The temporary order is in force until October 1, 2025. At the date of the report, Harel Mutual Funds has five mutual hedge funds.

Harel Mutual Funds has distribution agreements with numerous TASE members in which context they distribute the mutual funds to their customers, and in return for these distribution services they receive payment at the rates defined in the Joint Investment Trust (Distribution Fee) Law, 2006, in line with the fund's classification.

2.6.8.2 Portfolio management

In the Reporting Period, Harel Finance group managed investment portfolios through Harel Investment Management which manages customer portfolios in a variety of investment tracks for private customers, various financial institutions and companies. On December 31, 2023, Alfa Tech Investment Management Ltd. that was involved in the management of mutual funds using computerized models, was merged with and into Harel Investment Management, and as a consequence was then liquidated.

The investment policy in each portfolio managed by Harel Investment Management is determined together with the customer, based on his definitions and needs (e.g. customer specifications and activity, requested risk level, purpose of the investment, etc.). Harel Investment Management has full professional discretion in deciding upon the investments within the framework outlined by the customer.

In the Reporting Period, Harel Investment Management had an interest in financial assets (mutual funds) and was a company "associated with financial institutions" (insurers, a management company and a fund manager). It is therefore considered a portfolio manager engaged in the marketing of investments (as differentiated from investment consulting).

All the employees engaged in the management or marketing of investments are licensed portfolio managers or licensed investment marketers.

Harel Investment Management has an internal investment committee whose members are employees of Harel Finance Group, which, together with analysts employed by the Group, regularly determines the investment management policy for its customers, based on the different exposure strategies and customer specifications.

Additionally, a supervisory committee operates on behalf of the board of directors of Harel Investment Management, which is charged with outlining the company's investment management policy and investment management approach and overseeing, on a quarterly basis, compliance with the limitations prescribed by the internal investment committee.

Portfolio management activity typically involves direct contact and familiarity with the customers, most of whom hold assets that exceed a certain minimum amount. Customer portfolios are managed through accounts in the name of the customers, that are managed in banks and by non-bank TASE members.

The income of Harel Finance from portfolio management activity by Harel Investment Management is attributable to management fees collected from customers and to portfolio management activity conducted through the Group's mutual funds. In most cases, Harel Investment Management does not collect management fees from its customers for the component of the customer's investment portfolio which is invested through mutual funds managed by Harel Mutual Funds. Harel Investment Management is entitled to a marketing and management fee from Harel Mutual Funds for the marketing and management of the mutual funds of Harel Mutual Funds for the customer portfolios of Harel Investment Management, including for mutual funds whose investments it manages.

2.6.8.3 Private equity funds

Harel Finance Alternative manages five private equity funds registered outside Israel: (1)a real-estate investment fund\; (2) a real-estate backed loan fund in the USA; (3) a real-estate backed loan fund in Europe; (4) a real-estate backed loan fund in Israel; (5) a private equity (PE) fund. Harel Investment Funds also manages, as a general partner, the non-tradable credit fund, Harel Co-Invest Credit..

The funds are limited partnerships established according to an investment agreement between the general partner (Harel Alternative or Harel Investment Funds, as applicable, or a company owned by them) and the limited partners in the partnership ("the investment agreement"). The investment agreement sets out the fund's investment policy, the lifespan of the fund, the management fee rate and success fees for the general partner, it defines the rights of the limited partners and general partner, an arrangement for allocation of the fund's expenses as well as other provisions relating to the terms of investment in the fund.

The funds investments are managed by investment committees made up of external and internal representatives who have considerable experience in fund investments.

2.6.8.4 Issue of bonds backed by fixed / variable interest deposits, fully backed by a pledge on deposits in banks in Israel with an Aaa rating.

At the date of the report, the issue of bonds backed by deposits takes place through two subsidiaries: Harel Exchange Traded Deposit and Harel Interests and Deposits.

At the date of the report, Harel Exchange Traded Deposit manages three series backed by bank deposits deposited in highly rated banks, as follows:

A. Harel Exchange Traded Deposit (Series 2) which has AUM of NIS 110 million at December 31, 2024.

B. Harel Exchange Traded Deposit (Series 3) which has AUM of NIS 2.7 billion at December 31, 2024.

C. Harel Exchange Traded Deposit (Series 4) which has AUM of NIS 3.7 billion at December 31, 2024.

The bond series are offered to the public in accordance with a shelf prospectus and shelf offering report according to which additional series of bonds can be issued and series that were in circulation can be expanded, all in accordance with the provisions of the law.

Additionally, during the course of 2024, activity in the issuance of deposit-backed bonds was extended to another company in Harel Finance Group, Harel Interests and Deposits, which in December 2024 issued bonds (Series 1). The total AUM of the series at December 31, 2024 is NIS 1.44 billion.

<u>Redemption of series during the Reporting Period</u>

Notably, on August 5, 2024, Harel Exchange Traded Deposit made final and absolute redemption of NIS 720 million Series 1 bonds in accordance with the repayment schedule.

2.6.8.5 Forex consulting

Among other things, Harel Finance provides Forex consulting services for qualifying customers.

2.6.8.6 Activity in the Nostro account

Harel Strategies is engaged in activity for its Nostro account in addition to other Harel Finance subsidiaries which are also engaged in activity for their own accounts.

2.6.9 Segmentation of income for products and services

Total comprehensive income of the capital market and financial services segment was NIS 560 million in 2024. Of this amount, income from the mutual funds (including market making) and investment portfolio activity was 53.5%; income from the other financial products accounted for 46.5%.

2.6.9.1 Movement in AUM and the average management rates in the financial services and capital market segment

2.6.9.2 Movement in AUM and the average management rates in the financial services and capital market segment in NIS million:

	Mutual funds			Portfolio management		
Movement in asset (NIS million)	**2024**	**2023**	**2022**	**2024**	**2023**	**2022**
Opening balance	67,714	43,211	42,950	14,889	14,962	15,885
Net accrual	11,874	20,160	3,834	1,734	(1,166)	1,041
Income from management fees	(309)	(222)	(212)	(48)	(45)	(43)
Other changes	8,629	4,565	(3,361)	1,467	1,138	(1,921)
Closing balance	**87,908**	**67,714**	**43,211**	**18,042**	**14,889**	**14,962**
Average management fees	0.35%	0.33%	0.41%	0.24%	0.24%	0.24%

- Notably, the mutual fund assets that were acquired in the managed portfolios as part of the portfolio management activity appear in the column below the header “mutual funds” as well as in the column below the header “portfolio management and other”.
- Notably, the income from management fees in respect of the fund assets that were acquired in the managed portfolios as part of the portfolio management activity appear within mutual fund activity.

2.6.10 New products

Harel Finance operates under variable market conditions and tailors its products to the changing needs of customers and market conditions. Harel Finance invests time in developing additional financial instruments in an effort to diversify the supply of investment channels for its customers.

Accordingly, during the course of 2024, Harel Finance offered, through Harel Mutual Funds, 11 new mutual fuds, 2 mutual hedge funds, it merged 3 mutual funds and liquidated 11 mutual funds. Additionally, after the Reporting Period, three new mutual funds were established and one fund was liquidated.

During the Reporting Period, a credit fund backed by real-estate assets in Israel (Harel Magen Israel) was launched as well as a fund named Harel Finance Alternative PE L.P, which invests in Schroders Capital Investment House ELTIF 2023 fund. For additional information see Sections 2.6.4.3, 2.6.8.3 above.

2.6.11 Customers

Harel Investment Management

The company's customers are private customers, corporations and financial institutions.

Customers generally have on-going agreements with Harel Investment Management, but both parties may terminate the agreement at any time, in accordance with the terms of the agreement and the provisions of the Investment Advice Law.

Harel Mutual Funds

In mutual fund activity, the fund manager does not usually have information regarding the identity of the customers who hold the units in the fund that he manages, given that it is the TASE members which distribute the funds. Harel Finance believes that the mutual fund holders include private, corporate and institutional customers .

Harel Exchange Traded Deposit and Harel Interests and Deposits

All the investors who purchase certificates of deposit issued by Harel Exchange Traded Deposit and Harel Interests and Deposits are mainly money market funds, tracker funds and financial institutions.

Private equity funds

The investors in the private equity funds are generally qualifying investors who meet the conditions prescribed in the First Schedule of the Securities Law).

Statutory market making

The sole customer of the market making company is Harel Mutual Funds for the ETFs that it manages.

Dependence on a single customer

In the financial services and capital market segment, the Group has no single customer which is not an affiliate, whose revenues account for 10% or more of the total revenues of Harel Finance.

2.6.12 Marketing and distribution

2.6.12.1 Marketing and distribution methods

The Harel Finance companies have several marketing and distribution channels for their products and services, the most important of which are:

(a) Sales and marketing personnel who are employees of Harel Finance Group, including employees who are licensed to market investments and/or to manage investment portfolios and are employed by a licensed company.

(b) Investment advisors in the banks - this is the main channel for the distribution of mutual funds. Most of the activity in mutual funds in this channel is to bring the funds to the attention of the investment advisors and to provide them with information and marketing documents accordingly.

(c) Private portfolio managers and investment consultants.

(d) Holding professional / marketing gatherings.

(e) Advertising in the media, on the internet and social media.

(f) Marketers and distributors who are not Group employees.

(g) Insurance agents who market Harel Group's products.

2.6.12.2 Dependence on marketing channels

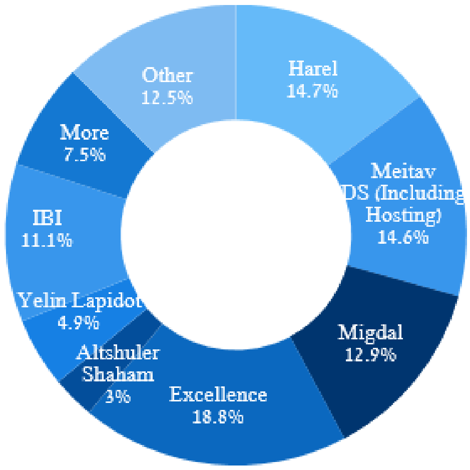
The Group is not dependent on any particular marketing channel.

2.6.13 Competition

2.6.13.1 Structure of competition in this segment and the applicable changes

The financial services and capital market sector is highly competitive, with competition from the banks and the non-bank entities, including subsidiaries of the insurance companies. The factors over which there is competition are the yield attained (relative to the risk level), level of management fees, level of commissions for the different categories of activity, variety of products and quality of service.

The following diagram shows market segments (in percentages) held by the mutual fund management companies at December 31, 2024:



2.6.13.2 Competitive conditions in the financial services and capital market segment

The Group's activity in the financial services and capital market segment is highly competitive, and this competition is ongoing despite the trend of consolidation among a number of players in the relevant markets.

In the past few years, the options for interchangeability among products in this sector have increased so that all products in this segment compete with and can be replaced by one another.

2.6.13.3 With respect to portfolio management and mutual fund management - the competition is against savings channels in financial institutions, including structured deposits, financial investment policies, foreign mutual funds or investment in securities by the investor without the assistance of a professional investment manager or advisor in the pension savings channel. Another competing factor is the possibility of investing in saving contract policies, investment funds or investment provident funds.

2.6.13.4 Key competitors in this segment

<u>Portfolio management</u>

The principal competitors in this segment are portfolio management companies which are controlled by private entities and insurance companies, e.g. The Phoenix, Meitav Dash, IBI, Altshuler Shaham, Yelin Lapidot, investment management companies held by the banks and other entities.

<u>Management of mutual funds</u>

The principal competitors in this branch are: Meitav Dash, Kesem, Psagot, Migdal, Yelin Lapidot, More, Altshuler Shaham, IBI and other entities.

<u>Investment funds</u>

The principal competitors in this sector are investment funds operating in the funds sector of Harel Alternative Group.

<u>Marketable deposits</u>

The competitors of Harel Exchange Traded Deposit and Harel Interests and Deposits are Ella Deposits Ltd., Gilad Deposits, G.S. E. Deposits Ltd. and Pai Deposits and Structured Products Ltd., Pi Plus Deposits Ltd., Aviad Deposits Ltd. and Sapir Deposits Ltd.

2.6.13.5 Methods of coping with the competition

The Group's principal methods of coping with the competition are:

(a) Use and retention of quality manpower.

(b) Providing customers with professional, reliable service.

(c) Increasing awareness of the quality of the investment by the Group companies, particularly among investment advisors in the banks.

(d) Advertising and marketing activity and enhancing the Group's brand in the media.

(e) Tailoring the basket of products offered to customer requirements and market conditions.

(f) Use of information systems that assist in investment management.

(g) Use of advanced digital platforms.

2.6.14 Seasonality

There are no seasonal influences in the financial services and capital market sector.

2.6.15 Service providers

2.6.15.1 The Group's companies which operate in the financial services and capital market sector have agreements with various service providers for their on-going activity, including for financial information, banks, foreign brokers who perform transactions in foreign securities, etc.

2.6.15.2 Harel Finance Group dependence on service providers:

- IntelliTrade – IntelliTrade is a software program used for transmitting quotes for ETFs. To the best of the Company's knowledge, there are no other off-the-shelf software programs available on the market for ETF quotes.
- Danel – Harel Investment Management has an agreement with Danel for software services on which most of the activity of Harel Investment Management is based. Danel is a software program used by Harel Investment Management to manage and operate its customers' investment portfolios, including investment analysis and Back Office. To the best of Company's knowledge, most of the portfolio management companies in Israel are dependent on this supplier.
- A-Online - Harel Investment Management has an agreement with A-Online for the right to use the PAM investment control system.
- First International Bank of Israel Ltd. (FIBI) - Harel Mutual Funds receives operating services for the active and passive funds from FIBI. There are very few alternatives for the operation of mutual funds by entities in the market that provide this type of service.
- Bloomberg - Harel Mutual Funds and Harel Index Trade have agreements with Bloomberg, primarily for the right to use data for ETFs that track foreign indices.

2.6.16 Restrictions and supervision of this area of activity

Following is a concise summary of the statutory limitations and other legislative arrangements pertaining to the Group's activity in the financial services and capital market sector, changes which took place therein during the Reporting Period and new provisions of law which were enacted and/or published during the reporting year.

2.6.16.1 Investment management

2.6.16.1.1 Investment Advice Law

Activity in the investment management segment is regulated in the Investment Advice Law .

Under the provisions of the Investment Advice Law, activity in investment advice, in investment marketing and in portfolio management requires a license and this subject to several special exclusions which are specified in the Investment Advice Law .

Additionally, the Investment Advice Law stipulates that a portfolio manager who is associated with a financial institution - an insurer, management company or fund manager, may not engage in investment advice, but only in investment marketing. A portfolio manager which is an associate of a financial institution and engages in investment marketing, must disclose this information to the customer, and it must also disclose a list of the financial institutions with which it has a relationship. Furthermore, subject to the customer's agreement, a portfolio manager who is associated with a financial institution and is engaged in the marketing of investments, may prefer a financial asset in which it has an interest over a similar financial asset in which it has no interest.

Additionally, the Investment Advice Law imposes certain obligations on portfolio managers, investment advisers and investment marketers various duties of trust, including a fidelity obligation towards the customer, duty of care towards the customer, confidentiality obligation, obligation to prepare a written agreement with the customer, obligation to provide a surety and minimum equity, and it also regulates the activity that the portfolio manager may perform for the customer and the ways in which it is to be carried out.

2.6.16.1.2 The Investment Advice, Investment Marketing and Portfolio Management (Equity and Insurance) Regulations, 2000, that determine a minimum capital requirement and also to hold a surety to cover the portfolio manager's liability on account of a negligent act or omission towards a customer and for a breach of trust by its employees towards customers. The amount and conditions of the surety will be as required by the portfolio manager, taking into account the volume of its activity, and must be approved by the Board of Directors..

2.6.16.1.3 Anti-Money Laundering (Obligation for Portfolio Managers to Identify, Report and Keep Records) Order, 2010, regulates the obligations imposed on portfolio managers in relation to identifying the customer, knowing the customer (KYC), and reporting certain activities of the customer to the Anti-Money Laundering Authority.

2.6.16.1.4 The Regulation of Investment Advice, Investment Marketing, and Portfolio Management (Reports) Regulations, 2012, regulate a portfolio manager's obligation to report to the customer and to the ISA.

2.6.16.2 Management of mutual funds

2.6.16.2.1 Joint Investment Trust Law

Mutual fund management activity is regulated in the Joint Investment Trust Law and subsequent regulation.

The Joint Investment Trust Law and its ensuing regulations regulate various topics relating to mutual fund management, including: publication of a fund prospectus, how the fund should make investments, restrictions on investments in the funds, revaluation of the fund's assets and publication of the prices of the units, reporting to the Securities Authority and holders of the units and distribution fees. Additionally, the regulations include a requirement for minimum equity and an obligation for the fund manager to draw up professional liability insurance to cover its liability for a negligent act or omission towards the unit owners and for a breach of trust by the fund manager's workers and employees who are involved in the decision-making process with respect to management of the fund's investments.

2.6.16.3 Management of investment funds

2.6.16.3.1 Securities Law

Offerings made to investors by the investment funds are subject to the Securities Law and subsequent regulations. Additionally, the funds and the legal entities associated with the fund's activity, all of which were established in the USA, are governed by regulatory obligations according to their state of incorporation.

2.6.16.4 Issue of tradable certificates of deposit

2.6.16.4.1 Securities Law

Activity relating to the issue of tradable CDs is regulated in the Securities Law and subsequent regulations. The law and the regulations regulate, *inter alia*, the subject of the offering of securities to the public.

2.6.17 Risk factors

The table below presents the Group's risk factors in the financial services sector and activity in the capital market, according to their quality and possible effect, in the opinion of the Group's management:

	Risk factor	**Extent of the risk factor's impact on the business of**
Macro and investment risks	• Economic slowdown in Israel	Strong
	• Market risks:	
	○ Interest rate risk	Moderate
	○ Credit spread risk	Moderate
	○ Inflation risk	Moderate
	○ Exchange rate risk	Small
	○ Capital instruments risk	Moderate
	• Credit risks	Strong
	• ESG (sustainability) risks	Small
Sector-based risks	• Business continuity	Moderate
	• Competition risks	Strong
	• Legislation and regulation risks	Moderate
Risks specific to the Company	• Operating risks:	
	○ Cyber and information	Moderate
	○ IT risks	Moderate
	○ Risk from outsourcing and agreements with external	Small
	○ Other operating risks	Small
	• Liquidity risks	Moderate
	• Compliance risks	Moderate
	• Reputation risk	Moderate

2.6.18 Material agreements

The companies in the finance wing have no material agreements which are not part of the normal course of business, except the agreements set out in Section 2.6.15.2 above.

2.6.19 Joint venture agreements

At the date of this report, companies in the financial services wing are not party to significant strategic joint venture agreements with entities that are not part of Harel Group.

Section 2.6, including its sub-sections, on the structure of this operating segment and changes therein, also includes forecasts, evaluations, estimates and other information relating to future events and affairs, the materialization of which is uncertain and is not within the Company's exclusive control (forward-looking information). The key facts and data which formed the basis for this information are those pertaining to the Company's current position and its business in this segment (such as the volume of sales, profit rates, manpower, business agreements, etc.), facts and data pertaining to the current situation in Israel and worldwide in this operating segment (such as sector-based economic developments, regulatory environment, competitors, technology developments, reinsurance market, etc.), and macro-economic facts and data (such as the economic situation in Israel and worldwide, yield rates on the capital markets, political and social developments, etc.), as they are known to the Company at the time of this report. The forward-looking information contained above in this section is based significantly, in addition to the information available to the Company, on current projections and estimates made by the Company regarding future developments in each of the aforementioned parameters, and the extent to which these developments are interconnected. The Company cannot be certain that its projections and estimates will in fact materialize, and the Company's performance may differ significantly from the estimated or inferred performance noted above, in part due to changes in any of the above-mentioned factors.

3. Information about the Group's overall operations

3.1 Restrictions and supervision which apply to the operations of the Group's companies

Following is a summary of the legislative arrangements and key provisions of law which significantly affect the Group's overall activity.

The arrangements and instructions mentioned below are not an exhaustive list. There are numerous, additional provisions of law regulating the mode of operation of the Group and its subsidiaries. For additional provisions of law, see Sections 2.5.12, 2.6.3 and 2.6.16 above.

(a) The Securities Law - including subsequent regulations and ISA directives.

(b) The Companies Law - including subsequent regulations.

(c) The Supervision Law - including its subsequent regulations and circulars published by the Commissioner under his powers according to the Supervision Law.

(d) Financial Information Services Law, 2021.

(e) Contract (Insurance) Law, 1981 ("Insurance Contract Law").

(f) Joint Investment Trust Law.

(g) Investment Advice Law.

(h) Anti Money Laundering Law, 2000 including the orders published by virtue of the law (mainly the Prohibition on Money Laundering (Duty of Insurers, Insurance Agents and Management Companies to Identify, Report and Keep Records to Prevent Money Laundering and Terror Financing) Order, 2017.

(i) Protection of Privacy Law, 1981.

(j) Law for the Encouragement of Competition and Reduction of Concentration, 2013 (“Concentration Law”)

The Concentration Law was published in December 2013, based on the recommendations of the Commission to Encourage Economic Competition. The provisions of the law are intended to reduce the present concentrated structure of the Israeli economy and to increase sectoral competition through several levels of activity aimed, among other things, at: regulating the distribution of the public’s assets in a way that will prevent an infringement of competition and reduce the overall economic concentration; limiting the activity of pyramid-structure business groups; segregating those who control significant real assets from those who control significant financial assets.

Accordingly, the Concentration Law limits pyramid holding structures to just two layers, and imposes restrictions in an effort to segregate significant financial entities and significant real corporations. These restrictions include that an entity that controls or holds 5% of a significant real corporation cannot continue to control a significant financial institution or hold more than 10% of such institution. For entities in which there is no control core, the percentage holding shall not be more than 5%.

It was also determined that a significant financial institution, significant real corporation and any person who belongs to a holding group that includes one of these, shall be defined under the Concentration Law as a “concentrated entity”. The Commission for the Reduction of

Concentration (“the Commission”) publishes on the Ministry of Finance website and in *Reshumot* (“Official Gazette”), lists of the concentrated entities in the economy as well as separate lists of significant real corporations and significant financial institutions. The published lists also include several subsidiaries of the Group, including Harel Insurance.

In September 2022, a report was published by the task force t for the assessment of implementation of the provisions of Chapter 4 of the Concentration law, which addresses segregation between significant real corporations and significant financial institutions. In the report, the Commission recommended revising the list of financial institutions in the Concentration Law and also defining an insurer’s bond issuing company as a financial institution to which the restrictions regarding segregation between financial institutions and significant real corporations should be applied. At the date of publication of the report, binding instructions have not yet been published with respect to such classification and the Group is therefore unable to estimate the repercussions of the Commission’s recommendations.

(k) Amendment no. 227, to the Income Tax Ordinance (New Version), 1961 (in this Section: “Amendment to the Income Tax Ordinance”); Income Tax (Application of the FATCA Agreement) Regulations, 2016 (“FATCA Regulations”); Income Tax (Application of a Common Reporting Standard and Due Diligence of Information about Financial Accounts) (Amendment) Regulations, 2023 (“CRS Regulations”)

In 2014, Israel and the USA signed an agreement to improve international tax compliance and apply FATCA (Foreign Account Tax Compliance Act) (“the FATCA Agreement). In 2015, the Commissioner published provisions to prepare for the application of this agreement.

As part of the amendment to the Income Tax Ordinance, the key arrangements for application of the agreement between Israel and the USA were written into law in an effort to improve international tax compliance and apply FATCA.

The FATCA Regulations defined provisions for application of the FATCA agreement. These included identifying the owners of accounts who are US citizens and residents, provisions for due diligence of accounts in the scope of the agreement and the transfer of information about reportable accounts to the Tax Authority for the purpose of transferring the information to the USA.

Additionally, the CRS Regulations regulate application of the convention for the Automatic Exchange of Information (AEOI) according to which financial institutions are obligated to identify account holders who fall within the scope of the regulations and to transfer information about reportable accounts to the Tax Authority for the purpose of transferring the information to the relevant country.

A failure to comply with the Regulations or to submit the necessary report could result in a declaration of non-compliance with respect to the financial institution and /or trigger the imposition of significant sanctions.

In the life insurance and long-term savings segment

(a) Provident Funds Law – including regulations promulgated by virtue of this law and subsequent instructions published by the Commissioner under the Provident Funds Law;

(b) Supervision of Financial Services (Pension Advice, Pension Marketing and Pension Settlement System) Law, 2005.

(c) Income Tax (Rules for the Approval and Management of Provident Funds) Regulations, 1964.

In the health insurance segment

(a) National Health Insurance Law, 1994 - the law prescribes that all Israeli citizens are entitled to the healthcare services which are included in the health services basket provided by the HMO in which they are registered. The healthcare services included in the basket will be provided in Israel, except for exceptional cases where the insured may be entitled to payment for certain medical services overseas. An amendment to the National Health Law from 1998 determined that the HMOs are entitled to offer their members a plan for supplementary health services.

(b) Supervision of Financial Services (Insurance) (Conditions of an Insurance Contract for a Basic Health Policy) Provisions, 2022.

(c) Supervision of Financial Services (Insurance) (Conditions of Insurance Contracts for Surgery and Non-surgical Treatment in Israel) Regulations, 2022.

(d) Supervision of Financial Services (Insurance) (Group Health Insurance) Regulations, 2009.

(e) Supervision of Insurance Business (Conditions of Insurance Contracts) (Provisions Concerning a Pre-existing Medical Condition) Regulations, 2004.

(f) Supervision of Financial Services (Insurance) (Group Long-term Care Insurance for Health Fund Members) Regulations, 2015.

In the non-life insurance segment

<u>Compulsory motor and motor property</u>

(a) Supervision of Insurance Business (Conditions of a Contract to Insure a Private Vehicle) Regulations, 1986 - see Section 2.3.1.1(a) above.

(b) Law for the Compensation of Road Accident Victims (CRAV Law) and relevant regulations - see Section 2.3.1.2 above.

(c) Motor Vehicle Insurance Ordinance [New Version], 1970. Motor Vehicle Insurance (Setting up and Management of Databases) Regulations, 2004.

(d) Supervision of Financial Services (Insurance) (Conditions of a Contract for Compulsory Insurance of a Motor Vehicle) Regulations, 2010 - see Section 2.3.1.2.

<u>Property and other sectors</u>

(a) Supervision of Insurance Business (Conditions of a Contract to Insure Apartments and their Contents) Regulations, 1986 - see Section 2.3.1.4 above.

(b) Supervision of Financial Services (Insurance) (Maximum Commissions on Mortgage-related Structural Insurance) Regulations, 2012 - see Section 3.7.3.4.

In the insurance companies overseas segment

The insurance companies overseas are subject to laws and supervisory regulations that apply in the countries in which they operate (Greece and Turkey) and according to which they are required to hold a license to operate in non-life insurance and health insurance.

These laws also include regulations, inter alia, concerning the holding of the means of control in an insurer, transferring the means of control in an insurer, composition of the board of directors, minimum shareholders equity, the manner of investing the reserves, calculation of the reserves, and provisions concerning agreements with reinsurers.

Following is a summary of the legislative arrangements and main provisions of law that were published during the reporting year - up to the publication date of this report:

3.1.1 General

3.1.1.1 Provisions of law:

3.1.1.1.1 On December 29, 2024, Supervision of Financial Services (Insurance) (Determining Foreign Exchange Interest for the Insurance Industry, Rate of Interest and Method of Calculation) Regulations, 2024 were published. The Regulations prescribe provisions concerning the method of calculating the interest to be added to insurance benefits in foreign currency or Israeli currency which are calculated according to the value of the foreign exchange.

3.1.1.1.2 On September 23, 2024, the Knesset Constitution, Law and Justice Committee approved the Draft Adjudication of Interest and Linkage (Deferment of the Onset of the Adjudication of Interest and Linkage Law, (Amendment no. 9 - 2023) Order, 2024. Accordingly, the entering into force of the provisions of the Amendment to the Adjudication of Interest and Linkage Law, were postponed by three months (from October 1, 2024 to January 1, 2025) to allow for completion of the operational deployment for the reform.

3.1.1.1.3 On September 19, 2024, Supervision of Financial Services (Provident Funds) (Investment Rules applicable to Financial Institutions) Regulations, 2024, were published. Accordingly, clauses addressing categories of an insurer’s liabilities and limitations on an insurer’s investments, as well as provisions relating to different categories of liabilities, were removed, and limitations applicable to the investments of management companies in various related parties, or performing transactions with them, were revised. It was also determined that management companies may not invest or perform transactions with any person that controls them or with a person who holds more than 20% of a certain category of means of control in the management company.

3.1.1.1.4 On August 14, 2024, an amendment to the Protection of Privacy Law (Amendment no. 13), 2024, was published in which provisions of the Protection of Privacy Law, 1981, were promulgated. Among other things, the amendment broadened the definition of “personal information” and it also defined “particularly sensitive information” and it modified the obligation to register databases. The Amendment prescribes powers that significantly enhance the ability of the Protection of Privacy Authority to oversee, enforce and punish, including the ability to impose compensation without the need to prove loss, it establishes powers to uphold administrative enforcement activity and conduct criminal investigations, and also to impose financial sanctions in respect of various breaches.

3.1.1.1.5 On July 22, 2024, a draft Class Action Bill (Amendment 16), 2024, was published, which prescribes the following: A list of considerations was set out that the court will be required to consider when certifying a class action against an insurer or management company, the grounds of which are breach of a long-term contract, the addition of grounds for a claim under the Protection of Privacy Law, in which a motion to certify a class action may be filed; update of the method of filing motions to certify a class action so that they will be filed without specifying the total amount of the claim.

The draft bill also includes a number of individual arrangements the purpose of which is to address the problem of vexatious legal proceedings, including: establishing a list of cases to be covered by an obligation to submit a preliminary request as a precondition for filing a class action motion; limiting the number of motions to certify class actions that a plaintiff may file in a calendar year; not to allow motions to grant aid for compensation in a motion to certify a class action under the Spam Law; invalidating a reward and lawyer’s fees for class applicants or plaintiffs where the motion for certification of the class action ends in a compromise settlement without compensation; allowing the possibility of imposing costs on a class applicant or plaintiff in cases where the court believes that the proceeding was not conducted in good faith.

3.1.1.2 Commissioner’s instructions and circulars *on* the method of adopting International Financial Reporting Standard (IFRS) 17 in Israel (“the Standard” or “IFRS 17”)

3.1.1.2.1 On January 26, 2025, a paper was published concerning a Roadmap for the Adoption of International Financial Reporting Standard (IFRS) 17 - Insurance Contracts - Fifth Update (“the Roadmap”). The update stipulates that the initial application of IFRS 17 with respect to insurance companies in Israel will be from the quarterly and annual periods beginning on or after January 1, 2025, and it also set out the format for disclosure that insurance companies must provide as part of the 2024 annual financial statements in a special, separate note which addresses these standards.

3.1.1.2.2 On December 22, 2024, a an update was published to the Consolidated Circular concerning measurement “professional issues pertaining to the application of IFRS 17 in Israel (“the Circular”). The Circular addresses key issues that form part of the core of the Standard, including the allocation of insurance contracts to portfolios; separation of components in certain insurance contracts; the combining of insurance circulars; discounting interest for the purposes of the Standard, including clarifications in connection with calculating the weighted measurable illiquidity premium on the transition date, including the method of applying the fair value approach on the transition date, and more.

3.1.1.3 Swords of Iron War

In the Reporting Period In the Reporting Period and up to the date of the report, a number of regulatory provisions were published with the purpose of adjusting the work of the financial institutions to the security situation due to the Swords of Iron War and the special situation on the home front. These include:

3.1.1.3.1 On July 25, 2024, a law amending the Income Tax Ordinance, 2024 (“the

Amendment") was published, with the purpose of assisting self-employed reserve soldiers and their spouses in view of the security situation. Among other things, the Amendment stipulates that for tax benefit purposes, self-employed persons on active reserve duty for any period, from October 7, 2023 until the end of the 2023 tax year, will be entitled to ask financial institutions to treat money deposited in a study fund or provident fund during the course of 2024 as money that was deposited in 2023. Such action may also be taken for the spouse of a self-employed person serving in the reserves.

3.1.1.3.2 On February 7, 2024, draft Supervision of Financial Services (Provident Funds) (Insurance cover in provident Funds) (Temporary Order - Swords of Iron War) Regulations, 2024, were published. The draft regulations prescribe as a temporary order an arrangement aimed at meeting the needs of a large number of employees who were placed on unpaid leave or their employment was terminated, and as a result deposits on their behalf for insurance cover were discontinued. Among other things, the draft regulations propose that management companies will continue to deduct the cost of the insurance cover for 12 months from the month in which the deposit period ended, unless the member has issued other instructions.

3.1.1.3.3 On January 25, 2024, the Prescription Law (Amendment no. 8 - Swords of Iron), 2024, was published, prescribing as a temporary order arrangements aimed at providing a response to the difficulties facing civilians in dealing with claims, in light of the emergency situation. The amendment stipulates that the prescription period for grounds of a claim will be "suspended" for six months, from October 7, 2023 through April 6, 2024 (in this section: "the Effective Period"), and this period will not be taken into account for calculating the Prescription Period. For real-estate (land) claims, it was determined that this arrangement will only apply if the claim was supposed to be prescribed during the Effective Period, due to the relatively long prescription periods in these claims. For claims that had already reached their limit during the Effective Period, an automatic "reinstatement" arrangement was determined, in which the Effective Period will not be counted as part of the Prescription Period, unless the court determines that the arrangement does not apply for special reasons to be listed.

3.1.2 <u>Health insurance, life insurance and long-term savings</u>

3.1.2.1 Circulars

3.1.2.1.1 On December 22, 2024, Supervision of Financial Services (Insurance) (Group Insurance for HMO Members) (Amendment) Provisions, 2024, were published. These provisions amend the Supervision of Financial Services (Insurance) (Group Long-term care insurance [LTC] for HMO Members) Provisions, 2015, and abolish the obligation applicable to the insurance companies to take on board insureds in mutual group follow-on LTC policies when the LTC policy for all members of that HMO is renewed, so that the outstanding amounts in the insureds fund will be used for the benefit of the insureds in a manner to be approved by the Commissioner. The provisions also revised the conditions providing entitlement to LTC insurance payments so that a LTC condition that entitles the insured to insurance benefits will only be given to insureds who are not capable of performing at least 4 of the Activities of Daily Living (ADLs) independently, or alternatively 3 ADLs one of which is incontinence, where the insured's use of medical devices will not be deemed an inability to perform a particular ADL.

3.1.2.1.2 On November 27, 2024, the Consolidated Circular on the Measurement of Liability - Revised demographic assumptions in the pension funds was published, replacing and amending the provisions of Circular 2024-9-5 of the same name. Among other things, the circular sets out the revised demographic assumptions for calculating the liabilities and actuarial annuity options of the pension funds and the way in which the assumptions were calculated as well their impact on the pension funds and insurance policies. According to the circular, the ever increasing longevity is expected to affect both the pension funds and insurance policies: in the pension funds, liabilities towards pensioners and survivors are expected to increase, and in the pension funds the annuity conversion factors for old-age pension are expected to rise. Additionally, the cost of cover for risk of death in the new funds is expected to fall due to the changes in the mortality rate and the increased cost of disability risk in the new funds. In life insurance, this trend is expected to enhance the insurance reserves in respect of old life insurance policies and result in an increase of the annuity conversion factor in life insurance policies that do not incorporate a guaranteed conversion factor.

3.1.2.1.3 On October 14, 2024, Draft Supervision of Financial Services (Provident Funds) (Allocation of the yield in a new comprehensive pension fund) (Amendment) Regulations, 2024 were published together with Draft Supervision of Financial Services (Provident Funds) (Transfer of plan members in default tracks to an age-adjusted track), 2024. The drafts propose changing the method for allocation of the guaranteed yield in the new comprehensive pension funds so that from January 2026 the guaranteed yield will be allocated as follows: (1) 60% of the guaranteed yield will be allocated to annuity recipients; (2) 30% of the guaranteed yield will be allocated to members aged 50 or more in age dependent tracks and in the general track; (3) the balance of the guaranteed yield will be allocated to members aged 50 or less on the age-dependent track and the general track and to the other members (unrelated to their age) in the specialist tracks. It is also proposed that members should not be allowed to choose an age-dependent investment track that does not correspond with their age. It is further proposed that in such cases where the plan member's money is not managed in a track that corresponds with his age, the management company will initiate transfer of the money to an investment track corresponding with the member's age, and this subject to informing the member of the expected transfer and offering the member an option to choose an alternative track.

3.1.2.1.4 Pursuant to the publication of the Supervision of Financial Services (Provident Funds) (Investment Rules applicable to Financial Institutions) Regulations, 2024, on September 22, 2024, an insurance circular was published on an "Amendment to the Provisions of the Consolidated Circular on the Management of Investment Assets - Rules for the investment of insurance company assets" amalgamating the draft insurance circular "Rules for the investment of insurance company assets held to cover non-yield-dependent liabilities" and "Appendix 5.2.4.1.14 - Management of investment assets for insurers applying IFRS 17". The circular updates the definitions of the categories of insurance, among other things making a distinction between "Long-term insurance" and "Short-term insurance" and updating the coverages included in each category, and it also abolishes the provisions relating to an "unrecognized asset" and "equity regulations". It was also determined that insurance companies must hold assets to cover their liabilities in a manner that does not significantly deviate from the value of the liability and the maximum rates of investment that insurance companies may invest in corporations, in other insurance companies and in related parties were also revised.

Additionally, it was determined that the provisions concerning the management of investment assets for insurers applying IFRS 17, will enter into force from the date of application of the Standard, i.e. from January 1, 2025.

3.1.2.1.5 On April 17, 2024, an amendment to the list of investment tracts was published, which amended the investment tracks that financial institutions may administer and adding bond investment tracks with limited exposure to shares - up to a ceiling of 25% of the track's assets. The list also eliminated the flexible specialist track and added an investment track for existing annuity recipients. Additionally the articles of association in the credit and bond track were updated, adding, among other things, a clarification that an investment in funds specializing in debt (bonds) will only be permitted for funds whose investment policy stipulates an exposure to debt of at least 75%. The list also revised the articles of association of index tracking tracks, such that, in part, the track's assets will track at least three dissimilar indices, and each of the indices will account for no less than 10% and no more than 50% of the track's assets, so as to create diverse exposure to the investment indices.

3.1.2.1.6 On March 11, 2024, an amendment was published to the Consolidated Circular - Section 6, Part 3, Chapter 2 - Obligation to Offer a Plan with supplementary cover to the SHS plan, the purpose of which is to determine that insurance companies will indemnify insureds who have supplementary cover to the SHS plan, for private surgery in Israel, in the following instances only: the SHS plan to which the member belongs does not include cover for surgery expenses or for a surgeon who does not have an arrangement for surgery with the HMOs and has an arrangement for surgery with the insurance company. Furthermore, the amendment stipulates that insurance companies shall indemnify insureds for the deductible they paid for surgery funded through the SHS plan, even if the doctor is not on the insurance company's arrangement list; and the insurance companies shall indemnify insureds for the purchase of a medical device in case of a device that is not covered by the SHS, but is covered by the company's insurance policy.

3.1.3 <u>Non-life insurance</u>

3.1.3.1 Circulars

3.1.3.1.1 On January 22, 2025, the Commissioner of the Capital Market, Insurance and Savings Authority published a draft position paper "Prohibition on discrimination on the basis of the geographical location of insureds and candidates for motor insurance". Among other things, the draft position paper proposes prohibiting insurance companies from refusing to accept a candidate for insurance in the motor insurance lines of business solely for geographical considerations or residential address, and it prohibits the insurance companies from making additional demands of insurance candidates or adopting a stringent underwriting approach purely for geographical considerations.

3.1.3.1.2 On November 7, 2024, insurance circular “Amendment of the Provisions of the Consolidated Circular in the Compulsory Motor Insurance Sector” was published. The circular updates the variables and conversion factors relating to determination of the net premiums in residual insurance, with the purpose of adjusting the net premiums in the Pool to the insured risk, based on the recommendations published in the final report for assessment of the cost of the pure risk in the compulsory motor sector for 2022. Based on the recommendations, the net premiums for private and commercial vehicles weighing up to 3.5 tons owned by private individuals and companies and the net premiums in the Pool for motorbikes owned by individuals and companies, were revised.

3.1.3.1.3 On May 15, 2024, a circular was published with instructions for the motor property (CASCO) sector. The circular amends the provisions of the Consolidated Circular on this subject and prescribes new arrangements regarding the work of insurance companies vis-a-vis assessors (loss adjusters), agents and garages, the key points of which are: the number of garages with which the insurance companies enter into agreements will be gradually increased so that those garages that meet the criteria will be able to be included in the list of agreement garages; a random mechanism is to be established for choosing an assessor; refusing to work with a garage which has characteristics similar to another garage with which the company has an agreement or discrimination based on considerations such as scope of activity and physical size will be prohibited; provisions will be prescribed regarding entering into agreements with agreement garages, the insured’s rights in choosing a garage and prohibiting undue influence on garages and assessors; an obligation will be added to market policies that allow insureds to choose any garage without any difference in the deductible; an obligation will be added to provide insureds with disclosure before drawing up the insurance contract about the implications arising from repairing a vehicle through an agreement garage or other garage.

3.1.3.1.4 On the same date, an additional circular was published on submitting insurance plans in the motor property sector. Among other things, the draft circular proposes provisions pertaining to reducing loss in situations where the insured repaired his car in a non-arrangement garage, according to which insurance companies will determine rules and obtain approval from the Capital Market Authority for reducing the insurance benefits in case of a reduction of the loss, which will be updated in the text of the disclosure to the insured in the insurance plan. Insurance companies will also stipulate in the insurance plan that they may withhold a deductible from the insurance benefits as if the insured repaired his vehicle in an arrangement garage, if the insured: had informed the insurance company of the insured event prior to repairing the vehicle; took reasonable steps as instructed by the insurance company; the garage agreed to accept the terms of the insurance company’s arrangement prior to repairing the vehicle. The circular also stipulates that insurance companies shall not include an option for compensation for constructive total loss in the insurance plan, other than in certain cases in which the insurance company has submitted an application to the Capital Market Authority to introduce the insurance plan and the Authority had not expressed any objection to them.

3.2 Entry and exit barriers

3.2.1 Entry barriers

The main existing entry barriers are: obtaining permits or licenses under the Supervision Law and/or the Provident Funds Law and/or the Joint Investment Trust Law and/or the Investment Advice Law and/or the Supervision of Regulated Financial Services Law, as applicable, and compliance with the minimum equity requirements prescribed by law.

3.2.1.1 Permits and licenses

The Commissioner has broad discretion regarding the granting of an insurer's license, corporate agent or management company license or permit for control of an insurer or management company. Among the considerations employed in granting a license to an insurer, company agent, permit to hold and permit to control, the Commissioner takes into account a broad range of considerations, including, inter alia, presentation of operative plans by the applicant, whether the company officers are suited to their positions, the monetary means, experience and business background of the entities applying for the license or permits, competition in the capital market, the government's economic policy, arrangements for reinsurance, the company's staff, etc.

In addition to the foregoing, pursuant to Section 32(B)2 of the Supervision Law, restrictions apply to a significant holding in the long-term savings sector. A significant holding is defined as the holding of a market segment of more than 15% of total long-term savings assets.

See Section 1.1.4 above for the Company’s control structure.

The Company’s controlling shareholders hold a control permit from the Commissioner for their control in the Group’s various financial institutions and corporate agencies. The control permit prescribes restrictions on pledging means of control in the Company or in companies in the chain of control, limitations on the transfer of means of control and on maintaining the control core clear and free, and an undertaking by the Company to supplement the equity of financial institutions that it controls.

Additionally, the Company's controlling shareholders hold a control permit from the Commissioner in respect of their control in Hamazpen and in Gamla Harel. Among other things, the control permits prescribe limitations on changing the percentage holding of the controlling shareholder in Hamazpen and Gamla Harel, on the agreement of the controlling shareholders with respect to imposing attachments or any other action that, in practice, might change the rights attached to the means of control and with respect to Hamazpen, also restrictions on changing the agreements between the controlling shareholders regarding the control of Hamazpen.

The Company’s controlling shareholders hold a permit from the ISA to control the fund manager – Harel Mutual Funds. The control permit prescribes limitations on the transfer or pledging of the means of control in the fund manager. Harel Mutual Funds has a permit from the ISA to operate as a mutual fund manager. Harel Investment Management is licensed by the ISA to operate as a portfolio management company.

3.2.1.2 Equity

3.2.1.2.1 The regulatory capital requirements from subsidiaries that are insurers, particularly in long-term activity as well as the regulatory capital required in the Solvency regime, are a significant entry barrier to activity in the different insurance sectors in which the Company operates. On the capital requirements for subsidiaries that are insurers, see Note 8E to the Financial Statements.

3.2.1.2.2 Minimum equity is required to engage in providing investment management and marketing services for customers and to issue and manage mutual funds, as prescribed in the Investment Advice Law and its regulations and in the Joint Investment Trust Law and its regulations, respectively.

3.2.1.3 Expertise and experience

The Group's operating segments require professional knowledge, experience, and familiarity with the local markets, including the international reinsurance market. Specific knowledge is required particularly for actuarial work, risk management and investment management. Experience is particularly important for setting tariffs and for underwriting new business.

3.2.1.4 Volume of activity

The Group's operations entail a large number of fixed expenses, mainly in order to comply with the numerous regulatory requirements. Consequently, a large volume of activity is necessary to cover these fixed expenses.

3.2.1.5 Limit on market segment in the long-term savings sector

Pursuant to a circular published on January 6, 2025, a person will not be permitted to hold (where a holding is according to its meaning in Section 32(C1) of the Supervision Law) more than NIS 334.9 billion of the total value of all long-term savings assets. This amount comprises the total value of long-term assets managed by that person and by all the financial institutions which he controls. Concerning a person who controls such assets together with others, the entire value of the said assets will be attributed separately to each of the controlling entities.

3.2.2 Exit barriers

3.2.2.1 Insurance segment - the principal exit barriers in the insurance industry are the settlement of all the insurance obligations. The liquidation or dissolution of an insurer's insurance business is subject to the control of the Commissioner who may instruct an insurer to operate in a particular way when dissolving business or to apply to the courts for a liquidation order to be supervised by the court, and regarding insurance companies overseas - to the approval of the relevant regulator in each of the countries in which the overseas insurance companies operate. In life insurance business, as well as in non-life insurance business where claims are typically long-tail, including the activity of EMI, the termination of activity entails an arrangement to continue handling the exercising of all the rights of the policyholders or members.

3.2.2.2 Pension funds and provident funds - the principal exit barrier to pension fund and provident fund management is obtaining the Commissioner's approval to transfer of management of the funds to other management companies, including to merge, split, discontinue management, or enter into voluntary liquidation of a management company.

3.2.2.3 Financial services and capital market - as a rule, there are no significant exit barriers in this sector. Nevertheless, a mutual fund may only be dissolved in accordance with the conditions of the fund's agreement or through the courts, and subject to the provisions of the Joint Investment Trust Law. Additionally, any sale or transfer of control or means of control of a particular rate of a fund manager requires the buyer to obtain a control permit from the ISA. When liquidating an investment fund, the liquidation will be carried out in accordance with the effective instructions in the partnership agreement.

3.3 Critical success factors

The factors which are critical to the success of the Group's activity can be divided into general factors which affect all the Group's operating segments and factors which have a special impact on specific areas of the operations.

3.3.1 General success factors

3.3.1.1 Changes in the state of the economy, the capital market and employment levels.

3.3.1.2 Regulatory changes, including price control. See Section 3.1 above.

3.3.1.3 Level of competition in the Group's operating segments. See Sections 2.1.4, 2.2.3, 2.3.3 above.

3.3.1.4 The ability to develop data based digital tools.

3.3.1.5 Agreements with reinsurers.

3.3.1.6 Success in retaining customer portfolios.

3.3.1.7 Quality of investment management.

3.3.1.8 Quality of risk management.

3.3.1.9 Quality of computer and technology systems.

3.3.1.10 The development of service-oriented technology tools for customers and agents.

3.3.1.11 Integration of advanced digital methods for streamlining processes.

3.3.1.12 Success of distribution channels, including distribution channels for increased demand and the creation of new markets. See Sections 2.6.12 and 3.7 above.

3.3.1.13 Quality of customer service (policyholders, members and other customers).

3.3.1.14 Quality of service to agents.

3.3.1.15 Creation of integrated solutions and the tailoring of new products to changing market demand.

3.3.1.16 Retention and development of human capital.

3.3.1.17 Effectiveness of the operating and marketing systems.

3.3.2 Success factors specific to the insurance and long-term savings wing

3.3.2.1 The level of management fees actually collected.

3.3.2.2 Underwriting methods.

3.3.2.3 Product Pricing.

3.3.2.4 The number of claims and catastrophes.

3.3.2.5 Advertising and branding.

3.3.2.6 Efficient customer service.

3.3.2.7 Agreements with service providers.

3.3.2.8 Changes in life expectancy.

3.3.2.9 Tax benefits for the different long-term savings products.

3.3.2.10 Quality of investment of the assets of the insureds and members.

3.3.3 Success factors specific to the health insurance segment

3.3.3.1 Quality of service to customers and agents.

3.3.3.2 Agreements with high quality service providers in Israel and abroad.

3.3.3.3 Development of new products that meet changing needs in the economy.

3.3.3.4 Prices of medical services.

3.3.3.5 Reliability and effectiveness of the underwriting processes.

3.3.4 Success factors specific to the non-life insurance segment

3.3.4.1 Underwriting appropriate to the type of risk.

3.3.4.2 Mix of customers.

3.3.4.3 Reliability of the underwriting data.

3.3.4.4 Cost of operations and marketing.

3.3.4.5 Quality of investment management.

3.3.4.6 Effectiveness of claims management and the cost of settling claims.

3.3.4.7 The scope and prevention of fraud.

3.3.5 Success factors specific to the credit segment

3.3.5.1 Liquidity and the ability to raise capital and debt.

3.3.5.2 Skilled, professional underwriting system.

3.3.5.3 Advanced technology systems in the finance - banking sector.

3.3.5.4 Work system adjusted to the elderly population (Harel 60+).

3.3.5.5 Broad familiarity with and understanding of the real-estate market in its entirety and the Israeli market in particular (development property finance activity).

3.3.5.6 Crisis management capability.

3.3.6 Factors specific to the success of the capital market and financial services segment

On success factors that are specific to the capital market and financial services sector, see Section 2.6.6 above.

3.4 Investments

3.4.1 Structure of investment management

The Company’s Board of Directors outlines the Group's general economic policy on various subjects. The Company also has an investment committee appointed by the Board of Directors.

The board of directors of each subsidiary which is an insurer or provident fund management company, or pension fund management company or mutual fund management company or investment portfolio management company, outlines the investment policy in its area of activity. The investment committees operating in the Group’s financial institutions are joint investment committees for the financial institutions and they determine the specific investment policy for each of the Group’s institutions.

In the financial services wing, Harel Mutual Funds has a board of directors investments committee which is responsible for determining the way in which the mutual operate within the context of the investment policy set out by the board of directors and instructing the CEO on implementation of the funds’ investment policy. Harel Investment Management has an internal investment committee which sets out the investment management policy for its customers, in line with the different exposure strategies and characteristics of the customers and it also has a supervisory committee which acts on behalf of the board of directors and is charged with outlining the company’s investment management policy and investment management approach. Harel Finance Alternative and Harel Mutual Funds which manage the investment funds are managed by investment committees that manage the funds in line with the investment policy set out in the funds’ agreements.

The investment management activity takes place primarily through the investment division of Harel Insurance, which coordinates the investment activity for the Company’s Nostro investments and also concentrates the investment activity to cover the members yield-dependent liabilities and to cover the non-yield dependent liabilities (Nostro) of the insurance companies, pension funds and provident funds managed by the Group. The investment management activity for the mutual funds managed by Harel Mutual Funds is carried out by Harel Mutual Funds.

Breakdown of assets under management (AUM) (NIS million) at December 31, 2024: [1]

Financial institution / subsidiary	Nostro funds	Members / clients funds (yield dependent liabilities and assets of provident and pension funds)	Total AUM
Harel Insurance	35,090	84,361	119,451
EMI	308	-	308
Interasco	147	-	147
Turk Nippon	194	-	194
Harel Pension & Provident	383	251,717	252,100
Tzva Hakeva Fund	17	7,180	7,197
LeAtid	16	1,359	1,375
Harel Finance Strategies	9,357	-	9,357
Harel Mutual Funds	17	87,908	87,925
Harel Finance Asset Management	9	16,617	16,626
Harel Finance Alternative	16	1,425	1,441
Harel Exchange Traded Deposit	8,265	-	8,265
Harel Investments	3,072	-	3,072
Other	2,000	-	2,000
Total	**58,891**	**450,567**	**509,458**

(1) The table describes only significant companies that are primarily engaged in money management.

3.4.2 Material investment activity

For information about the Company's investments in investees, see Note 8 to the Financial Statements.

For information about the Company's investments in real-estate assets, see Note 9 to the Financial Statements.

For additional information about other financial investments, see Note 13 to the Financial Statements.

3.4.3 Investment management policy

On March 6, 2024, the Board of Directors approved the investment policy of the Company for the Reporting Period, and on February 11, 2025, the investment policy of the Company was approved for 2025.

In parallel, the Group's financial institutions approved the investment policy of the relevant subsidiaries.

Pursuant to the Commissioner's circular dated July 26, 2009 concerning a statement made in advance by a financial institution about its investment policy, the Company publishes information relating to the investment policy of the subsidiaries which manage pension funds, provident funds and yield-dependent obligations (for insurance companies) on its website, at the following URLs:

(a) Harel Insurance:

https://www.harel-group.co.il/about/harel-group/harel/investor-relations/Pages/investment-policy.aspx

(b) Management of pension and provident funds:

https://www.harel-group.co.il/about/harel-group/harel-pensia-and-gemel/Pages/investment-policy.aspx

(c) Leatid

https://www.harel-group.co.il/long-term-savings/pension/funds/Pages/atidit/investment-policy.aspx#2021

(d) Tzva Hakeva

https://www.harel-group.co.il/long-term-savings/study-funds/plans/regular-army/Pages/investment-policy.aspx

Harel Group, through the financial institutions it controls, is one of the largest institutional investors in the Israeli economy and as such it has influence over the economy and capital market in Israel. Consequently, and based on the growing recognition worldwide and in Israel in particular with respect to the importance of "responsible investments", Harel Group resolved to adopt a Responsible Investments policy and include environmental, social and corporate governance (ESG) considerations in its investment management policy. This is based on the understanding that these subjects are important to all Harel's principal shareholders, and particularly on a material risk management approach in the investment management processes.

Also in this context, a significant threshold investments was determined for investments that are considered high-risk ESG investments in Israel and outside Israel, such that investing in these companies will require an additional review before being made.

3.5 Reinsurance

Reinsurance is a measure aimed at hedging the insurance company's risks. Reinsurance also enhances the company's ability to protect its capital against extraordinary events and to manage its equity in the optimum manner.

Other purposes of purchasing reinsurance are to leverage the volume of insurance obligations which an insurance company may undertake, in view of the limitations regarding its equity as well as the purchase of insurance and actuarial knowledge based on the experience and broad scope of activity of reinsurers all over the world.

The Group spreads the risks through reinsurance treaties, transferring to the reinsurers part of the insurance risk which it undertakes (so that the reinsurers undertake to pay the insurance company their share of the loss towards the insured), in consideration of sharing part of the premium collected from the insured, and subject to agreements which are signed in advance .

The Group purchases protections against two main categories of risk - catastrophe and individual risks.

The reinsurance plans of the subsidiaries are approved each year by the boards of directors of the subsidiaries.

3.5.1 General explanation about the categories of reinsurance treaties

Treaty reinsurance - an annual agreement or multi-year agreement with several reinsurers, in which the reinsurers undertake to share the risks, usually in a particular sector. There are several types of reinsurance treaties:

Quota Share treaties - a proportional reinsurance agreement, whereby the reinsurers who participate in the treaty agree to accept a fixed portion of the risk for all the insurance of a particular type that the direct insurers have undertaken. The reinsurers receive a proportionate share (quota) of the net premium received by the direct insurer, and they share payment of the insurance benefits and expenses when the insured event occurs, pro rata to the proportion stipulated in the reinsurance agreement.

Surplus Quota Share treaties - a reinsurance agreement in which the direct insurer bears the insurance risk up to a certain defined amount (on the first level - retention), or alternatively in a Quota Share treaty in which the direct insurer bears the risk up to the defined amount, and the reinsurer bears the risk above this level in portions, up to the capacity defined in the reinsurance treaty.

These proportional treaties exist in the other property insurance sector (industry, businesses, homeowners, etc.), in life insurance (including work disability) and in the health insurance sector (illness and hospitalization, long-term care and personal accidents).

Excess of Loss treaties - a reinsurance treaty which defines the maximum loss that the direct insurer will bear in a particular branch, and the reinsurer will bear the loss over and above this amount. This is in consideration of a pre-agreed reinsurance premium (according to premium turnover and/or the number of vehicles and/or sums insured protected by the treaty).

In Excess of Loss treaties, the insurer pays any claim up to the amount stipulated in the agreement (retention) and the reinsurer bears the costs over and above the defined amount.

The direct insurer may also purchase Excess of Loss insurance for the participants in a Quota Share treaty and Excess of Loss treaty who wish to do so.

These treaties are present in the liabilities insurance sector (third party, professional liability, etc.), in compulsory motor insurance and earthquake damages in the other motor property sector.

In addition to the ordinary reinsurance, there are forms of reinsurance which hedge the retention against catastrophes, particularly large amounts of cumulative losses from a single event, such as earthquake losses in other property insurance, other natural perils, and accidents with a large number of victims. These reinsurances are applied, where necessary, in addition to the proportional (quota share) reinsurance.

Facultative treaty - a reinsurance treaty for special businesses and insurance (usually for large business customers or those which entail special risks) in which the limits of liability exceed the amounts of the treaty agreement or where, for other reasons, it is not possible or there is no wish to include it as part of the treaty. In this case, separate reinsurance is purchased which is called facultative insurance. In facultative treaties, the reinsurer decides separately for each business whether it wishes to share the risk and at what percentage. In some cases, the customer has the right to know who the Company's reinsurers are and to contact the reinsurer directly when certain conditions are met (cut-through provision).

Regarding Quota Share and Surplus reinsurance treaties, the percentage commissions received in connection with the reinsurance treaties are from the net premium and they are mostly at a flat rate. Harel Insurance does not receive commissions for Excess of Loss reinsurance treaties. In facultative agreements, Harel Insurance receives a commission from the reinsurers as determined in separate negotiations for each transaction conducted with each of the reinsurers.

3.5.1.1 Life insurance and long-term savings

The Group purchases reinsurance for the risk component of life insurance policies (risk of death, critical illness, disability, and work disability). In this segment of operation, the Company has the following reinsurances: (a) surplus treaties; (b) Quota Share treaties; (c) Aggregate Excess of Loss treaties for catastrophes .

The Group enters into reinsurance treaties to cover catastrophe events. These treaties are designed to protect the Group against cumulative losses from a single event involving large amounts, such as an accident involving a large number of victims, and to protect the Group's total retention.

In addition to the treaties described above, the Group enters into individual reinsurance agreements - facultative agreements (generally for large sums insured or those that entail special risks).

In the proportional treaties and Excess of Loss treaties, the Group is entitled to two categories of commission: flat rate commissions as a percentage of the net reinsurance premiums (and in some cases an enlarged premium in the first year) and commissions which are set as a rate of the profits of the reinsurance transaction.

In the pension sector there are Quota Share treaties for the general pension fund.

3.5.1.2 Health Insurance

The Group purchases reinsurance for the risk component of health insurance policies. In this segment of operation, the Group has the following categories of reinsurance: (a) Quota Share treaties; (b) Aggregate Excess of Loss treaties for catastrophes.

The Group enters into reinsurance treaties to cover catastrophe events. These contracts are designed to protect the Group against cumulative losses from a single event involving large amounts, such as an accident involving a large number of injured persons, and to protect the Group's total retention.

In the proportional treaties, the Group is entitled to two categories of commission: flat rate commissions as a percentage of the reinsurance premiums (and in some cases an enlarged premium in the first year) and commissions which are set as a rate of the profits of the reinsurance transaction.

The Group purchased reinsurance with the purpose of providing a partial hedge against a scenario of mass cancellations.

3.5.1.3 Non-life insurance

3.5.1.3.1 Motor property (CASCO)

Reinsurance treaties in this sub-segment provide Harel Insurance with protection against catastrophe events and they are Excess of Loss treaties. Additionally, Harel Insurance has a Quota Share treaty whereby the reinsurers participate in comprehensive motor property insurance with a high value, including luxury vehicles, trucks and buses.

3.5.1.3.2 Compulsory motor

The reinsurance treaties in this sub-segment are Excess of Loss. A treaty of this type specifies the maximum loss to be borne by the insurer for any claim or for a single event (retention), and the reinsurer bears the costs over and above the amount stipulated in the treaty, up to a maximum amount specified and in consideration of reinsurance premiums agreed upon in advance.

Additionally, on December 1, 2021, the insurance activity of Shirbit was transferred to Harel Insurance. Shirbit has a proportional reinsurance treaty in this sub-sector (MBI QS) which provides the Company with a fixed rate of commission from the premium transferred to the reinsurers and this treaty was only in force until the end of 2022. The Company’s retention and the share of the reinsurers are protected by an Excess of Loss treaty.

3.5.1.3.3 Other liabilities sectors

The reinsurance treaties of Harel Insurance in this sub-sector of activity are Excess of Loss. A treaty of this type specifies the maximum loss to be borne by the insurer bears for any claim or for a single event (retention), and the reinsurer bears the costs over and above the amount stipulated in the treaty, up to a maximum amount specified and in consideration of reinsurance premiums agreed upon in advance.

3.5.1.3.4 Property and other sectors

Harel Insurance's reinsurance treaties in this sub-segment are Quota Share, as well as Excess of Loss. Additionally, in this segment Harel Insurance enters into facultative agreements with the reinsurers. In most cases, the facultative agreements are on a Quota Share basis. Nevertheless, in some transactions the facultative agreement is on an Excess of Loss basis.

In proportional treaties, Harel Insurance is entitled to commissions which are mostly at a flat rate of the net reinsurance premiums. Regarding the Surety Business agreement, Harel Insurance is entitled to commissions at a flat rate of the net reinsurance premiums, and Harel Insurance also receives a profit fee from the reinsurers, which is calculated at the end of each calendar year.

Additionally, in this sector the Company has an Excess of Loss reinsurance treaty that provides protection against catastrophe events to property.

3.5.1.3.5 Credit insurance for mortgages

EMI has no reinsurance arrangements.

3.5.1.4 Insurance companies overseas

3.5.1.4.1 Interasco

In compulsory motor insurance, the reinsurance treaties are Excess of Loss.

In the other property sectors, the reinsurance treaties are Quota Share and Surplus. In addition, in this segment, Interasco has facultative agreements with reinsurers for insurance cover for specific businesses, both due to the capacity of the insurance contracts and due to the nature of the insured's activity. The facultative agreements are on a proportional basis.

Commissions received in connection with the reinsurance treaties in the other property sectors are a percentage of the net premium. In the facultative agreements, Interasco receives a commission from the reinsurers as determined in the negotiations for each individual transaction.

Additionally, in other property sectors, the Excess of Loss treaties hedge the retention against catastrophes, which determine the maximum loss that the insurer bears for a single event, and the reinsurer bears the costs over and above the amount stipulated in the treaty and up to a maximum amount determined and in consideration of reinsurance premiums agreed upon in advance.

Proportional and Excess of Loss treaties are in place for liabilities sectors.

Health insurance: Interasco has an Excess of Loss treaty which defines the maximum loss that Interasco will bear in respect of a single event, and the reinsurer will be responsible for those costs over and above the amount prescribed in the treaty and up to the maximum amount stipulated, in consideration of reinsurance premiums agreed upon in advance.

3.5.1.4.2 Turk Nippon

In the motor lines of business, the company has an Excess of Loss reinsurance treaty.

In non-motor lines of business: Turk Nippon has a basket of reinsurance treaties comprising separate Quota Share and Surplus treaties for fire, engineering, liabilities and marine insurance. Additionally, Turk Nippon has three Quota Share treaties for personal accident passengers, personal accident for miners and personal accidents for travelers. The commissions received in connection with the reinsurance treaties are a percentage of the net premium on a flat rate basis. For the facultative agreements, Turk Nippon receives a commission from the reinsurers as determined in separate negotiations for each transaction.

Turk Nippon has two Excess of Loss reinsurance treaties apart from the motor sector. The most important one is CAT XoL reinsurance for cover against catastrophes that is not limited exclusively to earthquake, which is the most significant catastrophe event in Turkey. This treaty covers a catastrophe event for property, engineering, MOD and personal accident product lines up to a limit determined with the help of models. There is also a Risk XoL treaty which covers property for non-catastrophe risks, mainly fire.

3.5.2 Changes in reinsurance arrangements

There were no material changes in reinsurance arrangements in the Reporting Period in the non-life insurance, health overseas insurance companies segments.

In the Reporting Period a reinsurance agreement was renewed for the cover of catastrophe events in life insurance and long-term savings so that the contract will not include cover for war and terror-related events.

Additionally, the Quota Share treaty in the non-life insurance sector was not renewed, also due to the security situation in Israel.

3.5.3 Changes in reinsurance arrangements after the Reporting Period

Material changes were made in the agreements in the form of increased retention and increasing the capacity of the treaties. Additionally, catastrophe insurance for the new pension funds was not renewed for 2025 and the retention on the proportionate insurance for the general fund rose from 10% to 20%.

3.5.4 Policy of exposure to reinsurers

General

Based on the provisions of the circular Board of Directors of a Financial Institution, the Company’s Board of Directors is required to establish a policy for reinsurance, including setting a framework for the maximum exposure to a single reinsurer and group of reinsurers with a financial interest. Additionally, Insurance Circular 2003/17 concerning management of the exposure to reinsurers sets out provisions and guidelines on management of the exposure to reinsurers, a requirement to establish a policy and limits regarding exposure to reinsurers, and it also determines provisions for reporting to the Commissioner. In view of the foregoing, the policy of exposure to reinsurers and the Company’s deployment for the management and control of the exposures is approved each year by the Company’s Board of Directors.

The policy of the Group's insurance companies regarding their exposure to reinsurers is based on spreading the risks among a large number of financially robust, highly rated reinsurers, so that the participation rate of each reinsurer in the risk transferred to them is not large. This policy applies particularly to those sectors where the exposure transferred is for significant risks. The Company constantly tracks the rating of the reinsurers and of other information that provides an indication of the financial robustness of the reinsurers.

The need for the reinsurance, for both personal lines and group insurance, is determined by the Company's management, based on the risk appetite derived from the following parameters: probability of a large claim; probability of the accumulation of several claims to form a large amount stemming from a single event; cases where there is concern of a change in the claims trend; products where volatility may be high; a product or branch for which the accumulated insurance experience is inadequate; embarking on a new area of activity or new categories of cover, before the Company has sufficient experience to estimate the insurance cover at an adequate level of significance.

To reduce the risk entailed in exposure to the reinsurers, the Company operates according to the following principles:

A. Financial strength - the Company reviews the financial strength of the reinsurer as it is reflected in the credit rating and it applies the following policy:

- As a rule, the Company enters into agreement with reinsurers who are rated A- and higher only.
- Limitations on exposure to reinsurers were set at percentages of the equity of Harel Insurance in line with the reinsurers' rating.

B. Spreading (distributing) the exposure - spreading the risks among a number of financially robust reinsurers so that the total rate of exposure to each reinsurer in the ceded risk is not large, to the extent possible. It was therefore determined that other than in special cases approved by the Board of Directors, the Company's policy includes limits on the percentage of premiums payable to a single reinsurer and group of reinsurers from the total premiums paid to reinsurers during the course of the year and limitations on the level of exposure to a single reinsurer from the equity of Harel Insurance, based on the rating of the reinsurers. A first-time agreement with a reinsurer is based on the business potential inherent in the joint venture, the reinsurer's expertise in the relevant area of insurance, the scope of the reinsurer's relevant activity in Israel and abroad, and a review of its financial robustness and whether it meets the (A-) rating limitation, as mentioned above. When certain conditions that have been defined in the Company's policy are satisfied, the Risk Management Department will also be asked for its expert opinion prior to the agreement.

The spread policy is also applied with respect to the exposure to earthquake risk. In this context, additional limitations were defined at the level of exposure to loss events on the basis of MPL to a single reinsurer. Consideration of the insurer's rating was weighted and from this the limit to the rate of exposure vis-a-vis the reinsurer was derived, from the total exposure to an earthquake event.

C. Credit exposure to reinsurers is managed in accordance with the Company's procedures. Additionally, the Company monitors the balances and obligations of the reinsurers vis-à-vis the Company, and where necessary it makes provision for doubtful debts where relevant, on the basis of individual risk estimates and scope of the debt. Where the Company believes that there is a possible risk of insolvency on the part of the reinsurer, the share of the reinsurer that is in financial difficulty is computed according to the actuary's recommendation, which takes all the risk factors into account.

3.5.5 Volume of reinsurance premiums

3.5.5.1 Life insurance and long-term savings

3.5.5.1.1 In 2024, reinsurance premiums in life insurance account for 5.5% of the Group's gross premium.

3.5.5.1.2 In Quota Share treaties there are no restrictions or limits to cover in respect of the reinsurer's participation in significant claims for the reporting period.

3.5.5.1.3 In light of the insurance events caused during the Swords of Iron War, a review is underway as to whether, in the catastrophe events treaty, the Group has reached the set limits in the reported periods. Notably, even if the Group has reached the set limits, the amounts for which the reinsurers are liable are not material.

3.5.5.1.4 The Group has several reinsurers whose share of the reinsurance premiums in life insurance account for 10% or more, as specified below:

Name of the reinsurer	S&P rating at date of publication of the report	Premiums for the reinsurer (NIS million)	Percent of all premiums for the reinsurers
Swiss Re	AA-	156	51%
Munich Reinsurance	AA	108	35%

3.5.5.2 Health insurance

3.5.5.2.1 In 2024, reinsurance premiums in health insurance account for 3.3% of the Group's gross premium.

3.5.5.2.2 In Quota Share treaties restrictions there are restrictions or limits to cover in respect of the reinsurer's participation in claims that are insignificant.

3.5.5.2.3 In the Excess of Loss treaty for catastrophe events, the Group did not reach the limits set during the reporting periods, and it has no outstanding claims on a scale approaching the defined limits.

3.5.5.2.4 The Group has several reinsurers whose share of the reinsurance premiums in health insurance accounts for 10% or more, as specified below:

Name of the reinsurer	S&P rating at date of publication of the report	Premiums for the reinsurer (NIS million)	Percent of all premiums for the reinsurers
SCOR	A+	76	46%
Hannover	AA-	35	21%
Munich Reinsurance	AA	26	16%

3.5.5.3 Non-life insurance

3.5.5.3.1 In 2024, reinsurance premiums in the Group’s non-life insurance account for 33% of the gross premium.

3.5.5.3.2 The Group has a reinsurer whose share of the reinsurance premiums in non-life insurance accounts for 10% or more, as specified below:

Name of the reinsurer	S&P rating at date of publication of the report	Premiums for the reinsurer (NIS million)	Percent of all premiums for the reinsurers
Zurich Insurance Co	AA	780	48%

3.5.5.3.3 In the motor property, compulsory motor and other liabilities subsectors, Harel Insurance did not reach the maximum amounts determined in the reinsurance treaties during the Reporting Period and it has no outstanding claims of a scope close to the defined limits.

Property and other sectors: In the combined Quota Share and Surplus fire treaty there is a limit to exposure for cover for earthquakes up to a maximum of USD 65 billion and cover of a further 10% in addition to the above as necessary, automatically, subject to reporting to the reinsurers. Likewise, there is a limit to the cover for a single earthquake of an amount which is 4.52% on average of the above-mentioned exposure.

3.5.5.4 Insurance companies overseas

3.5.5.4.1 Interasco

3.5.5.4.1.1 Interasco has no reinsurance agreement in which it transfers to a reinsurer more than 10% of all the premiums of Interasco.

3.5.5.4.1.2 Interasco did not reach the maximum amounts determined in the reinsurance treaties during the Reporting Period and it has no outstanding claims of a scope close to the limits defined in the Excess of Loss reinsurance treaty.

3.5.5.4.2 Turk Nippon:

3.5.5.4.2.1 At December 31, 2024, there is no reinsurance company with premiums of more than 10% of the total turnover of TNS.

3.5.5.4.2.2 Turk Nippon did not reach the maximum amounts determined in the reinsurance treaties during the Reporting Period and it has no outstanding claims of a scope approaching the limits defined in the Excess of Loss reinsurance treaty.

3.5.6 Exposure of the reinsurers to earthquakes

The Company’s policy of spreading the risks among a large number of reinsurers in those sectors where the exposure ceded to reinsurers is significant, so that each reinsurer has a relatively small share of the risk, is also applied to earthquake risks. The average Maximum Probable Loss rate ("MPL") (which represents the estimated maximum loss which may be incurred from an earthquake) is 2.06% before the deductible. When making decisions regarding the amounts of reinsurance cover for catastrophe losses, the Company relies on the results of a risk analysis which has been prepared for it several times in the past by Risk Management Services (RMS), an international company with experience in assessing earthquake risks, and Air Worldwide Corporation, which is another international company experienced in this field. The Company purchased Air Worldwide Corporation’s software program and its estimates are also based on the results of a risk analysis conducted independently by the Company’s actuary department using this model.

The reinsurers' exposure to earthquake risks: as noted above, the Company's policy regarding reinsurance is to spread the risks among as many reinsurers as possible, each with low participation rates. This policy is also applied to the reinsurers' exposure to earthquake risks. The reinsurers share the earthquake risks proportionally and non-proportionally, as follows: Quota Share treaty for property (a combined Quota Share and Surplus treaty) which as part of the property cover insurance, also includes cover for earthquake risks at the same rate, and in addition a facultative agreement for property transactions (mainly agreements on a proportional basis) which includes cover for earthquake risks in proportion to and at the same rate as the participation for the property risks. Likewise, the Company purchases an Excess of Loss treaty for earthquake risks for property only, which protects the Company's retention. This treaty was not renewed. The ratings of most reinsurers for earthquake risks are A- or higher, and are rated by S&P and AM Best. When computing the MPL used by the Company, which as noted above is on average more than about 2.06% before the deductible, the sums insured at December 31, 2024 for the exposure of the proportional reinsurers for earthquakes are NIS 14,279 million and for non-proportional reinsurance (Excess of Loss) is NIS 2,503 million. Each reinsurer calculates its own MPL and bases its estimate on the professional tools available to it, and also uses companies which specialize in estimating earthquake risks all over the world. The Swiss reinsurer, Zurich, which has an AA- rating, is exposed to earthquake risks, in terms of MPL, at a rate of 43.7% of the total exposure to earthquakes for the MPL calculation.

For additional information about reinsurance. See Note 36I to the Financial Statements.

3.5.7 Reinsurance results in non-life insurance (NIS million) [1]

2024 (NIS million)	Sub-segments: Compulsory motor	Motor property	Property and other	Other liabilities	Total
Total premiums [2]	7	19	1,157	457	1,640
Profit (loss) [3] [4]	**(73)**	**4**	**451**	**(34)**	**348**

2023 (NIS million)	Sub-segments: Compulsory motor	Motor property	Property and other	Other liabilities	Total
Total premiums [2]	6	25	1,123	460	1,614
Profit (loss)	**(30)**	**(10)**	**424**	**(29)**	**355**

2022 (NIS million)	Sub-segments: Compulsory motor	Motor property	Property and other	Other liabilities	Total
Total premiums [2]	115	55	1,011	435	1,616
Profit (loss)	**(1)**	**(17)**	**295**	**115**	**392**

(1) The reinsurance results are calculated as noted in Note 36I to the Financial Statements. The data are computed mainly according to reinsurance premiums, net of the reinsurers' share of the claims (including reserves). Accordingly, the results of the reinsurers' activity did not take into account their investment revenues, which account for a significant component of their final performance, particularly in the liabilities sectors where there are significant amounts of reserves and claims are generally long tail.

(2) The decrease in reinsurance premiums in 2024, 2023 compared with 2022 in the compulsory motor sector is attributable to the non-renewal of a reinsurance agreement in 2022 for Shirbit’s business.

(3) The reduced profit of the reinsurers in 2024 compared with the previous year is mainly attributable to the compulsory motor sector.

(4) The increase of the reinsurers’ loss in the compulsory motor sector is attributable to a revised estimate of the claims.

The results of the reinsurers’ activity in the liabilities sector can be attributed, for the most part, to the third party sector. The reinsurers' profits arise mainly from cover for earthquakes, in the form of catastrophe insurance and as a component of property and other insurance.

Property and other sub-segment	2024	2023	2022
Premium in respect of proportional reinsurance	713	728	668
Premium in respect of non-proportional reinsurance	26	18	16
Premium in respect of earthquakes	418	377	327
Total	**1,157**	**1,123**	**1,011**

3.5.8 Reinsurance results in the insurance companies overseas segment

	2024	2023	2022
Total premiums	157	131	123
Profit	**88**	**(130)**	**33**

3.6 Human Capital

The Company’s management believes that its employees are its most important strategic asset. Despite the size of the Company, management does everything possible to instill in its employees the atmosphere of a family company. The Company invests considerably in its human capital and provides employees with a warm home.

For a description of the Group's organizational structure - see Section 1.1.9 above.

The Group's workforce:

At December 31, 2024, the Group (including companies which are directly or indirectly controlled by Harel Investments) had a workforce of 4,800. The Group employs staff who work in a specific operating segment, and employees who provide services to more than one operating segment. For example, the Finance and Resources Division employees provide services to more than one operating segment.

The Group's workforce at December 31, 2024, is as follows:

Company / Division / Department	Number of employees
Harel Investments	**3**
Harel Insurance	
Management / HQ / Other	83
Harel Hamishmar Computers	458
Actuarial Division	41
Non-life insurance	447
Health and life insurance	1,104
Investments	88
Long-term savings	393
Finance & Resources	397
Agent marketing	29
Human Resources	94
Legal Department	27
Direct Activity and Joint Ventures	540
Digital and Service	392
Total Harel Insurance (including Harel Pension & Provident)	**4,093**
Financial services	**168**
EMI	**6**
60+	**8**
Controlled insurance agencies (Veritas, Yedidim, Advanced Planning and Dikla)	**562**
Total	**4,840**
Interasco	**59**
Turk Nippon	**138**
Total for the report	**5,037**

Material changes in the workforce compared with the corresponding period last year are mainly attributable to: (1) the movement of Dikla from the Non-life Insurance Division to the Health and Life Division; (2) consolidation of two service centers in the Direct Activity and Joint Ventures Division; (3) the movement of Harel Hamishmar Computers into Harel Insurance (Technology Division).

The Group's workforce at December 31, 2023, was as follows:

Company / Division / Department	Number of employees
Harel Investments	**3**
Harel Insurance	
Management / HQ / Other	86
Actuarial Division	40
Non-life insurance	591
Health and life insurance	994
Investments	86
Long-term savings	386
Finance & Resources	396
Agent marketing	30
Human Resources	87
Legal Department	30
Direct Activity and Joint Ventures	668
Digital and Service	413
Total Harel Insurance (including Harel Pension & Provident)	**3,807**
Harel Hamishmar Computers	**428**
Financial services	**162**
EMI	**5**
Controlled insurance agencies (Veritas, Yedidim, Advanced Planning and Dikla)	**561**
Total	**4,966**
Interasco	**61**
Turk Nippon	**131**
Total for the report	**5,158**

3.6.1 Material changes in the list of senior officers

In the Reporting Period, Mr. Josef Ciechanover, who had served as a director in the Company for more than 30 years, passed away.

For additional information about changes in the list of senior officers, see Sections 1.1.7.3 1.1.7.18 below.

For information about changes in the service of the Company's external directors in the Reporting Period, see Section 4.1 below.

3.6.2 Terms of engagement with employees

All the Group's employees are employed under personal agreements or contracts rather than collective labor agreements. The wage and terms of employment of each employee are determined in his/her personal employment agreement. The compensation under these agreements is mainly based on a fixed wage, and in marketing and retention positions, there may also be a performance-based component. In the capital market and financial services sectors, some employees have a basic salary plus compensation derived from activity in their area of business. Based on their employment agreements, employees are entitled to pension insurance on a track of their choice (insurance, pension fund, combination of the two, etc.). Additionally, most of the employees are entitled to Company contributions to an education fund. The advance notice period given for dismissal or resignation is usually no more than 30 days, although with respect to senior management a longer advance notice period is defined.

Among other things, personal employment agreements specify the number of vacation days to which each employee is entitled (in any event, the number of days will not be less than the minimum prescribed by law). Employees are entitled to additional social benefits, in line with Israeli law: convalescence pay and sick pay.

Senior employees are entitled to a basic wage plus fringe benefits such as a company car, refund of expenses, per diem expenses, etc. Additionally, they are entitled to an annual bonus, pursuant to the policy approved by the Company's Board of Directors regarding compensation for senior officers and officeholders engaged in investment management - see relevant references below.

In addition to the aforementioned conditions, the Group's employees enjoy several other benefits: (1) Group health insurance for the Group's employees, without payment of a premium (the employee only pays the tax in respect of the benefit); (2) An option for members of the employee's family to join the group health insurance; (3) Group dental insurance for the Group's employees (the employee and family members) paid for by the employee; (4) Reduced management fees in the Harel Pension Fund (for the employee and his family).

3.6.3 Information about directors and officers

For information about directors and officers, see Regulations 26 and 26A in Chapter 5 of the Periodic Report – Additional Information about the Company.

On the compensation policy for senior officers – see Regulation 21(A)(1) in Chapter 5 – Additional Information About the Company. Additionally, the Company publishes information on the subject on its website, at the following URL:

https://www.harel-group.co.il/about/harel-group/investor-relations/Pages/remuneration-policy.aspx

For information about compensation paid to directors and officers, see Regulation 21 in Chapter 5 of the Periodic Report – Additional Information about the Company.

For information about indemnification and insurance, see Regulation 22 in Chapter 5 of the Periodic Report – Additional Information about the Company.

For information about indemnification and insurance, see Regulation 21 in Chapter 5 of the Periodic Report – Additional Information about the Company.

3.6.4 Employee training

Harel Insurance runs a training department for the Group companies which holds company-wide training programs in addition to courseware solutions that are customized to the needs of the business units. Every year, Harel Insurance formulates an annual training plan, derived from the work plan for that year and the business targets outlined by the Company's management. This plan includes courseware for employee development, such as: getting to know new products, regulations in various sectors, familiarity with new / changing work processes, training to use the core systems, workshops to improve the skills required to fulfill the tasks, management development workshops, etc. Tools are also developed for training new employees, which include courseware and courses to improve familiarity with the organization.

In parallel with the training activity which is derived from these business needs, the Company holds company-wide activities offered to employees for personal enrichment and development. Harel Insurance also cooperates with colleges and academic institutions for training employees through insurance-related courses and seminars as well as studies towards a BA in insurance.

In the wake of the global COVID-19 crisis, the organizational training network was adapted to provide a rapid response to the new challenges. At the same time, frontal training sessions were converted to the virtual space, workshops were held for training employees and managers for online teaching and training and digital learning solutions were enhanced to allow for distance learning. Additionally, adjustments were made in training content and methods for organization-based personal development. These adjustments and the new learning methods, remain in use today and allow the learning processes to be developed and diversified.

In the wake of the Swords of Iron War, the Company held various categories of meetings for managers, e.g.: in-person meetings with the extended management, meetings for highlighting needs, it developed digital management aids as a an additional layer of support for regular routines, it held group management meetings on addressing management challenges in this period.

3.6.5 Code of Conduct for the Group's employees

The Group's management supports a fair business culture among its employees and managers (including its directors) for fulfillment of their duties. Accordingly, the Company adopted an ethical code. Each employee recruited by the Company signs a document confirming that he has read the ethical code and that he undertakes to act accordingly.

3.7 Marketing and distribution

3.7.1 Life insurance and long-term savings

Insurance and long-term savings products are mostly distributed and marketed through agents and agencies and through direct sales to customers, in part using digital methods. In the provident funds and pension funds, distribution activity also takes place through the pension advice system in the various banks which with the management companies have signed distribution agreements. With the exception of a small number of agencies, the Company does not own the agencies which sell the Group's products. The Group has nationwide distribution via a professional, skilled network of thousands of agents who operate through the Group's regions and sectors, and provide personal service to the highest standard for all customers. The Group takes the view that its network of agents is a strategic asset, which is an inseparable part of its operations.

3.7.1.1 Life insurance

The Group operates through thousands of agents.

The Company has marketing agreements with banking insurance agencies for the sale of mortgage-related life insurance.

The Company has no single agent whose rate of new sales in the life insurance branch in 2024 accounts for more than 10% of total sales in the long-term savings sector.

The rate of commissions paid to agents is determined in individual agreements signed with them.

The Company pays on-going commissions throughout the life of the policy. In some instances, advance payments for various periods are made on account of these commissions. Advance payments which do not comply with certain rules prescribed in the Commissioner's circular are "an unrecognized asset", which lead to an increase in the minimum required equity. Additionally, the Company pays commissions to its agents which are set in line with the volume of sales of new policies. Likewise, from time to time, the Company holds marketing campaigns in which agents receive benefits in money or the equivalent. Some of these commissions are recorded as deferred acquisition costs.

In 2024, the percentage of commissions in life insurance is 15.7% of all premiums in this operating segment, compared with 13.2% in 2023 and 12.4% in 2022.

The average rate of the commission from the new annualized premium sold in 2024 is 57.8% compared with 54.1% in 2023 and 42.1% in 2022 and 42.1% of the annualized premium sold in 2022.

3.7.1.2 Pension funds

The Group markets the pension funds mainly through insurance agents and agencies, directly, through the marketing units of Harel Insurance. Additionally, pension funds are also distributed through pension advisors in the different banks.

On the selected default option funds for pension, see Section 2.1.2 above.

There is fierce competition in the pensions sector between the pension fund management companies. This competition is reflected, principally, in the percentage discount on the management fees.

At the date of the report, Harel Pension and Provident maintains distribution agreements with most of the commercial banks.

Commissions in respect of the sale of pension products are generally paid to insurance agents as a percentage of the contributions, based on an individual agreement between the agent and the Company. From time to time, the Company holds marketing campaigns in which agents receive benefits in money or the equivalent. Some of these commissions are recorded as deferred acquisition costs.

Distribution fees paid to banks, agents fees and marketing and other acquisition costs in the pension funds for the reporting period were at a rate of 0.08% of the total assets under management in this sector.

3.7.1.3 Provident funds

The Group markets its provident funds through insurance agents and agencies, through direct activity with various entities and companies in the economy, via the marketing units of Harel Insurance and by distribution through pension agents in the banks.

The Supervision of Financial Services (Provident Funds) (Distribution Fees) Regulations, 2006, stipulate that management companies may pay distribution fees at a monthly rate which is no more than one twelfth of 0.25% of the total amounts which the customer has to his credit in his provident fund account on the last day of business of each month.

Harel Pension and Provident has distribution agreements for the provident funds with most of the banks.

Commissions paid to insurance agents for the sale of provident products are paid as a percentage of the accrual of the agent's customers. From time to time, the Company holds marketing campaigns in which agents receive benefits in money or the equivalent.

Distribution fees paid to banks and the average agents' fees in the provident funds, for the Reporting Period, were at a rate of 0.18% of the total assets under management in this sector.

3.7.2 Health Insurance

Personal lines policies in the health insurance sector are mostly marketed and distributed through insurance agents and agencies which sell the Group's products, in part also through digital methods. The Group insurance is sold through insurance agents and agencies and directly to the relevant organizations.

The rate of commissions which the Group's companies pay agents for selling the policies is determined in individual agreements signed with them.

Payment of commissions on health insurance policies is spread over the life of the policy, unless another arrangement has been defined. In some instances, advance payments for various periods are made on account of these commissions. Additionally, from time to time, the Group’s companies organize marketing campaigns in which, subject to meeting targets, the agents receive money or money equivalent benefits. Some of these commissions are recorded as deferred acquisition costs.

In 2024, the average rate of commissions from premiums in the health insurance segment was 16% of the toral premium, compared with 12% in 2023 and 12.4% in 2022.

3.7.3 Non-life insurance

3.7.3.1 Motor property

Harel Insurance markets its products in this sub-segment mainly through insurance agents and agencies as well as on digital platforms. Harel Insurance is also active in this area using the brand name "Upgrade", “Switch” and Shirbit, which is part of Harel Insurance Company.

For brokering motor property insurance transactions, the Group pays the agents a commission, in money and/or money equivalent. The commission is usually set as a percentage of the premiums, and in part is dependent on the volume of activity and/or profit of the insurance sold through the agent.

The average commission rate in the motor property sub-segment was 14.8% in 2024, similar to 2023 and 2022.

Harel Insurance has no single agent whose activity in the motor property and compulsory motor sub-segment accounts for 10% or more of the volume of the Group's activity in this segment.

3.7.3.2 Compulsory motor

Harel Insurance markets its products in this sub-sector through insurance agents and agencies, as well as through digital methods, in the same way as it markets products in the motor property sector (for details about the method of marketing through insurance agents and agencies - see Section 3.7.3.1 above).

Compulsory motor insurance is marketed to large groups by participating in tenders published by organized entities.

The average commission rate in the compulsory motor sub-segment was 5.2% in 2024, compared with 5.3% in 2023 and 4.5% in 2022.

Harel Insurance has no single agent whose activity accounts for 10% or more of the volume of activity in the compulsory motor and motor property sub-segments.

3.7.3.3 Other liabilities sectors

Harel Insurance markets its products in the other liabilities sub-sector through insurance agents and agencies as well as directly, in part by participating in tenders published by business entities, and by digital methods. The direct activity is mainly in policies for particularly large enterprises. Harel Insurance has a separate department ("region") defined as the Industry Region which deals with very large and/or direct transactions, as well as a designated department for special insurance risks, specializing in providing insurance solutions for large, complex enterprises with respect to the scope and class of coverages required by the customer or its advisors, as well as providing solutions for companies with international operations, and this, inter alia, by collaborating with reinsurers and foreign insurers which the Group represents in Israel, including the Swiss company Zurich.

Agents' fees are paid in money and/or money equivalent. The agents' fees are often affected by the rate of fees added to a policy and, in some instances, by the profitability of the agent's portfolio.

The average commission rate in the other liabilities sub-sector was 13% in 2024, compared with 12% in 2023 and 11.7% in 2022.

About 15% of total premiums in the other liabilities sectors are marketed through one agent, which is an associate of the Company. The loss of premiums marketed through this agency will not significantly affect profits in this sector.

3.7.3.4 Property and other sectors

Harel Insurance markets its products in this sub-segment through insurance agents and agencies as well as directly, in part by participating in business tenders and through digital methods. Direct activity is mostly with large business customers where the composition of the policies is usually more complex. Harel Insurance has a separate department ("region") which is defined as the Industry Region which deals with very large and/or direct transactions, as well as a designated department specializing in providing insurance solutions for large, complex enterprises with respect to the scope and class of coverages required by the customer or its advisors, as well as providing solutions for companies with international operations, and this, inter alia, by collaborating with reinsurers and foreign insurers which the Group represents in Israel, including the Swiss company Zurich.

Mortgage-related structural insurance is usually sold by the mortgage banks, through designated insurance agencies, which have agreements with Harel Insurance, and in a small number of cases through insurance agents. The fee paid to agents for brokering transactions in the property and other insurance sub-sector is determined principally as a percentage of the net premium and in some cases is conditional on the volume of the agent's sales. Pursuant to the Supervision of Financial Services (Insurance) (Maximum Commissions on Mortgage-related Structural Insurance) Regulations, 2012, from January 1, 2013, the rate of the commission for brokering mortgage-related structural insurance policies was limited to 20% (including VAT) of the premiums collected by the insurer from the insured. In January 2021, this commission rate was reduced to 15% (including VAT).

The average commission rate in the property and other sub-segments was 13.4% in 2024. The commission rate in other business property loss (excluding the homeowners branch, including mortgages) is 12.1% of the premiums and the commission rate in the comprehensive homeowners branch, including mortgages, is 15% of the premiums in this line of business, similar to 2023, and 16.6% in 2022.

3.7.3.5 Mortgage insurance

As described in Section 1.2.3.5 above, due to Bank of Israel regulatory provisions, no new policies were sold in this segment during the Reporting Period.

3.7.4 Insurance companies overseas

Interasco and Turk Nippon distribute their various insurance products mainly through insurance agents and brokers. The companies do not have exclusivity agreements with any distribution channels.

Turk Nippon is the representative of Royal & Sun Alliance Insurance PLC, so that its customers in Turkey are served by Turk Nippon. This agreement has a positive impact on the volume of activity of Turk Nippon.

3.7.5 Material changes in laws relating to distribution channels that were published during the Reporting Period

There were no material changes in the laws relating to the distribution channels during the Reporting Period.

3.7.6 Key agencies controlled by the Group

The principal agencies controlled by the Group are: Yedidim Pension Arrangements Insurance Agency Ltd. (100%), Veritas Insurance Agencies Ltd. (100%) - both of which are active in all areas of insurance and long-term savings in which the Group operates, *Tichnun Mitkadem* (Advance Planning) - Pension Insurance Agency (2013) Ltd. (100%), which operates in the long-term savings sectors, and Se-Fi Insurance Agency Ltd. (70%) which operates in the insurance and long-term savings sectors.

3.7.7 Dependence on a marketing entity

The Group is not dependent on any of its marketing entities in any of its areas of activity, so that the loss of an entity is unlikely to significantly and adversely affect any particular area of activity or cause the Company significant additional costs as a result of the need to replace them.

3.8 Suppliers and service providers

3.8.1 Life insurance and long-term savings

The Group has numerous agreements with service providers in connection with this area of activity. The principal agreements are with suppliers for the payment of annuities and service providers that operate the main provident funds.

The Group companies are not dependent on any of these service providers. Regarding most of the services required by the Company in this area of activity, the Company has agreements with several service providers thus providing operational flexibility. The fact that substitute service providers are available for most of the services listed above, means that the Company is not dependent on any particular service provider.

3.8.2 Health Insurance

In the health insurance segment, the Group has several agreements with service providers in connection with coverages included in the different policies, providing it with operating flexibility and which ensure that Harel Insurance is not dependent on any particular provider. The main agreements are with private hospitals, doctors and medical service providers as well as with service note providers. The Group companies are therefore not dependent on any specific service provider.

3.8.3 Non-life insurance

3.8.3.1 Motor property

The main agreements are with car repair service providers, spare parts suppliers and service providers for service notes.

Harel Insurance is not dependent on the aforementioned service providers, as there are other suppliers in the market with which it can reach agreement within a reasonable time, taking into account the nature of the different agreements, and given that in most cases, Harel Insurance has agreements with more than one service provider. In view of the competition between the aforementioned service providers, a change in the identity of any one of the suppliers is not expected to have a negative impact on performance in the motor property sub-sector.

3.8.3.2 Compulsory motor

To streamline the process of claims settlement in compulsory insurance, utilizing economies of scale and its desire to provide quality, professional service, as well as to reduce the expenses entailed in settling the claims while paying proper compensation, Harel Insurance has agreements with service providers who include lawyers, doctors and private investigators.

Harel Insurance is not dependent on any particular supplier thanks to its agreements with a variety of suppliers all over the country.

3.8.3.3 Other liabilities sectors

To streamline claims settlement process in the liabilities insurance sub-segment, Harel Insurance entered into agreements with a long list of suppliers, including, among others, attorneys, assessors, medical institutions, private investigators, etc. Claims in respect of medical malpractice policies are handled partly through MCI, a company fully controlled by Madanes Insurance Agency Ltd. (in which Harel Investments has a 25% holding). Performance in this sub-sector is not expected to be negatively impacted by changes in the agreements with these or any other service providers, due to the fact that there are other service providers with which agreement can be reached within a reasonable time frame and at similar costs (and this in view of the competition between the different service providers in the relevant sectors).

3.8.3.4 Property and other sectors

In the household insurance sector, Harel Insurance markets various riders to the standard policy, through service agreements with different suppliers. Harel Insurance has signed agreements with suppliers and service providers, inter alia, in the following areas: plumbers and companies that manage a call center for the management of claims due to water damage.

Harel Insurance is not dependent on the service providers mentioned in this section, as there are other suppliers in the market with which it can reach agreement within a reasonable time, taking into account the nature of the different agreements. In view of the prevailing competition between the aforementioned service providers, a change in the identity of any one of the suppliers is not expected to have a negative impact on performance in the other property sub-segment, including in the household and mortgage line of business.

In business property insurance there are a number of external surveyors who, by invitation, carry out risk surveys on the insureds' premises, in accordance with the Company's survey policy. There is no dependence on these service providers, the list is dynamic and no difficulty is expected in replacing them should the need arise.

Information about other suppliers and service providers:

3.8.4 Computer and software services

Most of the Group's companies receive computer and software services from Harel Hamishmar Computers, a wholly owned subsidiary of the Company which is responsible for providing the various automation services, and where necessary, it operates software companies and providers for the computer services which it renders to the Group's companies

3.8.5 Dependence on suppliers

Except for the service providers listed in Section 2.6.15.2 above, regarding financial services, and a certain dependence on MCI (see Section 3.8.3.3 above), the Group companies are not dependent on any of their suppliers, and the Group is able to find alternative suppliers or solutions for each supplier, without this creating a significant additional cost.

3.9 Fixed assets

3.9.1 Offices and real estate assets

The Group's head offices are located in Harel House and *M.E.H House*, which are in the Diamond Exchange complex on the Ramat Gan –Tel Aviv border. Additionally, the Group has offices (in real estate assets which it owns and are owned by its wholly owned subsidiaries) in Harel House in Jerusalem, Tel Aviv, Haifa, Petach Tikva (where the logistics center of the Group's insurance companies is located) and in other locations around the country.

In addition to these offices, the Company has additional real-estate assets in different parts of the country. Furthermore, the Company owns 55% of the rights in a 120,000 sq. m. site in the Rothschild area which is slated for the construction of residential, office, hotels and commercial premises.

The outstanding amortized cost of these real-estate assets, which serve the Group companies, at the date of the report is NIS 1,233 million compared with NIS 1,234 million at December 31, 2023. The Group companies also rent parking space in the vicinity of Harel House and office space in various cities in Israel.

For additional information, see Note 7 to the Financial Statements.

3.9.2 Computer and IT systems

The subsidiary Harel Hamishmar Computers Ltd. ("HHC") is responsible for providing the various automation services, and where necessary, it operates software companies and suppliers for the computer services which it provides for the Group's companies. In the past few years, Harel Hamishmar Computers has been intensively involved in the implementation of the Company's strategic plan.

For information about the Group’s business targets and strategy, see Chapter 2, Section 10 in the Board of Directors' Report in the Periodic Report.

The Group attributes considerable importance to its technology capabilities, enabling it to support the Group’s goals, and it has set itself a target of being a leader in the use of advanced systems in its different areas of activity. Pursuant to the foregoing, in the Reporting Period the Company invested in technology tools and products which will enable the Group to develop new business capabilities relating to digital and innovation worlds (e.g. Salesforce, cloud infrastructure, etc.). The Group also continues to invest heavily in technology and cyber infrastructures, all in addition to upgrading the core systems which constitute the foundations for implementing its advanced capabilities.

For information about the way in which the Group copes with cyber risk, see Section 3.13 below.

The Group invested NIS 372 million in computer equipment and software in 2024, compared with NIS 359 million in 2023.

For additional information about the Group’s investments in computer equipment and software, see Note 5 to the Financial Statements.

3.10 Seasonality

There are no significant seasonal effects on profitability in any of the Company's operating segments. Nevertheless, please note the following:

3.10.1 Life insurance and long-term savings

In life insurance and long-term savings, there is a marked increase in the pace of sales towards the end of the year due to the purchase of products that provide tax benefits and deposits in these products.

3.10.2 Health insurance

As a rule, in health insurance, there is a seasonal increase in the number of policies sold to overseas travelers during the summer months and holiday season.

3.10.3 Non-life insurance

3.10.3.1 The turnover of premiums in the non-life insurance sectors is greater at the beginning of each calendar year, due to renewals of a large number of annual insurance contracts at the beginning of the year. This seasonality does not affect profits, given that it is regulated by changes in the reserve for unexpired risks.

3.10.3.2 In compulsory motor and motor property insurance, there is an increase in the volume of claims during the winter months, due to a larger number or road accidents, and weather-related damage.

3.10.3.3 In other property insurance, there is an increase in the volume of claims during the winter months, due to weather-related damage.

Distribution of premiums earned in the insurance sectors, management fees from provident and pension funds, and total revenues from the capital market and financial services segment, by quarter for the last three years (NIS million):

	2024 (NIS million)			
Operating segment	**Q1**	**Q2**	**Q3**	**Q4**
Life insurance & long-term savings				
Life insurance	1,339	1,677	1,280	1,289
Provident funds & pension funds	202	210	222	232
Health	1,178	1,191	1,276	1,251
Compulsory motor	197	185	191	193
Motor property	361	375	389	389
Other liabilities sectors	268	269	277	283
Other property sectors	350	356	367	384
Mortgage insurance	2	-	-	2
Capital market & financial services	113	119	145	184
Credit	87	106	115	108
Insurance companies overseas	189	87	163	173

	2023 (NIS million)			
Operating segment	**Q1**	**Q2**	**Q3**	**Q4**
Life insurance & long-term savings				
Life insurance	1,520	1,851	1,523	1,392
Provident funds & pension funds	183	190	198	200
Health	1,539	1,601	1,675	1,653
Compulsory motor	179	198	200	202
Motor property	275	301	323	345
Other liabilities sectors	254	260	269	277
Other property sectors	330	339	355	364
Mortgage insurance	1	1	-	1
Capital market & financial services	72	85	96	112
Credit	69	79	84	85
Insurance companies overseas	120	129	154	145

	2022 (NIS million)			
Operating segment	**Q1**	**Q2**	**Q3**	**Q4**
Life insurance & long-term savings				
Life insurance	2,000	1,496	1,543	1,465
Provident funds & pension funds	174	177	180	182
Health	1,407	1,456	1,538	1,527
Compulsory motor	183	187	201	210
Motor property	273	282	290	311
Other liabilities sectors	297	306	325	335
Other property sectors	260	250	261	271
Mortgage insurance	1	1	1	-
Capital market & financial services	58	63	65	78
Credit	23	32	43	56
Insurance companies overseas	91	102	124	131

3.11 Intangible assets

Trademarks / logo

The Group companies own a trademark on the Group logo and also on the logo with the name "Harel Insurance and Finance" which is registered in the Register of Trademarks. Harel also has several brands, registered and unregistered, which benefit from the goodwill forged by the Company over the years in the insurance and finance market, such as Upgrade, Harel Switch, "Harel Insurance and Finance for your Peace of Mind", and more.

The Group companies work to register the trademarks: "Shirbit associated with Harel Insurance Company Ltd." and "Harel 60+".

EMI owns 5 trademarks relating to the company's commercial name - "EMI", the "EMI" logo and the company's method - "EMI Method".

Databases

The Group administers databases which are critical to management of the Company's business in accordance with the Protection of Privacy Law, 1981.

Software and domain addresses

For the purpose of their activity, the Group companies use software programs owned by the Group companies and/or software whose licenses were purchased for their use. Additionally, the Company develops, through its employees and through various service providers, software programs for its own use in which it has copyright.

The domain address of Harel Group's website is owned by the Group.

Licenses

The Group has licenses and permits to operate as an insurer, management company and corporate agent, as well as an extended license for providing credit, as applicable, under the provisions of any law.

For information about intangible assets - see Note 5 to the Financial Statements.

3.12 Finance

The Group finances its activity mainly from external sources including the issue of promissory notes, bonds and by taking short and long-term loans from banks and non-bank entities. Total financial liabilities as at December 31 2024 are NIS 26,333 million compared with NIS 17,046 million at December 31, 2023. The increase is mainly attributable to debt raisings and bank loans taken during the year of the report, an increase in linkage rates and increase in borrowing and short-sale transactions that were offset against a change in derivatives.

Average interest rate

The following table details the average interest rate quoted on loans from bank and non-bank sources that were in force in 2024:

Average interest rate

	Average rate	Subordinated liabilities notes	Long-term loans
Shekel bank sources	2.37	-	2.37
Shekel off-balance sheet sources	1.95	1.95	-

For additional information about financial liabilities, see Note 24 to the Company's Consolidated Financial Statements.

3.13 Risk factors

3.13.1 Table of risk factors

The following table shows the Group's risk factors by quality and their possible impact, in the opinion of the Group's management, on its business:

Risk factor	Extent of the risk factor's impact on the
Macro risks	
• Economic slowdown in Israel	Strong
• Market risks:	
○ Interest rate risk	Strong
○ Credit spread risk	Moderate
○ Inflation risk	Moderate
○ Exchange rate risk	Small
○ Capital instruments risk	Strong
○ Prices of other assets risk	Moderate
• Credit risks	Moderate
• ESG (sustainability) risks	Small
Sector-based risks	
• Insurance risks:	

Risk factor	**Extent of the risk factor's impact on the**
○ Longevity, including annuity TUR	Strong
○ Morbidity	Strong
○ Other insurance risks	Moderate
• Availability and stability of reinsurers	Moderate
• Catastrophe risks:	
○ Pandemic	Moderate
○ Terror or war	Moderate
○ Earthquake or other large-scale natural peril in	Moderate
• Strategic risks, including competition risks, portfolio retention, change in public tastes and the	Strong
• Legislation and regulation risks	Strong
• Legal precedents	Strong
Risks specific to the Company	
• Operating risks:	
○ Cyber and information security risks	Strong
○ IT risks	Strong
○ Risk from outsourcing and agreements with	Moderate
○ Other operating risks	Moderate
• Liquidity risks	Moderate
• Material class actions and legal proceedings	Strong
• Compliance risks	Moderate
• Reputation risk	Moderate

Attributing the extent of the impact of the aforementioned risk factors to the Group is based on a quality, subjective assessment prepared by the Group's management, taking into account the volume and nature of its activity at the date of this report. The impact of each of the aforementioned risk factors may be affected by changes that occur in the characteristics of the Group's activity or in market conditions after the date of this report.

For additional information about risk management, see Note 36 to the Financial Statements.

3.13.2 Coping with cyber risk

The Group is exposed to cyber risk in view of the volume of sensitive information in its possession and also due to the volume of money it manages.

Cyber risk may arise from the unauthorized use of identity, disruption of activity by damage to network activity or the shut-down of services, damage caused to the systems, the theft of digital assets, the insertion of codes and malware, penetration of the system or exposure of information.

Harel Group’s approach to the management of cyber risk and information security comprises three layers: technology protection, dealing with cyber events, and regulations, organization and methods. In addition to operating deployment, the Company purchased group insurance against computer crime, including cyber events.

The Group and its subsidiaries comply with the provisions of Financial Institutions Circular: “Management of Cyber Risks by Financial Institutions”, which defines principles for the management of cyber risks in financial institutions and obligates such entities to manage these risks. Among other things, the instruction refers to the following: corporate governance - duties and areas of responsibility, risk assessment, cyber protection, control and detection, system security, communications and operation, management of users and permissions, outsourcing, cloud computing services, physical and environmental security, security of communications channels with customers and external entities.

In addressing these risks, and consistent with the aforementioned circular, the boards of directors of the Group's financial institutions adopted and approved a policy on the subject. The Group and its subsidiaries conduct a periodic exposure survey regarding cyber risks.

The Group allocates considerable resources to the management of cyber risks. There is an annual and multi-year cyber work plan and implementation of the plan is monitored.

Additionally, the Company and its subsidiaries operate various cyber tools and perform extensive review and control processes in an effort to reduce the cyber risks.

The Group operates a designated cyber protection system, with the help of outsourced services and experts in the field of information security. The Group has a special cyber hotline which operates round the clock to deal with cyber events.

The Group has a cyber steering committee that meets at least once a quarter. The committee’s duties include: monitoring implementation of the cyber-risk management work plan; discussing the results of risk assessments and risk-mitigation plans, discussion of possible risks in the use of cloud-based systems; investigating and drawing conclusions with respect to any significant cyber event, reporting the committee’s conclusions and recommendations on the topics it is authorized to address at least once a year to the board of directors of the Group and its subsidiaries.

The Company’s Board of Directors, together with the boards of directors of the Group’s subsidiaries, supervises the management of cyber risks and receives updates from the steering committee and relevant functionaries within the Group.

The Group has defined a designated executive as manager of the Group’s cyber protection, who has proven expertise and managerial experience in the field of cyber protection. The Cyber Protection Manager is subject to a member of management.

Additionally, the Group’s internal auditor conducts audits based on the multi-year work plan with respect to various aspects of cyber protection, for example: audit of the exposure to cyber attacks in cloud-based systems, surveys and tests of penetration, permissions, passwords, etc.

In addition to the cyber protection policy, the Company and its subsidiaries has comprehensive cyber procedures and proceedings in various areas, for example: management of cyber events, conducting penetration tests and surveys, information security requirements in HR processes, etc.

Based on the table of the Company's risk factors, cyber risk is a special sub-risk.

For additional information about operating risks, see Note 36A to the Financial Statements.

3.13.3 Coping with ESG (sustainability) risks - environmental risks

ESG factors, in general, and specifically climate risks, are a developing risk for insurance companies due to the growing expectation of substantial changes in the preferences and expectations of interested parties, including customers, investors and supervisory authorities. The Group attributes importance to the promotion of risk activity and management in this context and has adopted an ESG investment policy for management of all investment portfolios, in compliance with the Supervisor's requirements. In addition, the insurance company assessed its exposure to ESG risks in insurance activity. The Group monitors developing ESG risks and regulatory developments on the subject and it updates its risk management accordingly.

3.14 Material agreements and Cooperation agreements

Joint venture with the IDF's 8200 alumni association and AWS Israel - GUTS Harel Innovation Hub

With the intention of providing the best possible service and technology capabilities for the Group's customers and agents, in 2022 Harel Group rolled out a business-technology plan together with Amazon Web Services (AWS) Israel (Amazon's cloud computing services subsidiary) and the IDF's 8200 alumni association.

This plan involves and will involve Israeli startups that develop technology solutions for the worlds of insurance, finance, health and improving the streamlining of operations in the corporate world. Among other things, these startups will benefit from access to experts in the different areas relevant to their operations, including with respect to technology and data security, access to infrastructures, advanced technology tools and products as well as an office work environment in a designated space established by the Group in M.E.H. House in Ramat Gan.

As part of the plan, the Group is reviewing the assimilation of technology solutions presented by some of the startups participating in the plan.

Agreement with an international consulting firm regarding a multi-year strategic plan - for additional information, see Section 10 in Chapter 2, Board of Directors Report.

Agreements in the capital market and financial services segment – see Section 2.6.15.2 above.

3.15 Goals and Business Strategy

For information about the business strategy and goals – see Chapter 2, Section 10 of the Periodic Report, Board of Directors Report.

4. Corporate governance

4.1 External directors

The external directors serving at the date of publication of the report are: Mr. Naim Najjar, Ms. Efrat Yavetz, Ms. Ayelet Ben-Ezer and Ms. Yochi Dvir.

For additional information about the Company's external directors – see Regulation 26 in Chapter 5 of the Periodic Report – Additional Information about the Company.

<u>Changes in the Company's external directors in 2024 and up to the date of publication of this report</u>

Ms. Yochi Dvir began to serve as an external director in the Company on April 30, 2024.

4.2 Internal auditor

4.2.1 Information about the internal auditor and commencement of his term of office:

In December 2013, the Board of Directors appointed Ms. Osnat Manor Zisman CPA as the Company's Internal Auditor and she began to serve on February 1, 2014.

The Internal Auditor is in compliance with the provisions of Section 146(B) of the Companies Law and Section 8 of the Internal Audit Law, 1992.

The Internal Auditor is an employee of Harel Insurance and also serves as internal auditor of Harel Investments. The internal audit work is performed by employees in the Company's internal audit department, as well as through outsourced services. The Internal Auditor is accountable to the Chairman of the Company's Board of Directors.

The Company's Internal Auditor also serves as internal auditor for two subsidiaries of the Group (Harel Insurance and EMI). The following comments on the activity of the Company's internal auditor (unless specified otherwise) therefore address the activity of the internal auditor with respect to the Company's affairs as well as to the affairs of the subsidiaries as noted.

Other subsidiaries are served by other internal auditors. Thus, for example, companies in the Harel Group which are involved in the capital market and financial services sector (Harel Finance and its subsidiaries), are served by the internal auditor Linor Dloomy CPA from Deloitte. Shai Loterbach CPA serves as the internal auditor of Harel Pension and Provident, Tzva Hakeva and LeAtid. Some of the audits for these companies are performed by the employees in the Company's internal audit department.

Some of the subsidiaries are required by law to appoint an internal auditor, even though they are not public companies. Thus, for example, insurance companies and provident fund and pension fund management companies must appoint an internal auditor and an audit committee to discuss the internal auditor's reports. Consequently, the internal auditors who serve most of the Company's subsidiaries operate in accordance with and subject to decisions made by the audit committees of those subsidiaries.

In subsidiaries in which there is no internal auditor, the audit is conducted by the Company's audit system.

4.2.2 The audit plan

The audit plan is an annual plan, derived from the multiyear audit plan. The series of audits which are the subject of the multiyear plan are designed to ensure that over the course of four years, all subjects relevant to the Company's operations are audited. The content of the work plan is determined, among other things, on the basis of a preliminary study and findings regarding the controls in place in the procedures and based on regulatory changes.

4.2.3 Professional practices

The generally accepted professional standards applied by the internal auditor in conducting the audit, as noted in Section 4(b) of the Internal Audit Law, are as defined by the International Institute of Internal Auditors (IIA) and adopted by the Israel Institute of Internal Auditors – ILA Israel.

4.2.4 Scope of employment

The scope of the internal audit is determined at the beginning of the year, when the audit plan is approved. In 2024, 35,495 hours of audit were performed (in 2023, 36,020 hours of audit were performed). The volume of auditing hours is defined based on a four-year plan in which context all the subjects pertaining to the operations of the Company and its subsidiaries are to be audited, as noted above. The multi-year plan forms the basis for the annual audit plan, and accordingly the number of hours required for performing it.

Information about the number of hours of auditing for the Company and its investees:

The Company	Number of hours invested
Harel Insurance	23,837
Pension and provident companies*	5,033
EMI	300
Total for financial institutions	29,170
Harel Finance and subsidiaries	2,725
Turk Nippon & Interasco	3,100
Harel Investments	500
Total	35,495

* Harel Pension and Provident, Tzva Hakeva, and LeAtid

4.2.5 Compensation

The internal auditor is an employee of Harel Insurance.

The internal auditor's salary is defined in his employment agreement, in a manner that does not prejudice his professional discretion or independence.

4.2.6 Access to information

All the relevant documents requested were presented to the Internal Auditor, including constant, unmediated access to the Company's information systems and to any other information, and including financial data.

4.2.7 The Internal Auditor's report

All the Internal Auditor's reports were submitted in writing. Each report was submitted to the chain of audited entities up to the CEO and chairman of the audit committee of the audited company's board of directors. A meeting of the audit committee was held with the audited entities regarding the findings and the response of the audited entities was submitted in writing.

In all, four audit reports were submitted to the Company in the Reporting Period, and they were all discussed by the Audit Committee which convened close to their submittal date.

4.2.8 Board of Directors assessment of the Internal Auditor's work

The Board of Directors believes that the scope of the Company's internal audit, the nature and continuity and work plan of the internal auditor, are adequate under the circumstances and they are capable of achieving the objectives of the internal audit.

4.3 External Auditor

4.3.1 Particulars of the external auditor

4.3.1.1 Name: KPMG Somekh Chaikin

Service commenced: 1999

4.3.1.2 Name of the partner responsible for auditing the Company:

Ms. Taly Bisker-Avisar, CPA

The financial reports at December 31, 2024 and for the year ended at that date were audited by Tal Zaharani, CPA, Partner, standing in for Ms. Taly Bisker-Avisar.

4.3.2 Disclosure concerning the fee paid to the auditors

Details of the fee paid to the CPA (excluding VAT) for services rendered during the period 2023-2024:

	2024			
	Fee (NIS thousand) excl. VAT			
	Auditing services	Other	Special tax services	Total
The Company [(1)]	606	626	4	1,236
Harel Insurance [(1)]	*8,029	223	656	8,908
Harel Pension & Provident [(1)]	1,176	-	-	1,176
Harel Finance [(2)]	567	-	100	667
Other companies [(1)]	1,352	-	121	1,473
Total	**11,730**	**849**	**881**	**13,460**

	2023			
	Fee (NIS thousand) excl. VAT			
	Auditing services	Other	Special tax services	Total
The Company [(1)]	747	7	-	754
Harel Insurance [(1)]	*6,344	886	1,108	8,338
Harel Pension & Provident [(1)]	1,301	-	-	1,301
Harel Finance [(2)]	520	4	65	589
Other companies [(1)]	932	-	-	932
Total	**9,844**	**897**	**1,173**	**11,914**

(1) KMPG Somekh Chaikin – (most of the amount).

(2) Kost Forer Gabbay – Ernst & Young (most of the amount).

* The amount includes an audit in respect of IFRS 17 and Solvency.

4.3.3 The Company's deployment for the application of International Financial Reporting Standards 17 - *Insurance Contracts* (“IFRS 17” or “the Standard”)

The Company is continuing to prepare for the integration of the Standard in the financial statements of the Company and Harel Insurance from the quarterly and annual periods beginning January 1, 2025, based on the Roadmap for the Adoption of IFRS 17 published by the Capital Market, Insurance and Savings Authority on August 12, 2024 (“the Roadmap”)..

As part of this deployment, the Company is in the process of applying and assimilating a SAP computerized system for the accounting management of the provisions of the Standard, with the support of Ernst & Young acting as an external consultant in this process. The Company is also reviewing the multiple repercussions of adopting IFRS 17 on its financial statements, including a design and review of the reasonability of all the controls connected with the information systems and the new procedures resulting from application of the Standard. For additional information about the application of the Standard, see Note 41 to the Financial Statements.

4.4 Report concerning the effectiveness of the internal control over financial reporting and disclosure

For additional information about the effectiveness of internal control over financial reporting and disclosure - see Chapter 6 of the Periodic Report.

Yair Hamburger Chairman of the Board	Nir Cohen CEO

March 25, 2025

Harel Insurance Investments and Financial Services Ltd.

Chapter 2

Board of Directors Report

Contents

Harel Insurance Investments and Financial Services Ltd.

Board of Directors' Report for 2024

The Board of Directors' Report in this chapter of the Periodic Report, also contains forward-looking information, as defined in the Securities Law, 1968. Forward-looking information is uncertain information concerning the future based on information in the company's possession at the time of publishing the report and which includes the company's assessments or intentions at the date of the report. Actual performance may differ substantially from the results estimated or inferred from this information. In certain instances, sections can be found that contain forward-looking information, where words such as: "the Company/the Group estimates", "the Company/the Group believes", "the Company/the Group anticipates", and the like appear, and such forward-looking information may also be worded differently.

The Board of Directors' Report at December 31, 2024, reflects the principal changes in the business position of Harel Insurance Investments and Financial Services Ltd. ("Harel Investments" or "the Company") in 2024. The Board of Directors' Report is an inseparable part of the Periodic Report in its entirety, and the entire Periodic Report should be read as a single document.

1 Description of the Company

1.1 General

Harel Insurance Investments and Financial Services Ltd. ("Harel Investments" or "the Company") is a public company, whose shares have been traded on the Tel Aviv Stock Exchange since 1982. The Company, together with its subsidiaries, ("the Group") operates principally in the following areas:

A. In the different insurance sectors, the Company operates through the following subsidiaries: Harel Insurance Company Ltd. (fully controlled) ("Harel Insurance"); Interasco Societe Anonyme General Insurance Company S.A.G.I (in which the Company holds 94%) operating in non-life insurance in Greece; Turk Nippon Sigorta A.S (fully controlled) ("Turk Nippon") operating in Turkey; E.M.I. - Ezer Mortgage Insurance Company Ltd. (fully controlled) ("EMI"); and ICIC -Israel Credit Insurance Company Ltd. (with a 50% holding) ("ICIC").

B. In the long-term savings sector, the Company operates through the following subsidiaries that are provident fund and pension fund management companies: Harel Pension and Provident Ltd. (fully controlled) ("Harel Pension & Provident"), which manages pension and provident funds; Tzva Hakeva Savings Fund - Provident Funds Management Company Ltd. (under full control) ("Tzva Hakeva Saving Fund - Provident Funds Management Company Ltd. (fully controlled) ("Tzva Hakeva") which manages an education fund for IDF career soldiers and pensioners; LeAtid Pension Funds Management Company Ltd. (in which the Company has a 79% stake), which manages an old pension fund ("LeAtid").

C. In the financial services and capital market segment - the Company operates through the subsidiary Harel Finance Holdings Ltd. ("Harel Finance") (fully controlled by the Company) and its principal subsidiaries: Harel Mutual Funds Ltd. ("Harel Mutual Funds") - a mutual fund management company; Harel Finance Investment Management Ltd. ("Harel Finance Investments") - which is a licensed portfolio manager and manages investment portfolios; Harel Index Trade Ltd. - a company involved in market making for the ETFs managed by

Harel Mutual Funds; Harel Finance Alternative Ltd., a company that serves as a general partner and investor in the partnerships Harel Finance Alternative Hamagen (a limited partnership registered in the USA) and Harel Finance Alternative Hamagen Europe (a limited partnership registered in Luxembourg); Harel Exchange Traded Deposit Ltd., a company that issued bonds backed by deposits, and Harel Alternative Investment Funds Ltd., a company that is a general partner in limited partnerships that are private equity funds operating in joint investments with Harel Insurance.

D. In the credit sector - through the second-tier subsidiary Hamazpen Shutaphim Laderech Ltd. (in which it has a 70% holding) ("Hamazpen") that creates innovative financing solutions for quality entrepreneurs providing business management and credit to medium businesses, including the provision of mezzanine loans; through a subsidiary fully owned by Harel Insurance, Harel 60+ Ltd. ("Harel 60+") that provides ordinary mortgage loans, as well as "reverse mortgage" loans to borrowers aged 60 or more in the form of a lien on their homes; within the framework of development property finance activity carried out by Harel Insurance; and the provision of financial guarantees and entrepreneurial and operating services for mortgage portfolios guaranteed by third parties through Harel Insurance and EMI.

Additionally, in December 2024, the Company completed a transaction for the acquisition of all the shares of Gamla Harel Residential Real Estate Ltd. ("Gamla"), a company that provides finance for developers in the residential real estate sector. For additional information see Note 39E to the Financial Statements.

For information about the Company entering into a non-binding Memorandum of Understanding with PAMA Leasing Ltd., see Note 40 (1) to the Financial Statements.

The Company's separate activity centers on the management, control and supervision of the subsidiaries, on-going planning of the Group's operations, and initiating activity and investments, both directly and through the Group companies.

For more information about the Group's operating segments, see Section 1.2 in Chapter 1 of the Periodic Report - Description of Company Operations.

1.2 The Company's shareholders

Yair Hamburger, Gideon Hamburger and Nurit Manor are the principal shareholders in the Company (in this section: "the Shareholders"), holding 46.3% of the voting rights and the issued share capital of the Company.

The Shareholders hold the Company principally through G.Y.N. Investment Management & Economic Consulting 2017 Limited Partnership, a limited partnership fully owned and controlled by the Shareholders, which they hold, as limited partners, through private companies fully owned by them ("G.Y.N. Partnership") and they also hold the general partner in G.Y.N. Partnership.

2 Financial position and results of operations, liquidity and sources of finance

2.1 Principal changes in the Company's business

On material transactions and other changes that took place in the Reporting Period – see Section 1.1.7 in Chapter 1 of the Periodic Report – Description of Company Operations.

On changes that took place after the Reporting Period - see Section 1.1.8 in Chapter 1 of the Periodic Report - Description of Company Operations.

2.2 Swords of Iron War

On October 7, 2023, the Hamas terror organization launched a surprise, ruthless attack on the State of Israel which included the firing of rockets and the infiltration of thousands of terrorists from the Gaza Strip into Israel. Following this ruthless attack, the government of Israel declared the Swords of Iron War ("the War"), called up large swathes of its reserve forces and launched a counter offensive against Hamas operating from the Gaza Strip. In parallel, there was a serious escalation of the security situation on Israel's northern border, facing the Hezbollah terror organization, as well as increasing tension with Iran and the Houthis in Yemen.

2024 was a turbulent year for Israel as a whole and for the Israeli economy in particular. The War was conducted on seven different fronts including Gaza, Lebanon, Iran and Syria, and impacted in all sectors of the economy. In July 2024, Israel began to initiate military action against Lebanon, Iran and Yemen, including carrying out targeted assassinations against senior Hamas and Hizbollah leaders. This was a positive turning point for the economy. and so, despite the numerous difficulties and challenges in the business environment, the Israeli economy displayed strength and resilience and, as noted, beginning in the second half of 2024 economic activity showed signs of recovery, coping relatively well with the challenges of the period.

The security situation directly impacted the state of Israel's economy. The effects of the events of October 7, 2023 and the ensuing events on the Israeli economy in general and on the insurance and finance sector in particular were marked, but the scope and depth of this effect vary and remain unknown and cannot be fully estimated. The resumption of fighting on the different fronts after the ceasefire, its intensification and expansion to other fronts, the involvement of other countries in the conflict, the issue of the hostages - all these and more could affect the Israeli economy. The Company is unable to estimate the future impact of the foregoing in the prevailing environment of considerable uncertainty at the time of publishing this report.

Information about the effects of the War on the scope of the Group's exposure to insurance risks:

Life insurance and long-term savings: Most of the exposure as a result of the War is attributable to insurance for risk of death (simple life insurance), to the extent that claims develop in this sector. The increase in the cost of claims in the Reporting Period was estimated at NIS 53 million before tax (about NIS 35 million after tax) (in 2023 NIS 88 million before tax (about NIS 58 million after tax)). Likewise, there is no evidence of material change in the volume of withdrawals and redemptions as a result of the War.

Health insurance, including long-term care: The volume of exposure resulting from the War in the Reporting Period is insignificant and is estimated at approximately NIS 8 million before tax (NIS 5 million after tax) (in 2023, NIS 9 million before tax (NIS 6 million after tax)).

Non-life insurance: Property losses arising from war events are generally not covered by property policies. Harel Insurance therefore believes that the scope of the exposure resulting from the War is insignificant at this stage.

Additionally, at the time of publication of the Financial Statements the War has had no material effect on the continuing growth of the Group’s AUM.

It is emphasized that the Group’s assessments concerning the possible implications of the War for its activity are uncertain and are beyond the Group’s control. These assessments are based on the Group’s best knowledge at this stage. These estimates may not materialize, wholly or partially, or may materialize differently and even significantly differently, than expected, and they constitute forward-looking information according to its definition in the Securities Law, 1968, based on the Group’s assessments to the best of its judgment based on the information available to it in connection with these subjects. It is possible that all or part of the assessments will not materialize, or they may materialize differently due to factors beyond the Group’s control, and specifically macroeconomic, security and political events, including a significant escalation and/or continuation of the current state of war.

2.3 Multi-year strategic plan for the Group

In August 2022, the Company entered into an agreement with a leading international strategic consulting firm.

Based on a review and collaboration between the Company and the consulting firm, in February 2023 the Company’s Board of Directors resolved to adopt a multi-year strategic plan called “Harel 2030”.

The Harel 2030 strategy focuses on three key layers in the Group’s activity: (1) accuracy of the performance of the core operating segments; (2) relationship with the customer - enhancing and strengthening the distribution engines in the operating segments; and (3) diversification of the Group’s sources of income. For additional information see Sections 2.10 and 9 below.

2.4 Dividend distribution policy and distribution of dividends

On February 28, 2021, the Company’s Board of Directors approved a dividend distribution policy whereby the Company will distribute a dividend of at least 30% of comprehensive income according to its annual consolidated financial statements.

Additionally, on February 28, 2021, the board of directors of the subsidiary Harel Insurance approved a dividend distribution policy in which the Company will distribute a dividend of at least 35% of comprehensive income according to the annual consolidated financial statements of Harel Insurance, and this as long as Harel Insurance is in compliance with the minimum targets for solvency based on Solvency II (in accordance with an updated decision of the Board of Directors of Harel Insurance from January 2025, minimum solvency was set at 135% taking into account the transitional provisions, and 115% excluding the transitional measures in the transitional period).

For additional information, see an Immediate Report of the Company dated August 28, 2021, Ref. 2021-01-023829.

For information about resolutions passed by the Company’s Board of Directors dated March 28, 2024, August 29, 2024 and December 23, 2024, concerning a dividend distribution, see Note 15 to the Financial Statements.

2.5 Plan to repurchase shares

On January 30, 2024, the Company’s Board of Directors approved a plan to repurchase shares of the Company in the amount of up to NIS 100 million. This plan will be implemented from time to time as will be determined by the Company's management which was authorized by the Board of Directors to purchase securities at its discretion during the period prescribed for implementation of the plan. As at the publication date of the financial statements, the Company has utilized the plan in full.

On November 27, 2024, the Company's Board of Directors approved a plan to repurchase shares of the Company in the amount of up to NIS 100 million. This plan will be implemented from time to time as will be determined by the Company's management which was authorized by the Board of Directors to purchase securities at its discretion during the period prescribed for implementation of the plan. At the date of publication of the Financial Statements, the Company has made several share repurchases as part of the aforesaid plan in the total amount of NIS 17.1 million.

On March 25, 2025, together with the approval of the financial statements, the Company's Board of Directors approved an additional plan to repurchase shares of the Company in the amount of up to NIS 100 million. This plan will be implemented periodically as will be determined by the Company's management which was authorized by the Board of Directors to purchase securities at its discretion during the period prescribed for implementation of the plan.

For additional information about the share repurchase plan, see Note 15 to the Financial Statements.

For information about a repurchase plan approved by the Company in August 2022 and which at December 31, 2024 had been fully utilized, see an Immediate Report of the Company dated August 29, 2022, Ref.: 2022-01-088926.

2.6 Financial covenants for the issue of Series 1 bonds of the Company

As part of the issue of Series 1 bonds of the Company, the Company undertook to comply with financial covenants in which the Company's equity, according to its separate (solo), audited annual financial statements, will not be less than NIS 3 billion; and that the Company's net financial debt to asset ratio according to its separate audited annual financial statements will not be more than 50%. At December 31, 2024, and at the date of publication of the financial statements, the Company is in compliance with the prescribed financial covenants.

2.7 Expected material effects of IFRS 17 and IFRS 9 ("the New Standards")

As part of the preparation by Harel Insurance to implement the New Standards in 2025, the Company examined the effects expected to impact the Group as a result of application of the New Standards. Information about key changes in accounting policy and their effects on the Statement of Financial Position (pro forma balance sheet) at January 1, 2024, the date of transition to the New Standards as determined by the Capital Market, Insurance and Savings Authority, appears in Note 41 to the Financial Statements.

Notably, the process of deployment by the Group is still underway. The following data were computed on the basis of the deployment status at the Reporting Date. It is emphasized that there may be changes in the data presented below, that may result from the ongoing process of the collection and optimization of the information, the processes of integrating controls as well as changes that may arise from developments with respect to interpretation of the application of the New Standards, including following discussions with the external auditors, instructions issued by the Commissioner of the Capital Market, Insurance and Savings and also including in connection with the instructions of the Tax Authority.

Since the first-time publication of the financial statements in accordance with the New Standards will take place in the first quarter of 2025 and the Company is still processing and learning the material, there might also be changes in the accounting policy on which the information is based.

From the first quarter of 2025 and with the entering into force of the new standards, the Company is expected to report its profits assuming a yield based on the nominal risk-free interest rate plus a margin so that its profits will be reflected with low volatility (this in place of the present calculation based on an assumed real yield of 3%). At this stage, the Company is yet to complete the assessment with respect to the size of the margin and the extent to which it conforms with the New Standards.

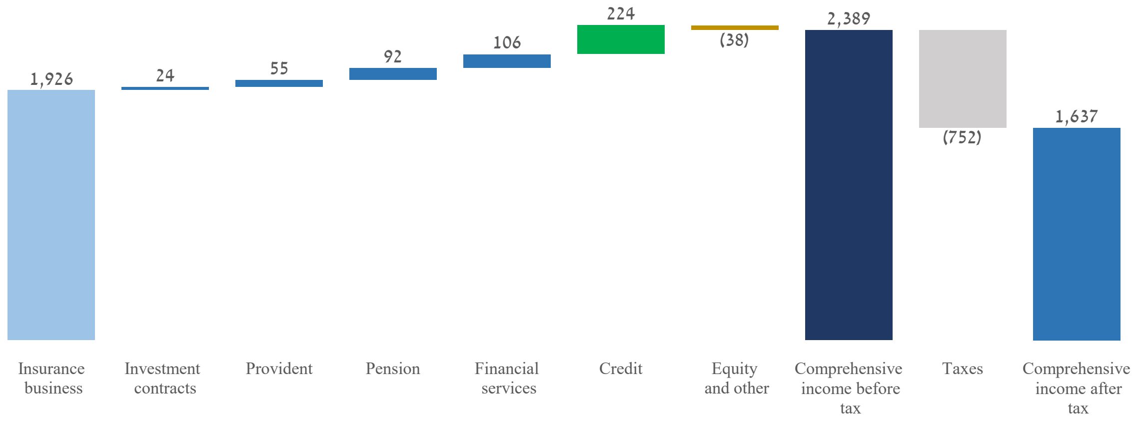
Information about the expected effects of the application of the New Standards on the equity, Contractual Service Margin (CSM) balance and Risk Adjusted (RA) balance of non-financial risk, at January 1, 2024 (date of the transition to the New Standards as determined by the Capital Market, Insurance and Savings Authority):

These figures were audited by the Company's external auditors.

- The total equity of Harel Insurance and the Company at the date of the transition is expected to increase by NIS 191 million and by NIS 260 million, respectively (of which NIS 68 million is for EMI), to NIS 4.2 billion and NIS 9.2 billion, respectively.
- Harel Insurance is expected to recognize a CSM balance (net of reinsurance) in the amount of NIS 15.9 billion before tax (NIS 10.4 billion after tax);
- Harel Insurance is expected to recognize a RA balance for non-financial risk (net of reinsurance) in the amount of NIS 3.4 billion before tax (NIS 2.2 billion after tax).

Information about the expected effects of the New Standards, segmented by lines of business on comprehensive income ("Pro-forma Statement of Comprehensive Income") of the Company for the year ended December 31, 2024:

The effect of the New Standards on the Company's comprehensive income after tax is NIS 490 million (these figures were not reviewed or audited by the Company's external auditors).

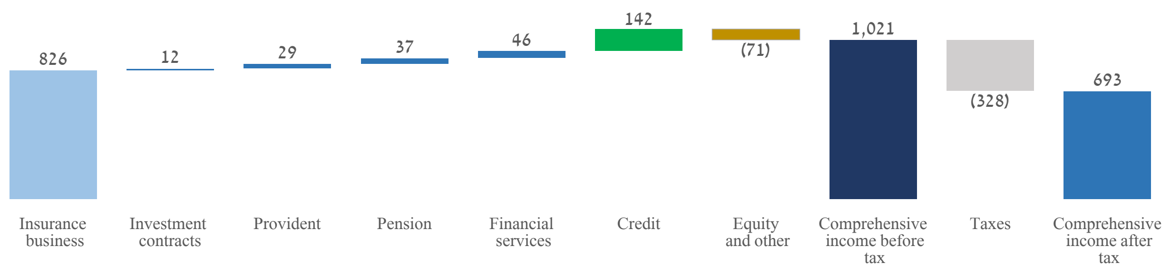


IFRS17 2024	1,926	24	55	92	106	224	(38)	2,389	(752)	1,637
IFRS4 2024	1,278	24	55	92	106	127	(42)	1,640	(493)	1,147
Change	780	0	0	0	0	97	4	749	(259)	490

Results of the non-life insurance segment include results for the insurance companies overseas segment.

Information about the expected effects of the New Standards, segmented by lines of business, on the Company's comprehensive income ("Pro-forma Statement of Comprehensive Income") for the six months ended June 30, 2024:

The effect of the New Standards on the Company's comprehensive income after tax is NIS 561 million (these figures were not reviewed or audited by the Company's external auditors).



IFRS17 H1/24	826	12	29	37	46	142	(71)	1,021	(328)	693
IFRS4 H1/24	46	12	29	37	**46**	59	(67)	162	(30)	132
Change	780	0	0	0	0	83	(4)	859	(298)	561

Results of the non-life insurance segment include results for the insurance companies overseas segment.

Key items from the Company's proforma statement of comprehensive income for the six months ended June 30, 2024, calculated in accordance with the New Standards:

	NIS million
Profit from insurance services in retention (1)	983
Profit (loss) from investments and finance, net, in retention (2), (3)	192
Other profit (loss), net	(154)
Comprehensive income for the period, before tax	1,021
Comprehensive income for the period, after tax	693

1) Profit from insurance services in retention includes total underwriting profitability from insurance services. The profit mainly comprises release from the CSM and release of the RA component.

   Profit from insurance services in retention comprises: profit from insurance services in life insurance, health insurance and in non-life insurance (including results of the insurance companies overseas segment), in the amount of NIS 401 million, NIS 491 million and NIS 91 million, respectively.

2) Profit (loss) from investments and finance, net, in retention, comprises:

   A. Profits (losses) from investments in respect of savings policies and investment contracts, net of the change in liabilities for insurance contracts attributable to changes in the fair value of the base items and net of the change in liabilities for investment contracts on account of the yield component;

   B. Profit from the Nostro portfolio, including income from interest and a share in the profits of equity accounted associates;

   C. Financing expenses based on the discounting interest rate in respect of the value of time attributable to insurance contracts, net of finance income attributable to reinsurance treaties;

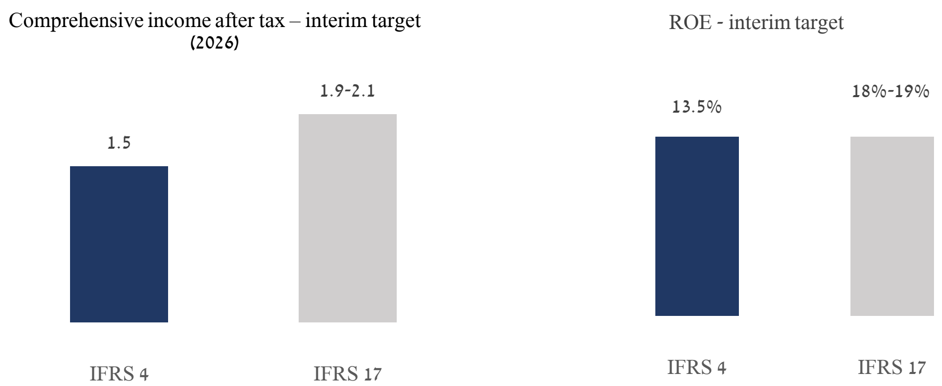
   D. The effects of changes for the period of the risk-free interest rate and illiquidity premium, changes between the forecast CPI and the actual CPI, changes between the forecast yield and the actual yield on the risk policies.

3) The Company believes that the effect of the increase in the risk-free interest risk and illiquidity premium in the first half of 2024, reduced the insurance liabilities on retention by NIS 491 million before tax. In contrast, the effect of the interest rate led to reduction of the fair value of the financial investments.

   The Company believes that the effect of the decrease in the risk-free interest risk and illiquidity premium in the second half of 2024, increased the insurance liabilities on retention by NIS (910) million before tax. In contrast, the effect of the interest rate led to an increase in the fair value of the financial investments.

   Notably, the effect of the interest described above does not include the effects of interest in respect of the overseas companies segment.

The following diagrams present the targets of the strategic plan and data on comprehensive income after tax (in NIS billion) and the return on the Company's equity as calculated in line with the principles of the strategic plan (as specified in Section 2.10 below), adjusted to the New Standards:



The method of application of the Standard may also be subject to changes or adjustments following clarifications or updates in the International Financial Reporting Standards, changes in current practice abroad and the reporting practice being formulated in Israel, regulatory changes, tax changes or changes and adjustments in various estimates prepared by Harel Insurance based on professional discretion. The above data should therefore not be treated as final data or results. The information in its entirety contained above is

therefore forward-looking information, according its definition in the Securities Law, 1968. It is stipulated that the above data neither address nor affirm the full impact of the New Standards, including to the extent there are any, on the relevant tax regime and on the Solvency II based economic solvency ratio of Harel Insurance (with and without transitional measures). At the date of publication of the report, these matters have yet to be fully regulated, they are beyond the full control of Harel Insurance and are under review.

2.8 Developments in the macroeconomic environment of the Group

The results of the Group's operations are significantly affected by the yields attained in the capital market and by the economic, political and security situation in Israel and worldwide. Following are the key factors in the macroeconomic environment that affect the Group's activity:

2.8.1 General

The global economy continued to grow in 2024, but with differences between the different blocks. Economic activity in the US remained robust, driven by personal consumption. In Europe, weakness in the industrial sector overshadowed the economic growth of the large economies, with the emphasis on Germany, while expanding tourism contributed to those countries in the southern part of the continent, and to Spain in particular. Activity in China's real-estate market continued to shrink, although in the second half of the year exports drove an improvement in growth.

Inflation world wide continued to moderate in 2024, converging towards the central bank targets in many economies. Consequently the world's leading central banks began to gradually lower the interest rate, particularly in the second half of the year.

2.8.2 Developments in the Israeli economy

According to initial indicators, Israel's GDP expanded by a moderate 1% in 2024. This is the second year in a row with negative per capita growth. Notwithstanding the foregoing, the labor market remained tight, partly due to supply limitations, and the unemployment rate dropped during the year. In 2024, the international rating companies Moody's, Fitch and S&P lowered Israel's credit rating.

2.8.3 Stock market

By the end of the year, the MSCI World Index (gross, in dollar terms) was up 19%, driven by a 23% increase in the USA"s S&P 500 index. In contrast, Europe's stock markets performed more moderately with the Stoxx Europe 600 Index up 5% and the MSCI Emerging Markets Index up 8%. Performance in Israel's stock markets was among the best in the world, following a rapid increase in the last quarter of 2024 so that at the close of the year the TA-125 index had risen by 29%.

2.8.4 Bond market

By the end of 2024, Israel's key bond indices recorded a positive yield, particularly for corporate bonds, where most of the price increase was recorded in the second half of 2024. The year closed with the general bond index up 5%, where the government bond index rose by 3% and the corporate bond index rose by 7%.

2.8.5 Mutual funds and ETFs

In 2024, the mutual funds and ETFs raised a net amount of NIS 79 billion (excess of issuances over redemptions, net of cash dividends), compared with NIS 56 billion in 2023. Most prominent in 2024 were the money-market funds which raised NIS 33 billion, NIS 23 billion raised in the funds specializing in foreign shares, and NIS 7 billion raised in the funds specializing in corporate bonds for Israeli companies.

2.8.6 Foreign exchange market

2024 closed with the shekel 4% stronger against the Bank of Israel's basket of currencies, with depreciation of 1% against the US dollar and appreciation of 5% against the Euro and 9% against the Japanese yen. Contributing factors to this were the rising prices in the capital markets, the continuing surplus in the balance of payments current account and the declining intensity of the War in the fourth quarter of the year.

2.8.7 Inflation

In 2024, inflation was 3.4% (November index as the last known index at the end of 2024). The most notable price increases this year were for housing, food and transportation. The prices of apparel (clothing and footwear) and furniture / home appliances dropped.

2.8.8 Bank of Israel interest

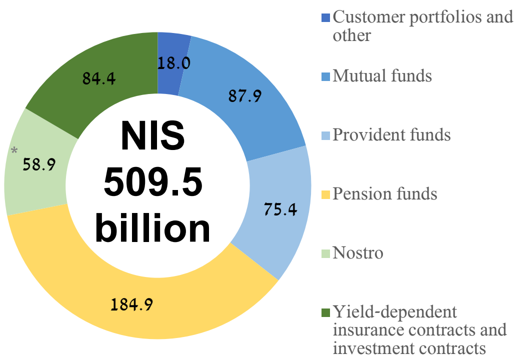
The Bank of Israel lowered the interest rate the beginning of 2024 by one quarter of a percent to 4.5% and since then the interest rate has remained unchanged.

2.8.9 Events after the date of the report

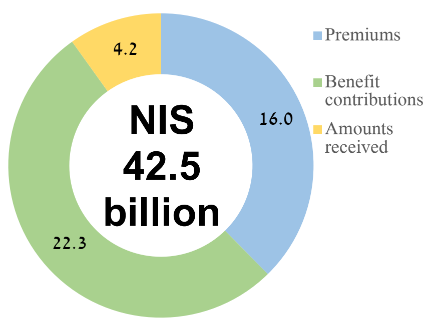
At the beginning of 2025, the Bank of Israel left the interest rate unchanged at 4.5%. The Bank is predicting growth of 4% in 2025. At the beginning of 2025, it was published that inflation in 2024 dropped to 3.2% but in January 2025 inflation rose to 3.8%, partly due to the VAT increase.

2.9 Condensed data from the consolidated financial statements of Harel Investments

The Group's AUM:



Data on earned premiums, gross, benefit contributions and amounts received for investment contracts:



Assets managed by the provident funds, pension funds, mutual funds and in customers' portfolios are not included in the Company's consolidated financial statements.

* Including certificates of deposit issued by Harel Finance in the amount of NIS 17.3 billion and NIS 9.4 billion at December 31, 2024 and December 31, 2023, respectively.

Amounts received in respect of investment contracts are not included within premiums but are recognized directly in liabilities for insurance contracts and investment contracts. In the Reporting Period, the amounts received for investment contracts recognized directly in the reserves for investment contracts amounted to NIS 4.2 billion, compared with NIS 2.9 billion in the corresponding period last year.

2.9.1 Comprehensive income (loss) by segment (NIS million):

	Notes	For the year ended December 31			For the three months ended December 31		For the year ended December 31
		2024	2023	change in %	2024	2023	2022
Life insurance and long-term savings							
Life insurance	A	353	124	-	246	15	(793)
Pension	B	92	73	26	30	17	57
Provident	B	55	40	38	16	11	46
Total life insurance and long-term savings segment		**500**	**237**	-	**292**	**43**	**(690)**
Non-life insurance	C						
Compulsory motor		(121)	(48)	-	(66)	(47)	(32)
Motor property		158	(2)	-	61	39	(255)
Property and other lines of business		155	154	-	38	61	102
Other liabilities lines of business		303	142	-	106	10	164
Mortgage insurance		32	33	(3)	10	10	28
Total non-life insurance segment		**527**	**279**	89	**149**	**73**	**7**
Health insurance	D	473	129	-	186	73	787
Insurance companies overseas	E	(51)	(5)	-	(21)	7	(25)
Credit segment	F	127	103	23	36	27	64
Financial services	G	106	80	33	34	22	73
Not attributed to segments of operation		(42)	(2)	-	(16)	14	(415)
Total before tax		**1,640**	**821**	100	**660**	**259**	**(199)**
Tax expenses (tax benefit)		493	210	-	194	54	(129)
Other comprehensive income (loss) after tax		**1,147**	**611**	88	**466**	**205**	**(70)**
Attributed to:							
Shareholders of the Company		1,133	600		461	203	(77)
Non-controlling interests		14	11		5	2	7
Return on Equity in annual terms		13%	7%		20%	9%	(1%)

The results of the Group's activity are considerably affected by changes in the capital markets that affect the Group's asset portfolios and as a consequence also affect the financial margin and management fees collected for the management of members' assets in profit-sharing policies, members of pension funds and provident funds. Additionally, the Group's results are also partly affected by changes in the interest rate, regulatory reforms and changes and by actuarial studies and updates.

Results in the Reporting Period and in the fourth quarter were affected by real, positive Nostro yields in the capital market which were higher than in the corresponding period and corresponding quarter last year.

Additionally, results in the Reporting Period and corresponding quarter and also in the corresponding period last year were affected by changes in the interest curve applied in calculating the insurance liabilities (changes in the risk-free interest curve and decrease of the illiquidity premium) and by changes in the difference between the fair value and book value of the non-marketable assets. Additionally, results in the Reporting Period were also affected by an update of the interest rate applied in calculating the reserves for annuities in payment which reduced the insurance liabilities (revised in Q2).

In the corresponding quarter last year (in the third quarter), the interest rate applied in calculating the reserves for annuity and work disability in life insurance, and the reserves for claims in payment in the long-term care sector was revised, which led to a reduction of the said insurance liabilities.

For additional information about special effects on comprehensive income, see Section 2.9.2.

A. Life insurance - results in the Reporting Period and in the corresponding period last year were mainly affected by capital market yields as described above.

Income from management fees in the Reporting Period and fourth quarter amounted to NIS 529 million and NIS 137 million, respectively, compared with NIS 502 million and NIS 124 million in the corresponding period and corresponding quarter last year, respectively.

Pursuant to the mechanism for collecting management fees set out in the legislative arrangement, insurance companies will not collect variable management fees in respect of profit-sharing policies that were sold between 1991 and 2003, until sufficient investment profits are attained in respect of assets held to cover yield-dependent liabilities, to cover the accrued investment losses. In the corresponding period last year, Harel Insurance did not collect variable management fees in respect of these policies and only collected fixed management fees, whereas in 2024, Harel Insurance collected variable management fees in the amount of NIS 4 million on such profit-sharing policies, where the real, accrued yield in respect thereof was positive. At December 31, 2024, the non-collection of management fees due to the real aggregate negative yield until a cumulative positive yield is attained ("the Deficit") was estimated at NIS 25 million.

Additionally, results in the Reporting Period were affected by an increase in the number of claims in the risk of death sector as a result of the Swords of Iron War ("the War"). The effect of the War in the Reporting Period and fourth quarter amounted to NIS 53 million and NIS 11 million, respectively (personal lines and group). The effect of the War on results in the corresponding period and corresponding quarter last year amounted to NIS 88 million (personal lines and group). See also Section 2.2.

Additionally, results in the Reporting Period were affected by an increase in the number of claims in P.H.I. (work disability) cover and increase of the IBNR reserve in cover for risk of death due to growth of activity and sums insured. This increase was offset by improved underwriting due to the continuing growth of risk product activity.

Results in the corresponding period last year were affected by improved underwriting attributable mainly to an increase in profit from risk products on account of the continuing growth of activity and a decrease in the number of claims in the cover for work disability.

Additionally, results in the Reporting Period and in the corresponding period last year were affected by actuarial studies. Results in the Reporting Period were also affected by the application of a regulatory circular. For additional information, see Sections 2.9.2 (B) and (C).

B. Pension and provident - the results were affected by capital market yields as described above.

Additionally, results in the Reporting Period were mainly affected by an increase of the management fees resulting from the growth of the managed assets portfolio that was partially offset by an increase in marketing and other acquisition costs.

C. Non-life insurance -

1. Compulsory motor and liabilities sectors - the results were affected by the capital market yields and by the increase in the interest rate curve in the short term applied in calculating the insurance liabilities.

   Compulsory motor sector - in the Reporting Period and fourth quarter, underwriting performance deteriorated compared with the corresponding period last year due to a negative development in respect of prior years, in part with respect to groups with which the agreements were terminated correct to February 2024. This effect was partially offset by the continuing decrease in the average cost of claim.

   Liabilities sectors - results in the Reporting Period and fourth quarter were affected by an improvement in underwriting performance compared with the corresponding period and quarter last year, partly due to a positive development in claims in respect of prior years, mainly in the employers liability sector.

2. Motor property (CASCO), property and other sectors - the results were affected by capital market yields as described above.

   Motor property (CASCO) - in the Reporting Period and fourth quarter, underwriting improved compared with the corresponding period last year, mainly due to an increase in the average premium and a decrease in the average cost of claim.

   Property and other sectors - in the Reporting Period underwriting improved compared with the corresponding period last year, mainly due to the continuing growth of activity in the property loss sector. Results in the corresponding period and corresponding quarter last year were affected by a revised estimate of the insurance liabilities in the Sale Law guarantees sector, so that the liabilities will reflect the insurers' adjusted credit risks. The effect of the foregoing reduced the insurance liabilities by NIS 15 million before tax.

D. Health insurance - the results were affected by capital market yields as described above.

1. Personal lines and group long-term care - results in this sector are partially affected by changes in the LAT reserve. The change in the LAT reserve is partly attributable to changes in the risk-free interest rate curve, changes in the illiquidity premium, changes in the difference between the fair value and book value of the non-marketable assets, and other changes.

   Results in the Reporting Period and fourth quarter were affected by changes in the interest rate curve applied in calculating the insurance liabilities as described above, that led to the recording of an LAT reserve. For additional information, see Section 2.9.2 (E).

   Additionally, results in group long-term care reflect termination of the agreement with Clalit Health Services members based on the old system and application of the new outline in which the reserve fund bears the full insurance risk. In view of the foregoing, results in the Reporting Period reflect the Company's net operating income for the new outline. For additional information about the Commissioner's permit for an agreed outline regarding this policy for a 12-month period (from January 1, 2024, through December 31, 2024) see Section 2.11.6.

Results in the Reporting Period were affected by a reduction of the insurance liabilities (decrease in the IBNR reserve) in light of shortening the interval between the occurrence of the insured event and date of filing the claim.

Additionally, results in the Reporting Period and in the corresponding period last year were affected by actuarial studies in the personal lines long-term care sector. For additional information, see Section 2.9.2 (G).

2. Health sector - in the Reporting Period, underwriting performance improved in the cover for transplants, ambulatory care and personal accidents due to a reduction in the number of claims and the claim amounts paid out. This was partially offset by a deterioration of the cover for medications in light of an increase in the number and amount of the claims. Furthermore, the effect of the War in the Reporting Period amounted to NIS 8 million. For additional information, see Section 2.2.

   Results in the corresponding period last year were affected by improved underwriting performance in group policies as well as in the cover for medications as additional medications were included in the health services basket and by an improvement in the personal accident product. This was offset by an increase in the number of claims in ambulatory cover and an increase in the number of claims in accidental cover in the wake of the Swords of Iron War.

   Additionally, results in the Reporting Period and in the corresponding period last year were affected by actuarial studies. Results in the Reporting Period were also affected by the application of a regulatory circular. For additional information, see Sections 2.9.2(B) and (H).

E. Insurance companies overseas segment

Turk Nippon - results in the Reporting Period were affected by underwriting deterioration that is mainly attributable to a significant increase in reinsurance tariffs in Turkey and an increase in IBNR claims. The underwriting deterioration was partially offset by an increase in investment income due to an increase in the interest rate paid on deposits in Turkey. Likewise, the results were significantly affected by the continuing rise of inflation n Turkey which reached an annual rate of 44.38% in the Reporting Period and by further erosion of the Turkish lira exchange rate. These macroeconomic factors significantly affected the results. Results in the Reporting Period and in the corresponding period last year include adjustment of the financial statements for inflation as the Turkish economy became hyper-inflationary, as well as discounting of some of the insurance liabilities in light of rising inflation and interest rates in Turkey.

F. Credit segment - the increased profitability in the Reporting Period and fourth quarter is attributable to the continued growth of activity in the managed credit portfolio in each of the credit activities.

G. Financial services segment - the results were affected by capital market yields as described above. Additionally, results in the Reporting Period were affected by an increase in income from management fees resulting from the growth of the managed assets portfolio.

2.9.2 Special effects on comprehensive income (loss) in the Reporting Period (NIS million):

The Company treats special effects as profit or loss that is not part of the normal course of the Company’s business, including actuarial changes resulting from studies and changes in the actuarial models, extraordinary effects resulting from the amortization of retained costs created in the course of business combinations and extraordinary expenses due to implementation of the multi-year strategic plan “Harel 2030” that focuses on three key layers of the Group's activity: (1) accuracy of the performance of the core operating segment components; (2) relationship with the customer - enhancing and strengthening the distribution engines in the operating segments; and (3) diversification of the Group's sources of income.

	Notes	For the year ended December 31 2024	For the year ended December 31 2023	Change	For the three months ended December 31 2024	For the three months ended December 31 2023	For the year ended December 31 2022
Comprehensive income (loss) for the period as published in the financial statement, before tax		1,640	821	819	660	259	(199)
Life insurance and long-term savings							
Update of the interest rate applied in calculating the reserves for annuity and work disability	A	128	176	(48)	-	-	227
Application of a circular on a revision of the demographic assumptions	B	(106)	-	(106)	-	-	(279)
Revision of the assumptions regarding the possibility of taking an annuity in line with different annuity tracks.	C	305	-	305	-	-	-
Revised assumptions following a study in connection with the morbidity rate in the critical illness sector		-	90	(90)	-	90	-
Revised study of the retirement rate and annuity TUR	D	-	-	-	-	-	(51)
Update relating to the development of expenses in the actuarial model	J	-	-	-	-	-	(23)
Health insurance							
LAT - personal lines long-term care	E	(76)	-	(76)	(76)	-	764
Update of the interest rate applied in calculating the reserve for claims in payment - personal lines and group long-term care	F	-	42	(42)	-	-	15
Update of the interest rate applied in calculating the active reserve - personal lines long-term care	F	-	-	-	-	-	763
Revised assumptions resulting from studies - long-term care	G	17	(50)	67	17	(50)	(358)
Revised assumptions resulting from studies - personal lines health	H	(43)	(24)	(19)	(43)	(24)	28
Revised VAT rate in calculation of the reserves	I	(9)	-	(9)	-	-	-
Update relating to the development of expenses in the actuarial model	J	-	-	-	-	-	178
Application of a circular on a revision of the demographic assumptions	B	(5)	-	(5)	-	-	(12)
Non-life insurance							
Effects of the interest rate	K	57	83	(26)	(42)	(93)	524
Actuarial updates	K	-	-	-	-	-	75
Extraordinary expenses due to the amortization of surplus costs created in the acquisition of operations and/or companies and implementation of the multiyear strategic plan "Harel 2030"		(159)	(98)	(61)	(102)	(21)	(35)

	Notes	For the year ended December 31			For the three months ended December 31		For the year ended December 31
		2024	2023	Change	2024	2023	2022
Total effects, before tax		109	219	(110)	(246)	(98)	1,816
Total comprehensive income before tax, after adjustment for special effects		1,531	602	929	906	357	(2,015)

A. Results in the Reporting Period (in the second quarter) were affected by a reduction of the insurance liabilities by NIS 128 million before tax due to the revised interest rate applied in calculating the reserve for annuities in payment (a NIS 63 million decrease of the liabilities for policies that include a savings component up to 1990, and a NIS 65 million decrease of the liabilities for policies that include a non yield-dependent savings component from 2004).

Results in the corresponding period last year were affected by a reduction of the insurance liabilities in the amount of NIS 166 million before tax due to the revised interest rate applied in calculating the reserve for annuities in payment and the supplementary reserve for annuity (a NIS 91 million decrease of the liabilities for policies that include a savings component up to 1990, and a NIS 75 million decrease of the liabilities for policies that include a non yield-dependent savings component from 2004), and a decrease of NIS 10 million before tax due to the revised interest rate applied in calculating reserves for work disability claims in payment (revised in the third quarter last year).

Results in 2022 were affected by a reduction of the insurance liabilities in the amount of NIS 222 million before tax due to the revised interest rate applied in calculating the reserve for annuities in payment and the supplementary reserve for annuity (decrease of NIS 27 million in the liabilities for policies that include a savings component up to 1990, decrease of NIS 154 million in the liabilities for policies that include a savings component until 2003, and a decrease of NIS 41 million in the insurance liabilities for policies that include a non-yield dependent savings component from 2004), and a reduction of the insurance liabilities in the amount of NIS 5 million before tax due to the revised interest rate applied in calculating reserves for work disability claims in payment.

B. Results in the Reporting Period were affected by the implementation of a circular (in the second quarter) on “Amendment of the Provisions of the Consolidated Circular on the Measurement of Liability - Revised demographic assumptions in life insurance and pension funds” (“the Circular”). The Circular includes an update of the default assumptions applied in calculating the liabilities and conversion factors in life insurance policies and pension funds. Following application of the amendment to the provisions of the circular, the reserve for supplementary annuity in the life insurance and long-term savings segment increased by NIS 108 million before tax and the reserve for annuities in payment decreased by NIS 2 million before tax (decrease of NIS 16 million in the liabilities for policies that include a savings component up to 1990, increase of NIS 71 million in the liabilities for policies that include a savings component up to 2003, increase of NIS 11 million in the liabilities for policies that include a non-yield dependent savings component from 2004, and an increase of NIS 40 million in the liabilities for policies that include a yield dependent savings component from 2004). Additionally, following application of the circular, the insurance liabilities in the health segment increased by NIS 5 million before tax

Results in 2022 were affected by the implementation of an insurance circular on "Amendment of the Provisions of the Consolidated Circular on the Measurement of Liability - Revised demographic assumptions in life insurance and pension funds" ("the Circular"). Following application of the circular, the insurance liabilities in the life insurance and long-term savings segment increased by NIS 279 million before tax (increase of NIS 80 million in the liabilities for policies that include a savings component up to 1990, increase of NIS 134 million in the liabilities for policies that include a savings component up to 2003, increase of NIS 20 million in the liabilities for policies that include a non-yield dependent savings component from 2004, and an increase of NIS 45 million in the liabilities for policies that include a yield dependent savings component from 2004), and the insurance liabilities in the health insurance segment increased by NIS 12 million before tax.

C. Results in the Reporting Period, were affected by a revision of the actuarial assumptions (in the third quarter) to reflect the Company's experience regarding the possibility of taking an annuity in line with different annuity tracks. The effect of the foregoing was to reduce the supplementary reserve for annuity in the amount of NIS 305 million before tax (decrease of NIS 124 million in the liabilities for policies that include a savings component until 1990, and a decrease of NIS 181 million in the liabilities for policies that include a savings component until 2003).

D. In 2022, the insurance liabilities increased by NIS 51 million before tax due to a revised study relating to the retirement age and annuity take-up rate (an increase of NIS 65 million in the liabilities for policies that include a savings component until 2003, and a decrease of NIS 14 million in the liabilities for policies that include a savings component until 1990).

E. Health segment, long-term care - results in the Reporting Period and fourth quarter were affected by changes in the interest rate curve applied in calculating the insurance liabilities, that led to the recording of an LAT reserve of NIS 76 million.

In 2022, the steep rise of the interest rate curve applied in calculating the insurance liabilities, led to a reset of the LAT reserve in the amount of NIS 764 million, without the need to use the retained fair value of the non-marketable assets allocated to the personal lines long-term care sector.

F. Health segment, long-term care - results in the corresponding period last year were affected by a reduction of the insurance liabilities in the amount of NIS 42 million before tax due to the revised interest rate applied in calculating reserves for claims in payment in the personal lines and group long-term care sectors. (Revised in the third quarter last year).

Results in 2022 were affected by a reduction of the insurance liabilities by NIS 763 million before tax due to the revised interest rate applied in calculating the active reserve in the personal lines long-term care sector. Additionally, the results were affected by a reduction of the insurance liabilities by NIS 15 million before tax due to the revised interest rate applied in calculating the reserve for claims in payment in the personal lines long-term care sector.

G. Results in the Reporting Period were affected by an update of the assumptions following studies conducted by the Company (in the fourth quarter) in connection with the cancellation rates in the personal-lines long-term care sector. The effect of the foregoing reduced the insurance liabilities by NIS 17 million before tax.

Results in the corresponding period and quarter last year were affected by an update of the assumptions following studies conducted by the Company (in the corresponding quarter last year) in connection with the morbidity assumptions in the personal-lines long-term care sector. The effect of the foregoing led to an increase of the insurance liabilities by NIS 50 million before tax.

Results in 2022 were affected by an update of the assumptions following studies conducted by the Company in connection with the cancellation rates, morbidity and mortality assumptions in the long-term care sector, that increased the insurance liabilities by NIS 358 million before tax (NIS 351 million in personal lines long-term care and NIS 7 million in group long-term care).

H. Results in the Reporting Period were affected by an update of the assumptions following studies conducted by the Company (in the fourth quarter) in connection with the morbidity assumptions in cover for surgery, medications and ambulatory care and in connection with the cancellation rates in policies for medical expenses, that increased the insurance liabilities by NIS 43 million before tax.

Results in the corresponding period last year were affected by an update of the assumptions following studies conducted by the Company (in the corresponding quarter last year) in connection with the morbidity assumptions applied in calculating the active reserve in the cover for ambulatory care. The effect of the foregoing increased the insurance liabilities by NIS 24 million before tax.

Results in 2022 were affected by an update of the assumptions following studies conducted by the Company in connection with the cancellation rates and morbidity assumptions in the personal lines health insurance sector that reduced the insurance liabilities by NIS 28 million before tax.

I. Results in the Reporting Period were affected by the Value Added Tax Order (Tax Rate Applicable to Non-profit Organizations and Financial Institutions) (Amendment), 2024 (“the Order”) which was approved by the Knesset in March 2024 and published in Reshumot on April 14, 2024. The Order stipulates that from January 1, 2025, the rate for payroll tax and profit tax payable by financial institutions on activity in Israel will be 18%, instead of the present rate of 17%. The effect of the foregoing led to an increase in insurance liabilities of NIS 9 million before tax (revised in the first quarter).

J. In 2022 the rate of development of expenses in the actuarial model was revised. The effect of the foregoing reduced the insurance liabilities by NIS 155 million before tax (personal lines long-term care sector - NIS 120 million reduction of the insurance liabilities, personal lines health sector - NIS 58 million reduction of the insurance liabilities, critical illness sector - NIS 23 million increase of the insurance liabilities).

K. Non-life insurance segment, compulsory motor sector and liabilities sectors -

Details of the effect by segmentation according to sector:

	For the year ended December 31		For the three months ended December 31		For the year ended December 31
	2024	**2023**	**2024**	**2023**	**2022**
Changes in the interest rate curve and the difference between the fair value and book value of the non-marketable assets:					
Compulsory motor	12	13	(16)	(46)	218
Motor property	(1)	(1)	-	(16)	-
Labilities	46	71	(26)	(31)	306
Total effects on profit (loss), before tax	**57**	**83**	**(42)**	**(93)**	**524**

Results in 2022 were affected by actuarial updates that led to a reduction of the insurance liabilities by NIS 75 million before tax.

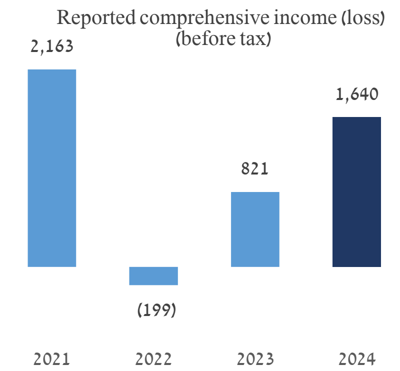
2.10 Implementation of the strategic plan

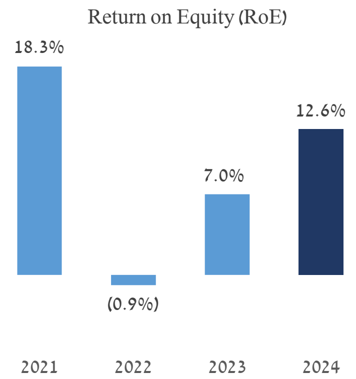
2.10.1 In August 2022, the Company entered into an agreement with a leading international strategic consulting firm. Based on a review and collaboration between the Company and the consulting firm, in February 2023 the Company's Board of Directors resolved to adopt a multi-year strategic plan called "Harel 2030". On April 2, 2024, the Company presented the key points of its strategic plan and the Group's goals for 2026.

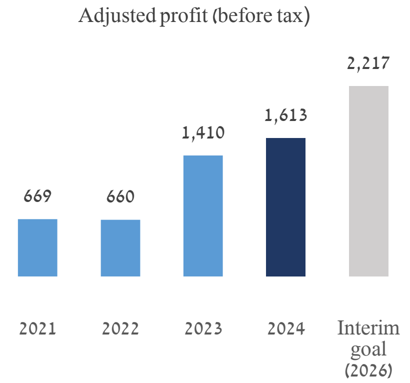
2.10.2 The Harel 2030 strategy focuses on three key layers in the Group's activity: (1) accuracy of the performance of the core operating segments; (2) relationship with the customer - enhancing and strengthening the distribution engines in the operating segments; and (3) diversification of the Group's sources of income.

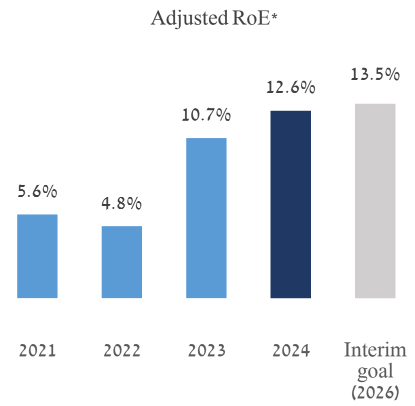
Measurement of the progress made in implementation of the strategic plan is based on the following principles: (a) an assumed real Nostro yield of 3%; and (b) special effects that are not part of the Company's normal course of business were not included, including interest effects, actuarial changes resulting from studies and changes in the actuarial models, extraordinary effects resulting from the amortization of surplus costs created in the process of business combinations and extraordinary expenses due to implementation of the strategic plan ("Special Effects").

The following graphs present the strategic plan targets and data on comprehensive income (loss) (in NIS million) and the return on the Company's equity as reported in the financial statements, as well as figures for comprehensive income (in NIS million) and the return on equity, all as calculated in line with the principles of the strategic plan ("adjusted profit" and "adjusted RoE", respectively) for 2021-2024.









* Adjusted RoE is calculated on the basis of adjusted profit for the period (assuming a real Nostro yield of 3% and excluding special effects), and divided by the average adjusted equity for the period

On the adjustments made for the goals of the strategic plan, as specified above in the wake of the effect of the initial application of the New Standards IFRS 17 and IFRS 9 from 2025, see Section 2.7 above.

2.10.3 To measure progress in implementation of the strategic plan, the adjusted profit data presented in this chapter are in accordance with the principles of the strategic plan, as set out below:

- Profit from insurance business:

  Including profit from the life, health and non-life segments (including insurance companies overseas) and presented in accordance with the principles detailed above, i.e. - an assumed real yield of 3% and excluding special effects ("underwriting profit").

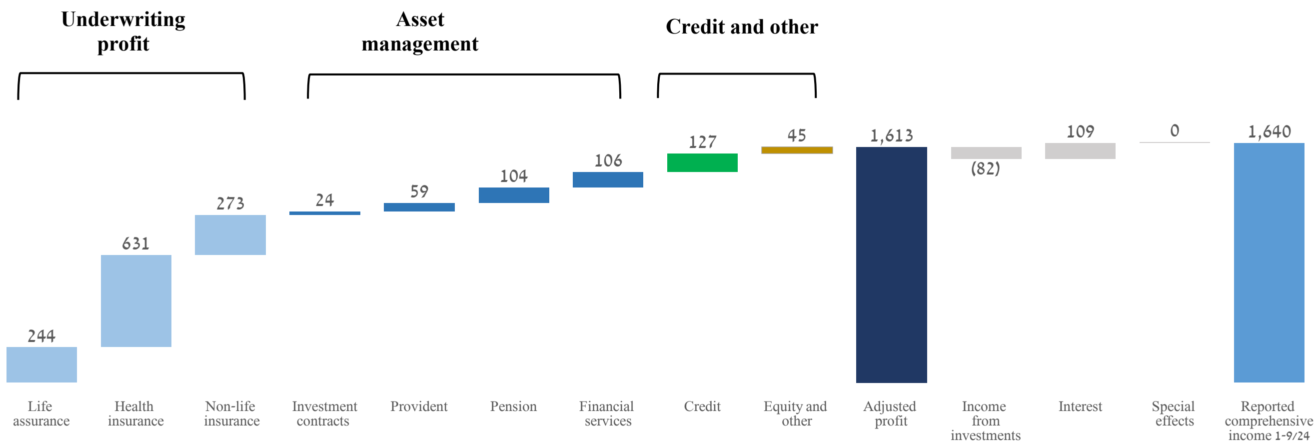
  Profit in the life insurance segment includes a financial margin in yield-guaranteed policies which includes an assumed real yield of 3% on the free portion of the portfolio, and income from variable management fees in the profit-sharing portfolio between 1992 and 2003, based on the aforesaid assumed real yield. Furthermore, profit includes fixed management fees as recorded in the reported period. Profit in the life insurance segment does not include the results of investment contract activity which is presented within asset management activity.

- Additional sources of income:

- <u>Asset management</u> - profit is based on actual reported results for provident and pension activity, financial services and investment contracts, excluding special effects (extraordinary expenses that are not part of the normal course of business and after subtracting retained costs created in the course of business combinations);
- <u>Credit</u> - profit is based on actual reported results for activity included within the credit segment;
- <u>Equity and other (equity and agencies)</u> - profit includes income from capital activity investments based on an assumed real yield of 3%, as well as the results of the activity of the Group’s insurance agencies, as actually recorded in the reporting period. This profit does not include special effects (amortization of surplus costs created in the process of business combinations, and extraordinary expenses resulting from implementation of the strategic plan);

- <u>General comments</u>:
  - <u>Income from investments</u> - the difference between the assumed real yield as described above and the yield actually attained. Income from investments also includes adjustment of the variable management fees as they were calculated on the basis of the assumed real yield, against the variable management fees actually collected in the Reporting Period (see Section 2.9.1 (A)).
  - <u>Interest</u> - for information about the effects of the interest rate, see Section 2.9.2.
  - <u>Special effects (other than interest effects)</u> - for information about the effects of the interest rate, see Section 2.9.2.
  - The data presented below are before tax.

2.10.4 Information about the Company’s adjusted sources of income for the Reporting Period and for 2023 and 2022, and correlation between it and the Company’s reported comprehensive income (loss):

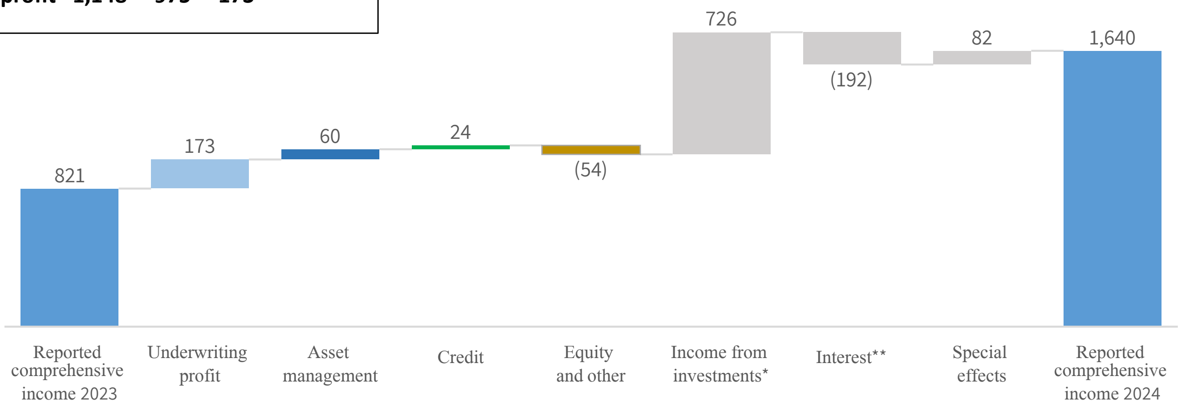


2024	244	631	273	24	59	104	106	127	45	1,613	(82)	109	0	1,640
2023	305	386	284	21	45	87	80	103	99	1,410	(808)	301	(82)	821
Change	(61)	245	(11)	3	14	17	26	24	(54)	203	726	(192)	82	819

2022	156	124	(90)	26	52	72	73	64	183	660	(2,675)	2,293	(477)	(199)
Change	149	262	374	(5)	(7)	15	7	39	(84)	750	1,867	(1,992)	395	1,020

2.10.5 Following is an analysis of the change in the Company's reported comprehensive income between 2024 and 2023:

	2024	2023	difference
Life insurance	244	305	(61)
Health insurance	631	386	245
Non-life insurance	273	284	11
Underwriting profit	**1,148**	**975**	**173**

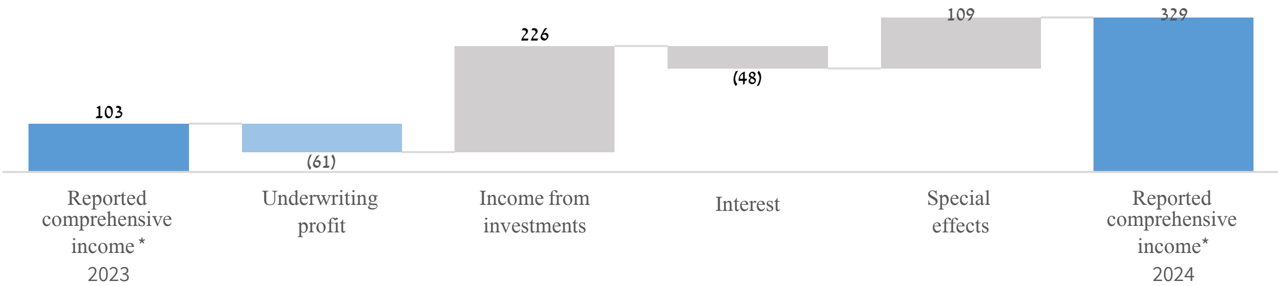


(*) In the Reporting Period, real, positive Nostro yields were recorded in the capital market which were higher than in the corresponding period last year.

(**) The effects of interest in the Reporting Period were lower than the interest effects in the corresponding period last year

2.10.6 Following is an analysis of the change in the Company's reported comprehensive income (loss) between 2024 and 2023 by segment:

2.10.6.1 <u>Life insurance</u>:



2024	244	(242)	128	199	329
2023	305	(468)	176	90	103
Change	(61)	226	(48)	109	226

2022	156	(849)	227	(353)	(819)
Change	149	381	(51)	443	922

(*) Not including profitability from investment contract activity

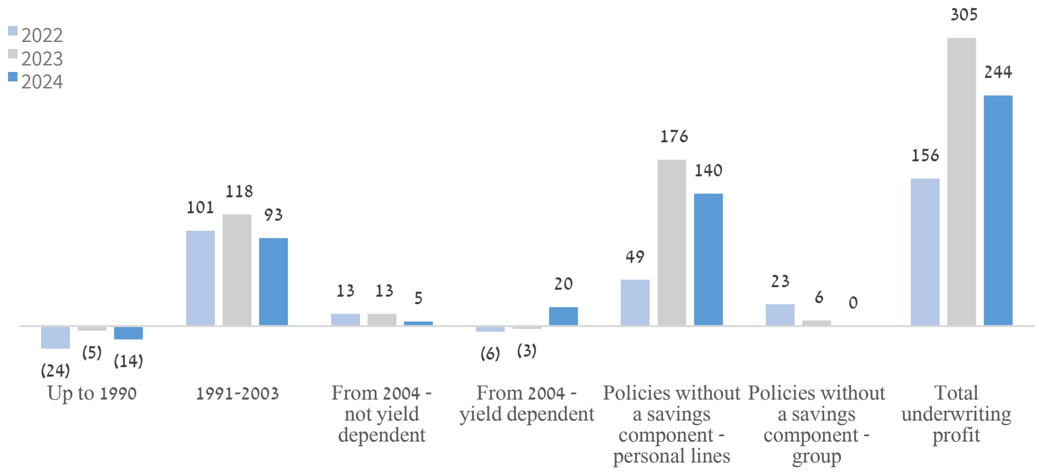
Results in the Reporting Period, were affected by a revision of the actuarial assumptions (in the third quarter) to reflect the Company's experience regarding the possibility of taking an annuity in line with different annuity tracks. The aforementioned effect led to a reduction of the supplementary reserve for annuity in the amount of NIS 305 million before tax (decrease of NIS 124 million in the liabilities for policies that include a savings component until 1990, and a decrease of NIS 181 million in the liabilities for policies that include a savings component until 2003). For additional information, see Section 2.9.2 (C).

Additionally, results in the Reporting Period were affected by the implementation of a circular (in the second quarter) on “Amendment of the Provisions of the Consolidated Circular on the Measurement of Liability - Revised demographic assumptions in life insurance and pension funds” (“the Circular”). The Circular includes an update of the default assumptions applied in calculating the liabilities and conversion factors in life insurance policies and pension funds. The effect of the foregoing increased the insurance liabilities by NIS 106 million before tax (increase of the supplementary reserve for annuity of NIS 108 million and reduction of the reserve for annuities in payment in the amount of NIS 2 million). For additional information, see Section 2.9.2 (B).

Furthermore, in the Reporting Period (in the second quarter), the interest rate applied in calculating the reserves for annuities in payment was revised. The overall effect of the foregoing reduced the insurance liabilities by NIS 128 million before tax. For additional information, see Section 2.9.2 (A).

Results in the corresponding period last year were affected by an update of the assumptions following studies conducted by the Company in connection with the morbidity assumptions in the critical illness sector. The foregoing led to a reduction of the insurance liabilities in the amount of NIS 90 million before tax. For additional information, see Section 2.9.2.

Breakdown of underwriting profit in life insurance in the Reporting Period and in the corresponding periods in 2023 and 2022, by sector:

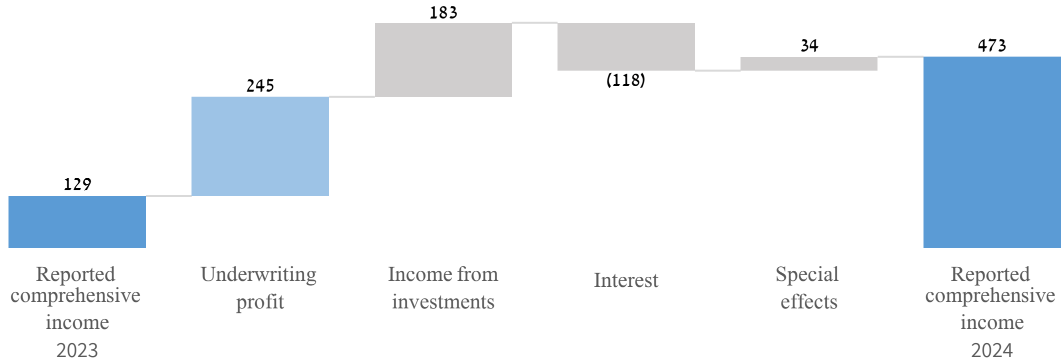


Results in the Reporting Period and fourth quarter were affected by an increase in the number of claims in the risk of death sector as a result of the Swords of Iron War. The effect of the War in the Reporting Period amounted to NIS 53 million. Results in the corresponding period last year include claims resulting from the Swords of Iron War in the amount of NIS 88 million. For additional information, see Section 2.2. Additionally, results in the Reporting Period were affected by an increase in the IBNR reserve in cover for risk of death due to the growth of activity and sums insured.

Additionally, results in the Reporting Period were affected by an increase in the number of claims in P.H.I. (work disability) cover. This increase was offset by improved underwriting due to continuing growth of risk product activity. For additional information, see Section 2.9.1.

Results in the corresponding period last year were affected by improved underwriting attributable mainly to an increase in profit from risk products on account of the continuing growth of activity and a decrease in the number of claims in the cover for work disability.

2.10.6.2 Health insurance:



2024	631	(42)	(76)	(40)	473
2023	386	(225)	42	(74)	129
Change	245	183	(118)	34	344

2022	124	(715)	1,542	(164)	787
Change	262	490	(1,500)	90	(658)

Results in the Reporting Period and fourth quarter were affected by changes in the interest rate curve applied in calculating the insurance liabilities, that led to the recording of an LAT reserve of NIS 76 million.

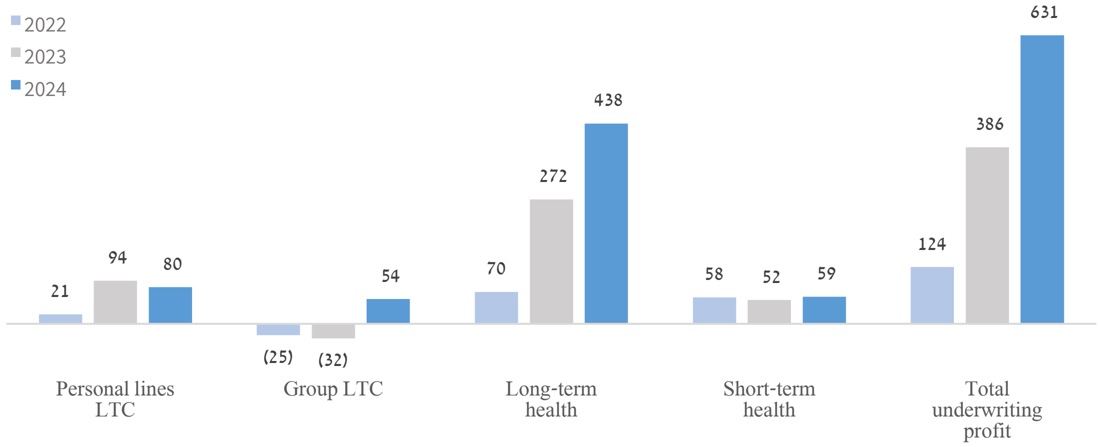
Additionally, results in the Reporting Period were affected by an update of the assumptions following studies conducted by the Company (in the fourth quarter) in connection with the cancellation rates in the personal-lines long-term care sector. The effect of the foregoing reduced the insurance liabilities by NIS 17 million before tax; and also by an update of the assumptions following studies conducted by the Company (in the fourth quarter) in connection with the morbidity assumptions in cover for surgery, medications and ambulatory care and in connection with the cancellation rates in policies for medical expenses, that increased the insurance liabilities by NIS 43 million before tax.

Additionally, results in the Reporting Period were influenced by the implementation (in the second quarter) of a circular on Revised demographic assumptions in life insurance and pension funds that increased the insurance liabilities by NIS 5 million before tax. For additional information, see Section 2.9.2.

Results in the corresponding period last year were affected by a reduction of the insurance liabilities by NIS 42 million before tax due to the revised interest rate (in the third quarter last year) applied in calculating reserves for claims in payment in the personal lines and group long-term care sector.

Additionally, results in the corresponding period last year were affected by an update of the assumptions following studies conducted by the Company (in the corresponding quarter last year) in connection with the morbidity assumptions in the long-term care sector as well as an update of the assumptions following studies in connection with the morbidity assumptions applied in calculating the active reserve in the cover for ambulatory care. The effect of the foregoing led to an increase of the insurance liabilities by NIS 50 million and NIS 24 million before tax, respectively. For additional information, see Section 2.9.2.

Breakdown of underwriting profit in health insurance in the Reporting Period and in the corresponding periods in 2023 and 2022, by sector:



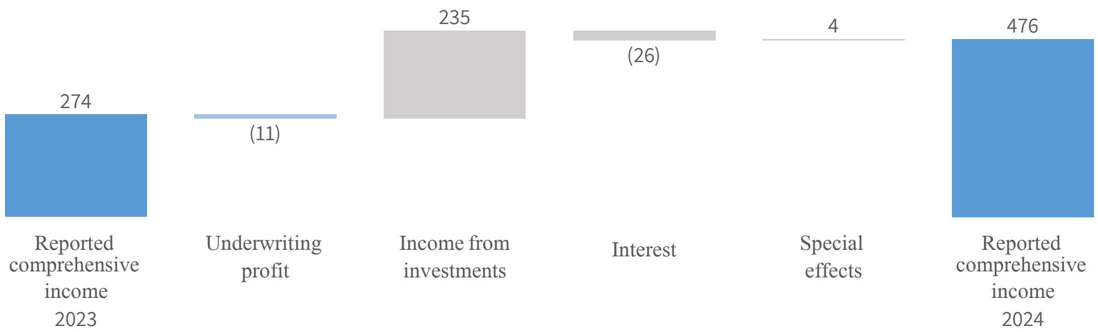
Personal lines and group long-term care - results in the Reporting Period compared with the corresponding period last year were affected by a reduction of the insurance liabilities (decrease in the IBNR reserve) in light of reducing the interval between the occurrence of the insured event and date of filing the claim.

Additionally, results in group long-term care reflect termination of the agreement with Clalit HMO members based on the old system and application of the new outline in which the reserve fund bears the full insurance risk. In view of the foregoing, results in the Reporting Period reflect the Company's net operating income for the new outline. For additional information about the Commissioner's permit for an agreed outline regarding this policy for a 12-month period (from January 1, 2024, through December 31, 2024), For additional information, see Section 2.11.6.

Long-term health - in the Reporting Period, underwriting performance improved in the cover for transplants, ambulatory care and personal accidents due to a decrease in the number of claims and the claim amounts paid out. This was partially offset by a deterioration of the cover for medications in light of an increase in the number and amount of the claims. Furthermore, the effect of the War in the Reporting Period amounted to NIS 8 million. For additional information, see Section 2.2.

Results in the corresponding period last year were affected by improved underwriting in group policies as well as improved underwriting in the cover for medications as additional medications were included in the health services basket and by an improvement in the personal accident product. This was offset by an increase in the number of claims in ambulatory cover and an increase in the number of claims in accidental cover as a result of the Swords of Iron War (in the fourth quarter last year). For additional information, see Section 2.2.

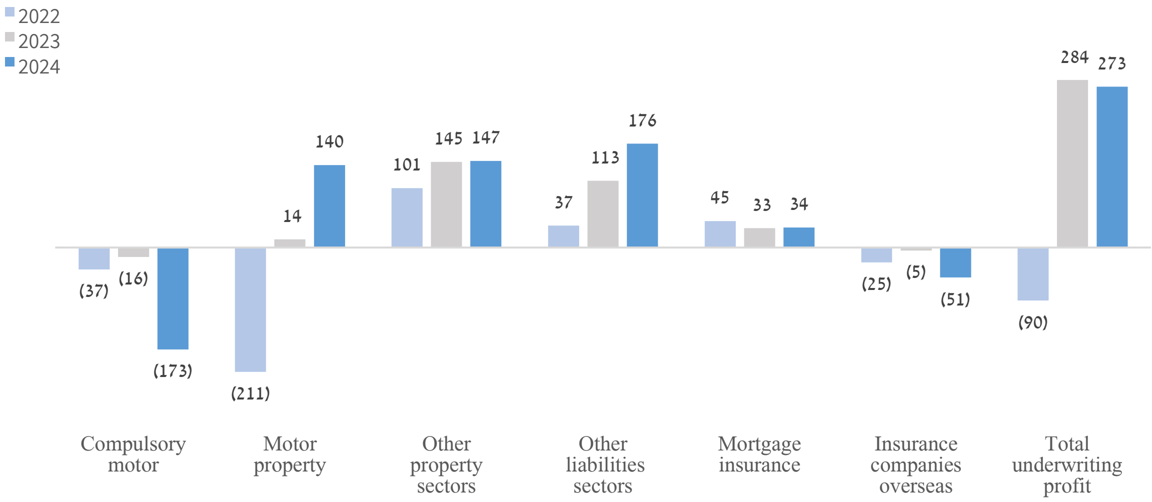
2.10.6.3 Non-life insurance:



2024	273	158	57	(12)	476
2023	284	(77)	83	(16)	274
Change	(11)	235	(26)	4	202

2022	(90)	(517)	524	65	(18)
Change	374	440	(441)	(81)	292

Breakdown of underwriting profit in non-life insurance in the Reporting Period and in the corresponding periods in 2023 and 2022, by sector:



Compulsory motor - in the Reporting Period, underwriting performance deteriorated compared with the corresponding period last year due to a negative development in respect of prior years, in part for groups with which the agreements were terminated correct to February 2024. This effect was partially offset by the continuing decrease in the average cost of claim.

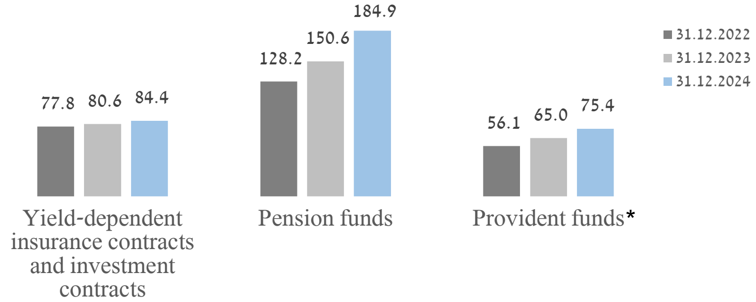
Motor property (CASCO) - in the Reporting Period, underwriting improved compared with the corresponding period last year, mainly due to an increase in the average premium and a decrease in the average cost of claim.

Property and other sectors - in the Reporting Period underwriting performance improved compared with the corresponding period last year, mainly due to the continuing growth of activity in the property loss sector. Additionally, results in the corresponding period and corresponding quarter last year were affected by a revised estimate of the insurance liabilities in the Sale Law guarantees sector, so that the liabilities will reflect the insurers' adjusted credit risks. The effect of the foregoing reduced the insurance liabilities by NIS 15 million before tax.

Other liabilities sectors - results in the Reporting Period and fourth quarter were affected by improved underwriting performance compared with the corresponding period and quarter last year, partly due to a positive development in claims in respect of prior years, mainly in the employers liability sector.

2.11 Additional key information and effects by segment

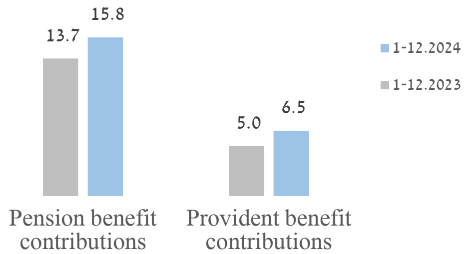
2.11.1 Assets managed for the Group's members and policyholders in the life insurance and long-term savings segment (NIS billion):

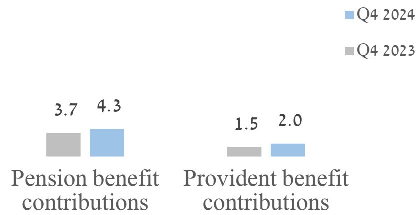


Assets managed by the provident funds and pension funds are not included in the Company's consolidated financial statements.

* Provident funds, education funds, central and personal severance pay funds, provident fund for sick pay, and a fund for non-contributory pension

2.11.2 Data on benefit contributions (NIS billion):





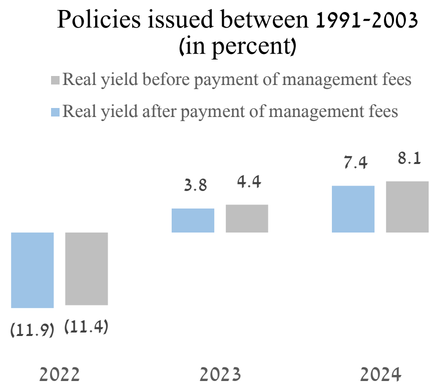
The benefit contributions in the provident funds and pension funds are not included in the Company's consolidated financial statements.

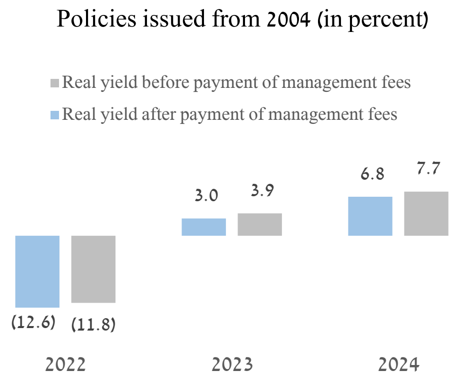
2.11.3 Life insurance:

Redemptions as a percentage of the average reserve amounted to 7.0% in the Reporting Period, compared with 5.6% in the corresponding period last year.

Redemptions as a percentage of the average reserve were 6.8% in the fourth quarter, compared with 5.5% in the corresponding quarter last year.

Yield-dependent policies:





Following is information about the estimated amount of investment profit (investment losses) credited to insureds in life insurance and profit-sharing investment contracts and the management fees calculated in accordance with the Commissioner's instructions, on the basis of the quarterly yield and balances of the insurance reserves in the Company's business reports (NIS million):

	For the year ended December 31		
	2024	**2023**	**2022**
Profit (loss) after management fees	7,729	4,818	(5,937)
Total management fees	529	502	513

On May 30, 2021, Harel Insurance entered into an agreement with a large employer according to which a supplement will be paid for the annuity of the large employer's employees through personal lines profit-sharing annuity policies to be issued by Harel Insurance. Deposits in the policies will be made as lump-sum amounts and their purpose is to pay the retiree (and after his death, his survivors), a supplement to the monthly annuity. In the Reporting Period and fourth quarter, deposits in the amount of NIS 528 million and NIS 51 million, respectively, were received in respect of the aforesaid agreement (in the corresponding period and corresponding quarter last year deposits in the amount of NIS 499 million and NIS 19 million, respectively, were received in respect of the aforementioned agreement).

During the course of the agreement period, which will end in 2037, deposits amounting to a total of NIS 3 billion are expected to be received. At December 31, 2024, deposits in the aggregate amount of approximately NIS 1.6 billion were received (at December 31, 2023, deposits in the aggregate amount of NIS 1.1 billion were received).

2.11.4 Pension funds:

Income from management fees collected from the pension funds managed by the Group amounted to NIS 515 million in the Reporting Period, compared with NIS 463 million in the corresponding period last year.

Income from management fees collected by the pension funds managed by the Group amounted to NIS 139 million in the fourth quarter, compared with NIS 120 million in the corresponding quarter last year.

2.11.5 Provident funds:

Income from management fees collected from the provident funds managed by the Group amounted to NIS 351 million in the Reporting Period, compared with NIS 308 million in the corresponding period last year.

Income from management fees collected from the provident funds managed by the Group amounted to NIS 93 million in the fourth quarter, compared with NIS 80 million in the corresponding quarter last year.

2.11.6 Health insurance:

Commissioner's permit for the agreed outline regarding the group long-term care policy for members of Clalit Health Services:

On December 13, 2023, permission was received from the Commissioner to operate the group long-term care policy for members of Clalit Health Services for a 12-month period (from January 1, 2024 through December 31, 2024), in accordance with the outline agreed upon by Harel Insurance and Clalit Health Services ("Clalit").

On December 22, 2024, the Authority published an amendment to the Supervision of Financial Services (Insurance) (Group Long-term Care Insurance for Health Fund Members) (Amendment) Provisions, 2024. Among other things, these provisions stipulate that the definition of the insured event will be updated so that the entitlement will only be given to insureds who are unable to perform, independently, a material part of at least 4 of the 6 Activities of Daily Living (ADLs), or alternatively, 3 activities one of which is control of bowel and bladder functions; that the assessment for application of some of the ADLs will not be conducted if the insured can perform them independently, with the use of a suitable device or item of clothing; and that the entitlement to receive insurance benefits for an insured who lives at home is subject to producing confirmation that in practice he is assisted by a caregiver during most of the day. The provisions also stipulate that from 2027, if at the end of the policy period the policy is not renewed for all those insured by any particular insurer, the insurer will not be obligated to include insureds in a group follow-on policy or any policy whatsoever and the outstanding amounts in the insureds fund at that date will be used for the benefit of the insureds in a manner to be approved by the Commissioner.

Subsequently, Harel and Clalit signed an Agreed Outline to extend the agreement period for the group LTC policy for members of Clalit Health Services by 24 months (from January 1, 2025 through December 31, 2026). On December 26, 2024, a permit was received from the Commissioner to activate this policy.

In addition to the group long-term care policy for members of Clalit Health Services, Harel Insurance provides long-term care insurance for several other groups.

Following is the estimated amount of investment profit (loss) credited to insureds in long-term care profit-sharing policies (NIS million):

	For the year ended December 31		
	2024	**2023**	**2022**
Investment profits (losses) credited to insureds	295	348	(405)

2.11.7 Non-life insurance:

For information about additional financial data relating to the non-life insurance segment, by sector, see Note 4B to the Financial Statements.

Change in the quantity of policies in terms of exposure:

	For the year ended December 31		
	2024	**2023**	**2022**
Compulsory motor	3%	(6%)	26%
Motor property (CASCO)	2%	(5%)	15%
Property and other lines of business	7%	4%	12%
Other liabilities lines of business	(1%)	7%	9%

Number of policies in terms of exposure - non-life insurance activity typically involves policies for a period of up to a year. In view of the nature of the policies, quantity is a multiple of the number of policies within the policy period during the year. In other words, if underwriting is carried out for a policy with a period of less than a year, it is multiplied by the relative part of the period so that a policy for six months is half a unit.

2.11.7.1 Compulsory motor

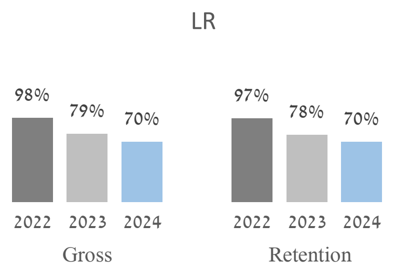
For additional information about the results for compulsory motor insurance, see Sections 2.9.1 and 2.9.2 above.

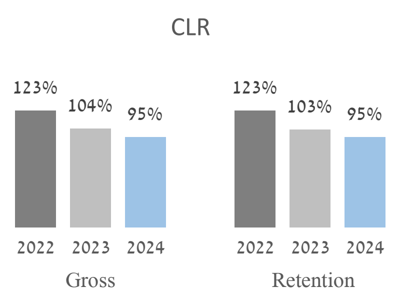
Given that car owners must insure their vehicles in accordance with the Motor Vehicle Insurance Ordinance, the owners of vehicles (usually motorcycles) who were rejected by the insurance companies may purchase insurance through the Pool (Israel pool for vehicle insurance), which operates as an insurance company to all intents and purposes. All the insurance companies operating in the compulsory motor sector are required to be part of the Pool, and each company bears a share of the Pool's losses pro rata to its share of the compulsory motor insurance market for the previous year. A letter from the Pool’s CEO set the temporary share of Harel Insurance in the net premiums for 2024 at 13.32% (compared with 12.41% which was the Company’s final share for 2023).

2.11.7.2 Motor property

For information about results for the motor property sector, see Section 2.9.1 and 2.9.2 above.

Loss ratio (LR) and combined loss ratio (CLR) in motor property insurance:

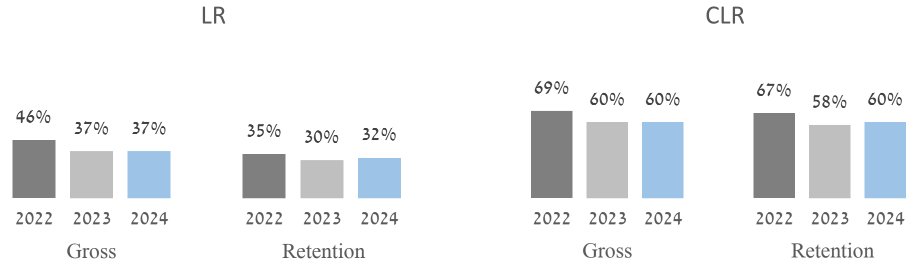




2.11.7.3 Property and other lines of business

For information about results for motor property and other lines of business, see Section 2.9.1 above.

Loss Ratio and Combined Loss Ratio in property and other lines of business:



2.11.7.4 Other liabilities lines of business

For information about the results for other liabilities sectors, see Sections 2.9.1 2.9.1 and 2.9.2 above.

2.11.7.5 Credit insurance for residential mortgages (EMI)

The premiums earned in credit insurance for residential mortgages are not for new sales, but in respect of sales made in the past and for which the premiums are recognized as earned premiums based on the period of coverage. EMI has no reinsurance agreements in this sector.

In February 2024, EMI received a draft updated insurer's license ("the Draft") from the Capital Market, Insurance and Savings Authority ("the Authority"). In the Draft, the current requirements in EMI's insurer's license for calculation of the insurance liabilities were cancelled. At the date of the report, the Draft has not yet passed all the internal procedures within the Authority and final approval has yet to be received. EMI and the Authority have reached the understanding that EMI will continue to apply the current requirements in the insurer's license for calculation of the insurance liabilities until the entering into force of IFRS 17 and IFRS 9 on January 1, 2025.

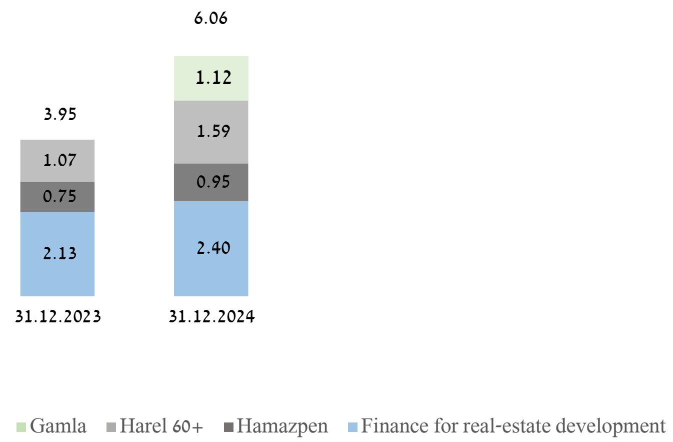
2.11.8 Insurance companies overseas

The Company is the controlling shareholder (with a 94% stake) in Interasco, an insurance company operating in Greece, and it also fully controls Turk Nippon - an insurance company which operates in Turkey ("insurance companies overseas"). The insurance companies overseas operate in the non-life insurance and health insurance sectors.

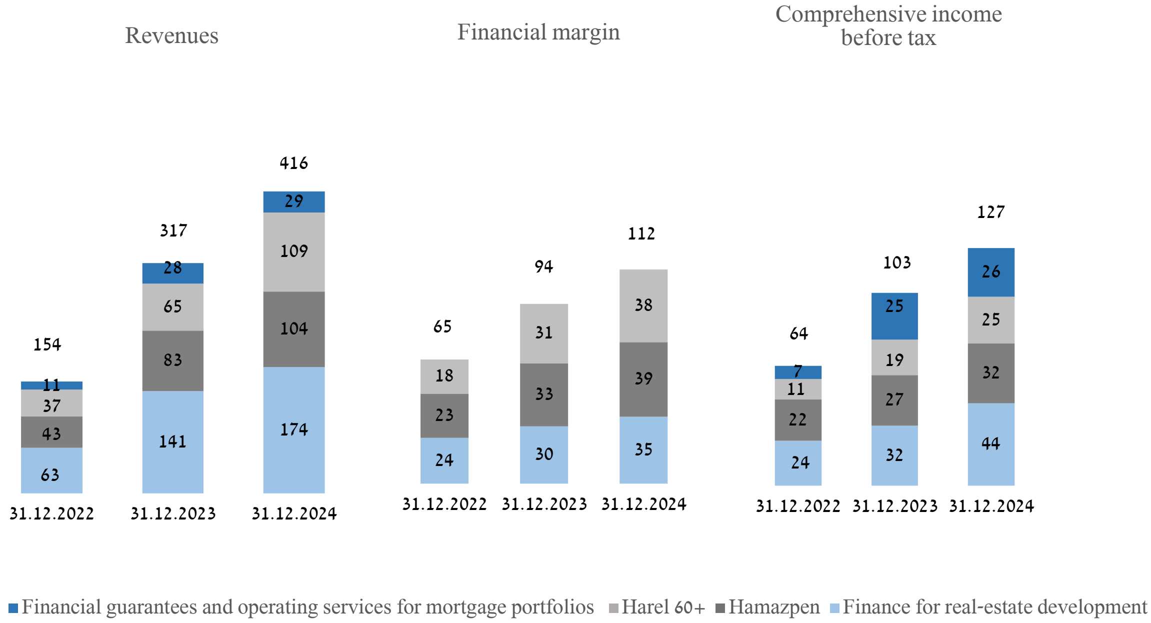
2.11.9 Credit segment

For additional information about the credit segment, see Section 1.1 (D).

Size of the credit portfolio (NIS billion):

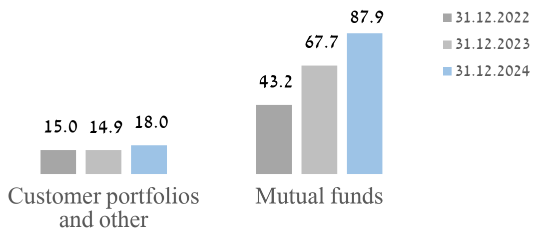


Volume of revenues, comprehensive income before tax and financial margin in the credit segment (NIS million):



2.11.10 Capital market and financial services

AUM for the Group's members and policyholders (NIS billion):



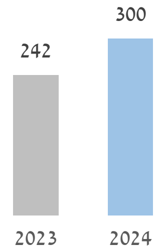
AUM in customer portfolios include financial assets that were issued by the Group and are managed in the portfolios.

Revenues in the capital market and financial services segment were NIS 561 million in the Reporting Period, compared with NIS 365 million in the corresponding period last year.

AUM in the mutual funds and in customer portfolios are not included in the Company's consolidated financial statements.

Mutual fund assets include mutual funds, ETFs and certificates of deposit (CDs)

Management fees in the financial services segment (NIS million):



2.12 Liquidity and sources of financing

2.12.1 Cash flows

Net cash flows used in operating activities amounted to NIS 3,059 million in the Reporting Period. Net cash flows used in investment activity amounted to NIS 1,016 million. Net cash flows provided by financing activity were NIS 1,447 million. The effect of fluctuating exchange rates on the cash balances was a positive NIS 20 million. The outcome of all the above activity is a decrease of NIS 2,608 million in the cash balances.

2.12.2 Liquidity and financing of operations

The Company and its subsidiaries generally finance their ongoing operations from their independent sources.

3 Special disclosure for holders of the Company's bonds

A. Data on bonds

Series / date of issue	Series 1 bonds
Date of issue	July 2021 (expanded in June 2023)
Nominal value on date of issue (NIS)	250,000,000 (An additional 953,516,000 were issued as part of the expansion in June 2023)
Book value as at December 31, 2024 (NIS M)	869
Market value as at December 31, 2024 (NIS M)	866
Type of interest	Fixed
Nominal interest rate	1.95%
Listed for trade on the Stock Exchange	Yes
Dates of principal payment	The principal will be repaid in 28 semi-annual installments, where the payments will be consecutive and will be paid on June 30 and December 31 in each of the years 2022 - 2035 (where the first payment was made on June 30, 2022 and the last payment will be made on December 31, 2035) and such that each of the first 27 payments is 3.57% of the nominal value of the principal and the 28th and final payment will be 3.61% of the nominal value of the principal.
Dates of interest payments	The interest on the unsettled balance of the bond principal will be paid in semi-annual installments, where the payments will be consecutive and will be made on June 30 and December 31 in each of the years 2021-2035 (where the first payment was made on December 31, 2021 and the last payment will be made on December 31, 2035).
Interest due as at December 31, 2024	-
Are the liability notes convertible	No
Linkage base and terms	The principal and interest are not index linked
Pledged assets	None
Company's right to make early redemption or forced conversion	The Company has the right to early redemption, from 60 days after the date on which the Series 1 bonds are listed for trade (i.e. July 27, 2021), and the redemption may be full or partial, in accordance with the conditions set out in Section 7.2 of the Deed of Trust.

Materiality of the Series	The Series is material according to the definition of this term in Regulation 10(B)(13)(a) of the Securities Regulations (Periodic and Immediate Reports), 1970
Is there is a cross default stipulation	Yes. In the conditions listed in Section 8.1.14 of the Deed of Trust, including: calling for immediate repayment of another series listed for trade on the stock exchange or another financial debt taken from banks or financial institutions, other than in the case of non-recourse loans, the scope of which is more than 10% of the Company's total, gross financial debt, or more than NIS 125 million, whichever is higher. Other than in the event of calling for the immediate repayment of traded series, the Company will provide a 30-day grace period.

B. **Information about rating**

	Series 1 bonds
Name of rating company	Midroog
Rating on date of issue	Aa2.il
Present rating	Aa2.il

C. Disclosure concerning the trustee

The trustee for the Series 1 bonds is Hermetic Trust (1975) Ltd., 30 Sheshet Hayamim Way, Bnei Brak.

D. Contractual limitations and financial covenants

For information about contractual limitations and financial covenants, see Note 24H to the Financial Statements.

4 Market risks - exposure and management

4.1 General

The following report on risk management relates to the investments of the Company and its subsidiaries, excluding the Group's insurers, in accordance with the Securities (Periodic and Immediate Reports) Regulations, 1970, in relation to reporting on exposure to and management of market risks.

For information about risk management in the Company and its subsidiaries, including subsidiaries which are an insurer, see Note 36 to the Financial Statements.

Market risks are risks to the Company's revenues and equity resulting from changes in the prices of securities, real estate prices, interest rates, credit margins, exchange rates and inflation.

For additional information about the Group's credit and interest-rate risks, see Note 36 to the Financial Statements.

4.2 Head of market risk management in the Company

The head of market risk management in the Company is Ms. Adva Inbar, Harel Group's risk manager.

4.3 Description of the market risks

Market risks are risks to the Company's revenues and equity resulting from changes in prices in the financial markets.

The principal market risks to which the Company is exposed are:

Interest rate risk – a loss which might be incurred due to the possible effect of changes in the interest rate curves in Israel and abroad on the fair value or cash flows from assets and liabilities.

Currency risks – the risk of a loss arising from changes in the foreign exchange rates which affect foreign currency exposure in the Company's investment portfolio.

Share price risk – the Company is exposed to a decline in the prices of shares traded in Israel and overseas.

Inflation risks – the Company is exposed to a loss resulting from changes in the Consumer Price Index. The Company holds non-linked financial instruments the value of which may be eroded due to rising inflation.

Credit spread risk – a possible loss due to the credit margins expanding above the risk-free interest rate on debt assets revalued at fair value.

Real-estate prices risk – a risk of possible loss due to an erosion of real-estate prices.

4.4 Harel Investments market risk management policy and oversight of its implementation

The Group's policy on investments and risk management, the scope and composition of its investments, are set by the appropriate organs of each of the Group's companies. Various forums meet on a regular basis and receive on-going reports and forecasts, and they define the rates of exposure to the various investment channels accordingly.

Different companies in the capital market and financial services arm have established a policy for the management of market risk and exposure limits for the management of their liquid asset balances.

4.5 Report on linkage bases at December 31, 2024

Data concerning linkage bases - see Note 36J to the Financial Statements

4.6 Oversight and implementation of market risk management policy

On the oversight of risk management by the subsidiaries which are an insurer, see Note 36 to the Financial Statements.

The managers of the various activities in the capital market and financial services arm are responsible for monitoring activity that takes place in the units under their responsibility.

Harel Finance has a control and risk management department which provides a second line of defense and conducts timely and voluntary tests based on a plan approved by the various boards of directors and in line with events taking place within the companies, including compliance with procedures which have been set on market risks. The control department regularly reports to the Company's CEO and to the relevant boards of directors and audit committees concerning relevant findings, in accordance with the requirements of the TASE Regulations.

Mutual fund activity is monitored by means of an internal control system consisting of software that limits the ability of the investment personnel to perform unusual transactions, and this taking into account the amount of the transaction, price differences between the price of the transaction and the theoretical price and the last trade price, the quantity acquired, etc. Transactions performed by all the investment personnel are also monitored.

The boards of directors of different companies within Harel Finance Group receive periodic updates regarding significant changes in exposure to market risks for the relevant company.

Notably, the activity of Harel Finance has expanded compared with last year.

4.7 Material Events in the Reporting Period

For the most part, 2024 was a good year in the markets - another year of rising share prices and decreasing credit margins. This, despite the rising interest rate curves in Israel in light of the rising risk premium and monetary policy that remained tight. This while central banks around the world strive to lower the base interest rates due to sluggish growth and inflation. In the US indices, this year too the technology shares were favorable amid further strong expectations from AI technologies and the companies actual results. The S&P 500 was up 23.3% and the Nasdaq was 24.9% higher. In parallel, the TA-35 index rose by 28.4% and the TA-125 index rose by 28.6%. A considerable share of the annual yield in Israel was recorded in the fourth quarter as optimism grew regarding the termination of fighting in the north and south, accompanied by a strengthening of the shekel and decrease of the risk premium. Overall, geopolitical risks in Israel and the world over remained high and were a source of volatility.

4.8 Sensitivity tests

Pursuant to the directives of the Israel Securities Authority (ISA), the Company performed tests of sensitivity to key market risk factors. The risk factors and financial assets and liabilities were tested in accordance with the instructions and based on materiality. The sensitivity tests cover the Group's companies, excluding the Group's insurance companies.

The sensitivity tests tested changes in the risk factor by 5% and 10% (proportionate). In calculating the sensitivity to financial instrument and foreign currency risk factors, the maximum daily change in its absolute value was also tested, over the 10 years preceding the Reporting Period.

In light of the events of 2020, exposures to share indices in which the maximum daily scenario increased by more than 10% were also recorded. No daily change of more than 10% was found in the currency risk factor and relevant exchange rates.

Share index	Maximum change	Date
S&P 500	-12.2%	March 16, 2020
Technology shares index	-13.6%	March 16, 2020

As in previous years, according to the clarification regarding sensitivity tests required under Section 2F of the Second Schedule to the Securities (Periodic and Immediate Reports) Regulations, 1970, in addition to the scenarios defined in the Regulations, an extreme scenario of an absolute 2% change was also applied to the interest rate risk factor.

Results of analyses of sensitivity to key risk factors (NIS thousand):

4.8.1 “Capital instruments” sensitivity

Sensitive instrument	Maximum change in market factor	10% increase in market factor	5% increase in market factor	Fair value	5% decrease in market factor	10% decrease in market factor	Maximum change in market factor
Shares in Israel	1,783	39,841	19,921	398,413	(19,921)	(39,841)	(1,783)
Shares abroad	30,294	12,279	6,140	122,795	(6,140)	(12,279)	(30,294)
Dual-listed shares	295	195	97	1,950	(97)	(195)	(295)
Options on shares in Israel	(122)	(186)	(77)	622	46	81	65
PE funds	9,574	12,659	6,329	126,590	(6,329)	(12,659)	(9,574)
Total	**41,824**	**64,788**	**32,410**	**650,370**	**(32,441)**	**(64,893)**	**(41,881)**

4.8.2 Real Estate sensitivity

Sensitive instrument	10% increase in market factor	5% increase in market factor	Fair value	5% decrease in market factor	10% decrease in market factor
Real estate	13,098	6,549	130,980	(6,549)	(13,098)
Total	**13,098**	**6,549**	**130,980**	**(6,549)**	**(13,098)**

4.8.3 CPI Base sensitivity

Sensitive instrument	10% increase in market factor	5% increase in market factor	Fair value	5% decrease in market factor	10% decrease in market factor
Payables	(260)	(130)	(2,603)	130	260
Government bonds	(257,995)	(128,997)	(2,579,777)	128,997	257,995
Corporate bonds	16,352	8,176	163,525	(8,176)	(16,352)
Futures contracts	(25,663)	(12,832)	(264,768)	12,832	25,663
Deposits	304,030	152,015	3,040,304	(152,015)	(304,030)
Total	**36,464**	**18,232**	**356,681**	**(18,232)**	**(36,464)**

4.8.4 US Dollar Base sensitivity

Sensitive instrument	10% increase in market factor	5% increase in market factor	Fair value	5% decrease in market factor	10% decrease in market factor
Cash	787	394	7,872	(394)	(787)
Foreign government bonds	(245,427)	(122,713)	(2,454,269)	122,713	245,427
Corporate bonds	(0)	(0)	(1)	0	0
Shares in Israel	4,832	2,416	48,318	(2,416)	(4,832)
Shares abroad	168,929	84,464	1,689,506	(84,464)	(168,929)
Receivables	1,618	809	16,179	(809)	(1,618)
Futures contracts	221,201	110,600	2,206,086	(110,600)	(221,201)
PE funds	8,168	4,084	81,684	(4,084)	(8,168)
Loans provided	1,094	547	10,941	(547)	(1,094)
Loans received	(166,075)	(83,038)	(1,660,753)	83,038	166,075
Deposits	8,595	4,297	85,949	(4,297)	(8,595)
Real estate	9,458	4,729	94,580	(4,729)	(9,458)
Total	**13,180**	**6,589**	**126,092**	**(6,589)**	**(13,180)**

4.8.5 Euro Base sensitivity

Sensitive instrument	10% increase in market factor	5% increase in market factor	Fair value	5% decrease in market factor	10% decrease in market factor
Cash	39	19	386	(19)	(39)
Futures contracts	(4,232)	(2,116)	(42,216)	2,116	4,232
Shares abroad	51	25	505	(25)	(51)
Foreign government bonds	4	2	38	(2)	(4)
PE funds	1,882	941	18,824	(941)	(1,882)
Deposits	1,962	981	19,618	(981)	(1,962)
Total	**(294)**	**(148)**	**(2,845)**	**148**	**294**

4.8.6 GBP Base sensitivity

Sensitive instrument	10% increase in market factor	5% increase in market factor	Fair value	5% decrease in market factor	10% decrease in market factor
Cash	310	155	3,101	(155)	(310)
Receivables	1,115	558	11,155	(558)	(1,115)
Payables	(1,235)	(618)	(12,354)	618	1,235
Total	**190**	**95**	**1,902**	**(95)**	**(190)**

4.8.7 Other Base sensitivity

Sensitive instrument	10% increase in market factor	5% increase in market factor	Fair value	5% decrease in market factor	10% decrease in market factor
Cash	1	1	14	(1)	(1)
Shares abroad	2,950	1,475	29,498	(1,475)	(2,950)
Deposits	8	4	79	(4)	(8)
Total	**2,959**	**1,480**	**29,591**	**(1,480)**	**(2,959)**

4.8.8 Shekel Interest sensitivity

Sensitive instrument	Absolute increase of 2% in market factor	10% increase in market factor	5% increase in market factor	Fair value	5% decrease in market factor	10% decrease in market factor	Absolute decrease of 2% in market factor
Government bonds	49,107	10,685	5,362	(1,725,354)	(5,401)	(10,842)	(52,675)
Corporate bonds	(18,769)	(4,424)	(2,233)	163,089	2,277	4,598	22,321
Receivable dividends	0	1	0	192,758	(0)	(1)	(3)
Loans provided	(1,298)	(280)	(140)	853,341	140	281	1,324
Bonds issued	78,020	18,050	9,101	(868,746)	(9,255)	(18,669)	(90,814)
Deposits	(108,168)	(23,569)	(11,824)	17,186,852	11,903	23,887	115,216
Marketable deposits	81,141	17,323	8,678	(8,265,432)	(8,711)	(17,454)	(84,116)
Futures contracts	8,737	1,877	940	(1,922,936)	(942)	(1,885)	(8,916)
Interest rate derivatives	(10,440)	(2,247)	(1,126)	(20,320)	1,132	2,271	10,986
Total	**78,330**	**17,416**	**8,758**	**5,593,252**	**(8,857)**	**(17,814)**	**(86,677)**

4.8.9 Index-linked Interest Rate sensitivity

Sensitive instrument	Absolute increase of 2% in market factor	10% increase in market factor	5% increase in market factor	Fair value	5% decrease in market factor	10% decrease in market factor	Absolute decrease of 2% in market factor
Government bonds	172,063	16,022	8,032	(2,579,777)	(8,074)	(16,191)	(193,021)
Corporate bonds	(16,580)	(1,670)	(839)	163,525	847	1,701	19,972
Loans provided	(757)	(69)	(34)	12,334	35	69	837
Deposits	(188,585)	(17,402)	(8,724)	3,040,304	8,771	17,589	211,727
Total	**(33,859)**	**(3,119)**	**(1,565)**	**636,386**	**1,579**	**3,168**	**39,515**

4.8.10 "Dollar interest rate" sensitivity

Sensitive instrument	Absolute increase of 2% in market factor	10% increase in market factor	5% increase in market factor	Fair value	5% decrease in market factor	10% decrease in market factor	Absolute decrease of 2% in market factor
Foreign government bonds	13,906	3,466	1,736	(2,454,269)	(1,742)	(3,489)	(14,288)
Corporate bonds	0	0	0	(1)	(0)	(0)	(0)
Loans provided	(76)	(19)	(10)	10,941	10	19	78
Futures contracts	(13,467)	(3,355)	(1,680)	2,206,086	1,686	3,377	13,838
Deposits	(69)	(18)	(9)	85,949	9	18	71
Total	**294**	**74**	**37**	**(151,294)**	**(37)**	**(75)**	**(301)**

4.9 Assumptions underlying the calculations

The following details the assumptions in applying the sensitivity tests and in calculating the fair value of sensitive instruments:

4.9.1 Instruments with less than three months to redemption are assets with a relatively low level of exposure to changes in interest rates. Their sensitivity is therefore only measured to changes in the linkage base (CPI and/or foreign exchange) and they were not included in the calculations of sensitivity to interest rates.

4.9.2 The fair value of debt assets was calculated using a model for discounting the cash-flows provided by those assets, while applying the appropriate interest rate for the cash flow period. The discounting interest rate was calculated based according to market interest for the period of the cash flows, plus the appropriate risk premium for the borrower or issuing entity.

4.9.3 The fair value of share options was calculated using the B&S model, based on market data. The calculated change is reported in terms of the effect on the value of the instrument and not in terms of exposure.

4.9.4 The fair value of convertible bonds was calculated by breaking down the value of the bonds into two components: (a) the bond component (which was costed according to Section 4.9.2 above); (b) the option component which was based on the binomial model for pricing options.

4.9.5 The fair value of marketable shares was taken as the market value of those shares. The linkage base of dual-listed shares is determined in accordance with the trading arena (Israel or abroad) in which most of the trade in the share takes place.

4.9.6 Regarding changes in interest-based risk factors, for changes of 5% or 10%, the pro-rata change of all the interest rates along the curve was assumed.

4.9.7 A change of 5% or 10% in the risk factors for capital instruments (including shares) was calculated as a change of 5% or 10% in the value of the asset (the same as the assumption of a 5% or 10% change in the relevant share index and sensitivity of the share relative to the relevant share index (beta) equal to 1).

4.9.8 The fair value of futures contract transactions in currencies was calculated as the difference between the fair value of a bond that does not bear a specified interest rate in the denominated currency of the contract, and the fair value of a bond which does not bear a specified interest rate in the source currency.

4.10 Board of Directors explanations

The Company has direct exposure to market risks through its own investments and indirectly through the investments of the subsidiaries and financial institutions that it holds and manages. Taking into account the volume of the Company's own investments and their low-risk nature, the Board of Directors believes that the Company's exposure to market risks is insignificant and that the actual risk management is consistent with the market risk management policy.

4.11 Results of an analysis of the exposure to and management of market risks

Pursuant to the instructions of the Israel Securities Authority (ISA), the Company tested sensitivity to key market risk factors. The sensitivity tests cover the Group's companies, excluding the Group's insurance companies.

Summary of tests of sensitivity to market risks (NIS thousand):

Sensitivity to market risk factors:

Risk factor	Absolute increase of 2% in market factor	10% increase in market factor	5% increase in market factor	Fair value	5% decrease in market factor	10% decrease in market factor	Absolute decrease of 2% in market factor
USD base		(1,597)	(796)	(15,892)	792	1,584	
Euro base		728	364	7,288	(364)	(728)	
GBP base		161	80	1,612	(80)	(161)	
Other base		1,103	552	11,033	(552)	(1,103)	
CPI		69,686	34,843	696,860	(34,843)	(69,686)	
Shekel interest	(92,159)	(15,175)	(7,609)	(1,822,507)	7,655	15,355	101,752
Index-linked interest	(13,198)	(709)	(354)	543,527	358	717	15,090
Dollar interest	113	36	19	(14,049)	(19)	(38)	(114)

Risk factor	Maximum increase in market factor	10% increase in market factor	5% increase in market factor	Fair value	5% decrease in market factor	10% decrease in market factor	Maximum decrease in market factor
Capital instruments	17,184	17,774	8,895	178,987	(8,920)	(17,846)	(17,228)
Real estate		12,804	6,402	128,041	(6,402)	(12,804)	

Taking into account the volume of the Company's investments and their low-risk nature, the Board of Directors believes that the Company's exposure to market risks is not significant. The Board of Directors therefore believes that its market risk management policy is consistent with actual risk management.

5 Aspects of corporate responsibility

5.1 Corporate Social Responsibility

The Company's Board of Directors and the management and employees of the Group, believe that corporate social responsibility (CSR) is an integral part of the Group's management approach and core values, and they attribute considerable importance to the integration of corporate responsibility in all levels of activity, based on the recognition that values and ethical and proper management go hand in hand with business success and leadership, while creating added value for all the principal shareholders. This is reflected in the fact that in 2024, for the tenth time in a row, the Group was awarded the Platinum Plus Ranking, the highest award given by Maala, which rates 150 of the largest companies in the economy for CSR.

Harel Group publishes a biennial corporate responsibility report. The report is prepared in accordance with the international Global Reporting Initiative ("GRI") standard which is the world's leading standard for corporate responsibility reports and describes the most significant topics in the corporations' spheres of influence over the environment and society. Publication of the report reflects the ongoing commitment of the Group's management and Board of Directors to promoting a worldview that supports the integration between business management and corporate responsibility, allowing the Group to present its activity transparently and credibly. The Corporate Social Responsibility report is published on the Company's website.

5.2 Community involvement - sponsorships, contributing to the wider community and voluntary activity by employees

In 2024, the Company continued to broaden its community involvement projects and to deepen its ties with organizations that work in support of the community and society in a range of areas. About 81% of the Group's employees took part in voluntary activity during the course of the year, in line with the Group's policy.

5.2.1 The Group continues to promote long-term strategic partnerships based on monetary donations and employee involvement. In this context, there were collaborations with various charitable associations and organizations, including: United Hatzalah, Alon and Ella, Leket Israel, Nevet, Lasova, Pitchon-Lev, Educational Progress Institute, Shiur Acher, Or Shalom, and more. Within the framework of these partnerships, the Group works to assist diverse populations, including low-socioeconomic groups, soldiers (activity on behalf of soldiers includes the adoption of two IDF transport battalions as part of the Adopt a Fighter program run by YAHAD - United for Israel's Soldiers), school students (support for schools and after-school clubs) and people with disabilities and special needs.

5.2.2 In 2024, the Group's donations and sponsorships to charitable associations for the benefit of the community, amounted to NIS 14.3 million, compared with NIS 15.5 million in 2023 and NIS 11.5 million in 2022. Of these amounts, about NIS 8 million, NIS 9.7 million and NIS 6.8 million, respectively, were donated through the M.E.H. Foundation (Keren HaMeah - in memory of the late Margot and Ernst Hamburger), which is a public benefit company and is authorized by the tax authorities to accept donations from various entities and to distribute them among needy organizations at the discretion of the management of M.E.H. Foundation whose members are principal shareholders in the Company.

5.2.3 The philanthropic policy of Harel Group's management and the management of the M.E.H. Foundation is systemic - holistic. Within the context of this policy, the Group advocates providing assistance to a large number of charitable organizations in a range of fields. Over the last 10 years, Harel Group has made donations to more than 700 different charitable organizations all over the country. The organizations to which Harel Group contributes are mainly: institutions of higher education, special education institutions, culture and art institutions, organization that work to reduce gaps within Israeli society, organizations providing medical assistance for the needy, organizations that support persons with disabilities and special needs as well as institutions for the treatment of addictions.

In 2024, money equivalent donations, reflecting hours of volunteering by the Company's employees at the expense of work hours, contributions through the use of Company facilities on behalf of the activity of the various charitable organizations and donations of equipment to the Company's employees or to charitable organizations, amounted to NIS 900,000.

This year, the Group continued to involve organizations that provide employment for people with disabilities in corporate events and purchasing (e.g.: &Joy, *Ofek Lavan*, *Hamelaket*, and Larger Than Life.

5.3 Sustainability (environmental responsibility)

ESG factors in general, and specifically climate risks, are a developing risk for insurance companies, due to the growing expectation of substantial changes in the preferences and expectations of interested parties, including customers, investors, and supervisory authorities. The Group attributes importance to the promotion of risk management and activity in this context and it has adopted an ESG investment policy for management of all investment portfolios, in compliance with the requirements of the Commissioner of the Capital Market, Insurance and Savings. In addition, the insurance company assessed its exposure to ESG risks in insurance activity. The Group monitors developing ESG risks and regulatory developments on the subject and it updates its risk management accordingly.

In 2024 as well, Harel Group continued to report its carbon footprint to the Ministry of the Environment voluntarily and it took action among its employees and managers to conserve energy, encourage the use of public transport and move over to using green vehicles. Further to measures to reduce paper consumption for office use in recent years, the Group introduced the use of recycled paper in office printers. Additionally, in 2024, the Group continued to integrate environmental considerations in its procurement processes.

Furthermore, Harel is working to enhance its activity with respect to the environment, society and corporate governance. For example, in 2024 as well, Group companies published a responsible investment policy in which ESG considerations form an integral part of the investment decision making process. Additionally, Harel's investment portfolio is broad and diverse and it also includes a large number of environmental projects such as renewable energy companies, a project to clean up contaminated soil and utilize it for construction purposes, and more. Furthermore, in 2023, sustainability tracks were opened (investors in ETFs and shares the main purpose of which is to advance the fulfillment of the UN's Sustainable Development Goals (SDGs).

5.4 Ethical conduct

Maintaining a proper business culture based on ethical conduct is the cornerstone of Harel's activity and decision making. The Group's Code of Conduct reflects the significant core values that guide the Group.

The head of the ethics department works to assimilate the Code of Conduct among new employees and is available to the employees, including by means of a discrete channel of communication.

5.5 Work environment

As a finance group, the Company's employees are its most important resource, the source and strength of the organization and the key to its success. Harel Group's employees are therefore the focal point of the organization and it invests in their professional development and wellbeing, guaranteeing a pleasant, caring and facilitative environment. Harel currently has approximately 5,000 employees from all over the country, of all ages and from all sectors of the population, including employees with disabilities. The considerable importance that Harel attributes to its employees is also reflected in its salary and compensation policy. For example, in 2016 the Group's minimum starting salary was increased to NIS 6,000. At December 2024, this wage is approximately 2% higher than the minimum wage in the economy.

In 2024, Harel Group continued to promote activity on behalf of the wellbeing of the employees. This entailed the assimilation of two new programs:

1) An employee evaluation and feedback process for managers, called "It's excellent to manage. Harel". This process is designed to facilitate dialog between managers and their staff on a variety of management-related topics, to define common expectations and demonstrate success, while at the same time identifying strengths and points for improvement and together to formulate personal and managerial development goals. This is a comprehensive process that helps develop the manager in a managerial competence setting, facilitating formulation and standardization, defining customized goals and conducting a measurable process to help achieve those goals. The evaluation process includes connecting with the organizational survey, allowing managers to broaden their perspectives on the staff situation. The executive development programs shall be tailored as a practical needs-driven tool as part of the personal and management development goals defined for each manager in a joint discussion about the feedback process.
2) "The Campus" - the Campus is a learning portal as employees embark on new positions throughout their career in the organization and helps maintain professional, service-oriented, regulatory and organizational standards. It comprises three key learning tracks: track towards professionalism in insurance; track towards innovation and future skills; track towards management and leadership. The Campus is a home for learning, development and growth for the organization's employees and managers. Campus training provides the employees with tools, skills, knowledge and approaches that upgrade their professional and management abilities, contributing to Harel's business success.

5.6 The Group's Corporate Social Responsibility (CSR)

The Board of Directors functions include receiving ongoing reports from Ms. Liora Kavoras Hadar about performance relating to the Group's corporate CSR. In 2011, the Board of Directors appointed Liora Kavoras Hadar to promote and develop corporate responsibility within Harel. Accordingly, over the course of the reporting years, Ms. Kavoras Hadar met regularly with Mr. Adam Polachek as the Commissioner's management representative for corporate governance, as well as with other officials involved in the Company's corporate responsibility activity, to receive reports from them on the Group's activity in this area and help advance the subject. These meetings included status reports on the Group's activities based on the existing corporate responsibility plans as well as the discussion and approval of future plans of action in this field.

6 Corporate governance

6.1 Directors with accounting and financial expertise

In accordance with Section 92(A)(12) of the Companies Law, 1999 (in this section: "the Law”), the Board of Directors determined, that taking into account the category of company, its size, volume and complexity of its operations, the Company must have at least four directors with accounting and financial expertise under Section 240 of the Law. For information about serving directors in the Company who the Board of Directors has recognized as having accounting and financial expertise, see Regulation 26 in Chapter 5 - Additional Information About the Company.

6.2 External Directors

For information about the Company’s external directors, see Regulation 26 in Chapter 5 - Additional Information About the Company.

6.3 Internal Auditor

For information about the Company’s Internal Auditor, see Section 4.2 in Chapter 1 of the Periodic Report - Description of Company Operations.

6.4 External Auditors

For information about the Company’s External Auditors, see Section 4.3 in Chapter 1 of the Periodic Report - Description of Company Operations.

6.5 Material changes in the list of senior officers

6.5.1 Mr. Michel Siboni, who served as CEO of the Company and Chairman of the Board of Directors of Harel Insurance, stepped down from his position on January 31, 2024, after more than 30 years with Harel Group. Mr. Siboni continues to serve as a director in Harel Insurance and Chairman of the Board of Hamazpen, and he was also appointed as a director in the Company commencing February 5, 2024. Further to Mr. Siboni stepping down from his position, the Company’s Board of Directors approved the appointment of Mr. Nir Cohen, who is currently the CEO of Harel Insurance, as CEO of Harel Investments as well.

6.5.2 The late Mr. Josef Ciechanover, who served as a director in the Company for almost three decades, passed away in September 2024.

6.5.3 Ms. Yochi Dvir began to serve as an external director in the Company on May 30, 2024.

6.5.4 Mr. Sami Babecov, who is the Chief Investment Officer of Harel Group, announced in December 2024 that he intends to step down from his position at the end of June 2025.

6.5.5 Ms. Hagit Chitayat-Levin, who is CEO of the subsidiary Harel Finance Holdings, announced January 2025 that she intends to terminate her position as CEO of Harl Finance at the end of June 2025. After completing her term of office, Ms. Levin is expected to be appointed chair of the board of directors of Harel Finance Holdings.

6.6 Disclosure about cyber risks

For information about the Company’s deployment for cyber risks, see Note 36A to the Financial Statements.

7 Disclosure instructions in relation to financial reporting by the Company

7.1 Report on critical accounting estimates

Regarding critical accounting estimates, the use of which and/or reasonable change therein might significantly affect the Group's financial position and/or results of its operations, see Note 2D to the Financial Statements.

The foregoing does not refer to subsidiaries that are an insurer, including their consolidated data.

8 Disclosure concerning the economic solvency ratio

Provisions concerning application of an economic solvency regime:

An economic solvency regime based on Solvency II applies to Harel Insurance, and this pursuant to the implementation provisions published in June 2017 and revised in October 2020 ("Provisions of the Economic Solvency Regime").

The provisions of the economic solvency regime include transitional measures which allow the reserves in respect of long-term insurance products that were sold in the past, to be increased gradually until 2032. Based on the transitional measures, insurance companies may, after obtaining the Commissioner's approval, include in the calculation of the insurance reserves in the transitional period, a deduction from the insurance reserve ("the Deduction"). The Deduction is calculated in accordance with the instructions in the Deduction Principles Letter and it is gradually reduced from a rate of 100% on the calculation of the insurance reserves at December 31, 2019, to 0% on the calculation of the insurance reserves at December 31, 2032. On October 29, 2024, the Commissioner's approval was received for recalculating the Deduction, which is performed at least once in two years. The Deduction was recalculated at June 30, 2024, due to the significant impact of the rising interest rate in the first half of 2024 on the Deduction amount. Additionally, a linear subtraction was made from the Deduction amount, consistent with the transitional period. On November 27, 2024, the Board of Directors of Harel Insurance approved the recalculated deduction amount, further to notice from the Commissioner that he has no comments on the recalculation of the Deduction at June 30, 2024. Additionally, there is a higher maximum recognition limitation for Tier-2 capital in the transitional period.

On November 27, 2024, together with the approval of the Financial Statements, Harel Insurance approved the economic solvency report in respect of data at June 30, 2024. The report was published on the Company's website: https://www.harel-group.co.il/about/harel-group/harel/investor-relations/Pages/repayment-ability.aspx

Based on the transitional measures, at June 30, 2024, Harel Insurance has a capital surplus of NIS 7,607 million and without taking the transitional measures into account, the capital surplus is NIS 6,040 million.

Notably, the model in its current format is extremely sensitive to changes in market and other variables, such as changes in the interest rate, changes in investment profits, revised actuarial assumptions and changes relating to the activity of Harel Insurance and also concerning the uncertainty inherent in the actuarial and financial assumptions and forecasts used in the preparation of the report.

Calculations of the present economic capital and required capital are based on forecasts and assumptions that rely principally on past experience, and they do not necessarily reflect future performance.

The Best Estimate was determined on the basis of forecasts, assessments and estimates of future events, the materialization of which is uncertain and that are beyond the Company's control, and they should be treated as "forward looking information", according to its definition in Section 32A of the Securities Law, 1968. It is possible that all or part of these forecasts, assessments and estimates will not materialize or they may materialize differently from the manner assumed in calculating the Solvency Report. Actual performance may therefore differ from the forecast.

Economic solvency ratio and MCR:

Following is information about the solvency ratio and minimum capital requirement (MCR) at June 30, 2024, in accordance with the provisions of the economic solvency regime. The economic solvency ratio is calculated in accordance with the transitional measures which prescribe the transitional period.

A. **Economic solvency ratio**

	June 30, 2024	**December 31, 2023**
	(Unaudited)*	**(Audited)****
	NIS million	
Equity for the purpose of SCR	**16,566**	15,841
Solvency capital requirement (SCR)	**8,959**	9,428
Surplus	**7,607**	6,413
Economic solvency ratio	**185%**	168%
Effect of material capital transactions that took place in the period between the date of the calculation and date of publication of the Economic Solvency Ratio Report:		
Capital raising (redemption)	**-**	(182)
Equity for the purpose of SCR	**16,566**	15,659
Capital surplus	**7,607**	6,231
Economic solvency ratio	**185%**	166%

* Wherever the term "unaudited" appears in this report, it refers to a review conducted by the Company's external auditors in accordance with International Standard on Assurance Engagements (ISAE) 3000 Revised, Assurance Engagements Other than Audits or Reviews of Historical Financial Information and in accordance with the Commissioner's directives included in Chapter 7, Part 1, Section 5 of the Consolidated Circular concerning an "External Auditor", which sets out instructions for reviewing a quarterly Economic Solvency Ratio Report.

** Wherever the term "audited" appears in this report, it refers to an audit conducted by the Company's external auditors in accordance with the International Standard on Insurance Engagements (ISAE) 3400 - Review of Future Financial Information, and in accordance with the Commissioner's directives included in

Chapter 7, Part 1, Section 5 of the Consolidated Circular concerning an "External Auditor", which sets out the instructions for an audit of the Annual Economic Solvency Ratio Report.

The capital position of Harel Insurance is influenced by its ongoing business development, changes in market variables, revised demographic and operating assumptions, continuous updates of models, updated regulatory instructions and capital transactions. For information about key changes that took place in the first half of 2024 in contrast with comparison figures, see Section 2 in the Economic Solvency Report.

These data concerning the solvency ratio, taking into account the capital activity, as specified above, do not include the effect of the business activity of Harel Insurance after June 30, 2024, changes in the mix and size of the insurance investments and liabilities, revised actuarial assumptions, exogenous effects and regulatory changes which affect the business environment. For information about key changes that took place after the date of the calculation, see Section 2 in the Economic Solvency Report.

On the results of tests of sensitivity of the economic solvency ratio to various risk factors, including sensitivity to the interest rate, see Section 9 in the Economic Solvency Ratio Report of Harel Insurance as at December 31, 2023.

B. **Minimum Capital Requirement (MCR)**

	June 30, 2024	December 31, 2023
	(Unaudited)	(Audited)
	NIS million	
MCR	**3,039**	2,984
Own funds for the purpose of MCR	**12,694**	11,723

C. **Restrictions on the distribution of dividends**

According to a letter published by the Commissioner in October 2017 ("the Letter"), insurance companies may distribute a dividend only if after the distribution is made, the company has a solvency ratio of at least 100% according to the economic solvency regime, which is calculated without taking the transitional provisions into account and subject to the solvency ratio target set by the Company's Board of Directors. This ratio will be calculated without providing any relief in respect of the original difference attributed to the purchase of provident fund activity and management companies.

It is the policy of Harel Insurance to hold a robust capital base so as to guarantee its solvency and ability to meet its liabilities to insureds, to maintain its ability to continue its business activity and so that it is able to produce a yield for its shareholders. Harel Insurance is subject to the capital requirements and defined regulations with respect to the distribution of dividends.

On January 14, 2025, the Board of Directors of Harel Insurance approved the revised capital management plan and at this stage, threshold conditions were determined for the distribution of a dividend, which include a minimum economic solvency ratio of 135%, taking the transitional provisions into account, and a minimum solvency ratio without taking the transitional provisions into account, of 115%.

On February 28, 2021, the Company's Board of Directors approved a dividend distribution policy whereby the Company will distribute a dividend of at least 30% of comprehensive income according to its annual consolidated financial statements. Additionally, on February 28, 2021, the board of directors of Harel Insurance approved a dividend distribution policy in which the Company will distribute a dividend of at least 35% of comprehensive income according to the annual consolidated financial statements of Harel Insurance, and this as long as Harel Insurance is in compliance with the minimum targets for solvency based on Solvency II.

The threshold conditions are intended to allow Harel Insurance to cope with crises without significantly compromising its operations and its compliance with the applicable capital requirements. Nonetheless, the foregoing is not intended to guarantee that Harel Insurance will remain in compliance with the defined threshold conditions at all times.

D. **Solvency ratio without application of the transitional measures on the transitional period (TMTP)**

Information about the economic solvency ratio of Harel Insurance, calculated without the transitional measures and on the solvency target determined by the board of directors of Harel Insurance with reference to the solvency ratio calculated without taking the transitional measures in the transitional period into account, as required in the letter. This ratio is in compliance with the solvency ratio required according to the letter.

	June 30, 2024	December 31, 2023
	(Unaudited)	(Audited)
	NIS million	
Equity for the purpose of SCR	**14,999**	13,884
Solvency capital requirement (SCR)	**8,959**	10,030
Capital surplusl	**6,040**	3,854
Solvency ratio (in percent)	**167%**	138%
Effect of material capital transactions that took place in the period between the date of the calculation and date of publication of the Economic Solvency Ratio Report:		
Capital raising (redemption)	**-**	-
Equity for the purpose of SCR	**14,999**	13,884
Capital surplus	**6,040**	3,854
Solvency ratio (in percent)	**167%**	138%

Capital status after capital transactions in relation to the Board of Directors target:		
Economic solvency ratio target set by the Board of Directors	***110%**	110%
Capital surplus relative to the target (NIS million)	***5,144**	2,850

* On January 14, 2025, the Board of Directors of Harel Insurance approved an increase of the entire threshold for distribution of a dividend, based on a calculation without the TMTP, from 110% to 115%. The capital surplus with respect to the new target is NIS 4,696 million.

E. **Own Risk and Solvency Assessment (ORSA) for insurance companies**

On January 5, 2022, the Commissioner published an amendment to the provisions of the Consolidated Circular on reporting to the Commissioner of the Capital Market - Own Risk and Solvency Assessment (ORSA) of insurance companies (“the Amendment”). The Amendment stipulates that insurance companies shall report their Own Risk and Solvency Assessment (ORSA) to the Commissioner once a year, in January. Under the Amendment, Harel Insurance will provide a report to the Commissioner that will include a summary of the results, business position and interrelationships, exposure to risk, assessment of solvency and capital requirements, forward-looking assessments and sensitivity analyses and scenarios. The Circular will be applied gradually, commencing January 1, 2023. Harel Insurance submitted the required report to the Commissioner in January 2025.

9 Business strategy and objectives

Section 9 on business strategy and objectives, also includes forecasts, evaluations, estimates and other information relating to future events and affairs, the materialization of which is uncertain and is not within the Company's exclusive control (forward-looking information). The key facts and data which formed the basis for this information are those pertaining to the Company's present position and its business in this area of activity (such as the volume of sales, profit rates, manpower, business agreements, etc.), facts and data pertaining to the current situation in Israel and worldwide for the areas of activity in which the Company operates (such as sectoral economic developments, regulatory environment, competitors, technology developments, reinsurance market, etc.), and macro-economic facts and data (such as the economic situation in Israel and worldwide, yield rates on the capital markets, political and social developments, etc.), as they are known to the Company at the time of this report. The forward-looking information contained above in this section is based significantly, in addition to the information available to the Company, on current expectations and estimates of the Company regarding future developments in each of the aforementioned parameters, and the extent to which these developments are interconnected. The Company cannot be certain that its expectations and assessments will in fact materialize, and the Company's performance may differ significantly from the estimated or inferred performance noted above, in part due to changes in any of the above-mentioned factors.

9.1 The Company believes that the challenging business and regulatory environment requires its business strategy and conduct to be constantly adapted in order to maintain its position in the market and sustain the impressive growth it has demonstrated in recent years. The Company will make every effort to continue to be a leading, dominant player in its diverse areas of activity, at the same time preserving the Company's values as reflected in its motto:

Reliability, Customer Service, Human Capital, a Warm Home and Leadership

9.2 The business, economic and social situation in Israel, together with the prevailing interest-rate environment in the capital markets in Israel and abroad, constantly force the Group to reconsider and adjust its business strategy to changing circumstances.

9.3 The Group applies a strategy of developing non-insurance activity alongside stable insurance activity.

9.4 The Group's insurance activity includes a strategy for the growth of activity by expanding sales to new customers, the promotion of additional sales to existing customers (numbering more than 4 million), as well as expanding the Group's basket of products, with the emphasis on activity which is customized to the customers' requirements, such as special insurance products and advanced savings products.

9.5 In its non-insurance activity, the Group brings together different activities thus providing it with a regular flow of income which is not dependent on the Group's main insurance activity. This regular flow of income to the Company, through these activities, serves to contribute to the Company's stability and its ability to distribute dividends to its shareholders on a regular basis on the one hand, while strengthening the Company's ability to support the activity of Harel Insurance, should such support be necessary in the future.

In this context, the Group's financial activity (Harel Finance and its subsidiaries) as well as the activity of EMI, is concentrated directly under the Company.

The Company also promotes additional activity in the credit sector: through the second-tier subsidiary Hamazpen which provides credit to medium businesses; through Harel 60+ which provides mortgage loans, including reverse mortgage loans (allowing the Third Age population with ownership of a residential apartment, to take a loan secured by the apartment, where repayment of the loan is not required during the course of the borrower's life); through Gamla Harel Residential Real Estate, which provides supplementary (mezzanine) finance for residential property development (and the transaction for its purchase was completed in December 2024). The Group also operates in the sale and credit guarantees sector for real-estate projects, and it has other investment-related activity as well. The Company works to locate additional credit-related opportunities and in this context is signed a Memorandum of Understanding for an investment in consideration of a 30% stake in PAMA Leasing Ltd., which provides asset-backed retail credit.

9.6 The Group has formulated a new strategy called "Harel 2030" in which, to support growth of the Group's profit, then in addition to continuing to invest in business development and building technology infrastructure, digital infrastructure and data infrastructure, it must invest in three key layers:

9.6.1 **Accuracy of performance in the operating segments core components** - accuracy and improvement of customer experience at all points of contact, including underwriting and pricing processes, claims handling and customer service, all through the intensive addition and upgrade of computerized and automated tools in the Company's work environment and the tools provided to the insurance agents who work with the Group.

9.6.2 **Relationship with the customer** - by strengthening and improving the distribution engines in the operating segments, maximizing the distribution channels by working according to customer specifications, with the emphasis on involving the insurance agents who work with the Group, in assimilating tools that will enable segmentation and personalization and increasing cross-sale activity, while continuing to lever the relationship with existing customers, improving service to agents and customers and increasing the number of Harel products held by Harel's customers.

9.6.3 **Diversifying the Group's sources of profit** - expanding outside the core insurance business by broadening existing activity and locating business opportunities in areas that generate stable cash flow, including in the credit and finance sectors.

9.7 Measurement of progress made in implementation of the strategic plan is based on several principles. For additional information, see also Section 2.10 above. Concerning the adjustments made for the goals of the strategic plan following the initial application of the New Standards IFRS 17 and IFRS 9 from 2025, see Section 2.7 above.

9.8 In addition to the foregoing, Harel has made a strategic decision to invest resources in innovation. To this end, in 2022 it rolled out a business-technology plan together with Amazon Web Services (AWS) Israel (Amazon's cloud computing services subsidiary) and graduates of the IDF's 8200 unit, as well as some of the dominant global insurance companies - Zurich and Tokyo Marine. The plan also involves Israeli startups developing technologies for the worlds of insurance, finance, health and operational efficiency in the corporate world. Among other things, these startups will benefit from access to experts in the different areas relevant to their activity, including with respect to technology and data security, access to advanced technology and product tools as well as an office work environment in a designated space set up by the Group in M.E.H. House in Ramat Gan. Additionally, as part of the plan, the Group will review the assimilation of technology solutions suggested by the startups participating in the plan and it will examine the possibilities for cooperation and investment.

9.9 The Group believes that it has attained its position in the insurance and long-term savings market, as well as in the financial services market, thanks to the unique service that it provides for its customers and agents. The Group will continue to provide such service, taking a long-term view of the good of the customer, and in the belief that claims filed by policyholders should not only be paid, but that they deserve to receive added value in the form of assistance and support in times of crisis. Implementation of the Group's new strategy will strengthen its long-term relationships with customers and allow it to provide a service tailored to the requirements of each and every customer. It is these relationships that will continue to provide the Group with stability, offering growth engines by marketing the entire range of the Group's products to its loyal customers.

9.10 The Company operates to assimilate the most up-to-date technology developments in order to improve service to customers and to agents and also to bolster information security about its customers and protect their rights.

9.11 The Group will continue to ensure that its business expands in all the operating segments in which it is involved - in insurance and finance - taking advantage of available business opportunities and after a careful examination of the anticipated profit and growth from the new business over time.

9.12 The Group will continue its policy of the effective management of regulatory capital required of its subsidiaries, including reviewing transactions that will take into account the anticipated return on equity required in respect of such transactions.

9.13 The Group will work consistently to improve and increase controls and management of the various risks in an effort to reduce the exposures entailed in its activity. Likewise, the Group will continue to ensure that it complies with the regulatory provisions, and to this end it will strive to further assimilate the enforcement plan.

9.14 Alongside the expansion of its business activity, the Group will continue its social involvement and assistance for the community at large - continuing to make donations and integrating the Group’s employees in the social activities in which the Group decides to be involved.

9.15 The Group provides a warm home for its employees, and despite its size it has managed to preserve a unique family atmosphere. The Group’s management will continue to preserve this special atmosphere through a variety of measures, based on the understanding that its quality human capital is one of the Group’s most distinct advantages and which is critical to its ongoing success.

The Board of Directors expresses its thanks to the Group's employees and agents for its achievements.

Yair Hamburger Chairman of the Board of Directors	Nir Cohen CEO

March 25, 2025

HAREL INSURANCE INVESTMENTS AND FINANCIAL SERVICES LTD.

Chapter 3

Financial Statements

Contents

Consolidated Statements of Financial Position as at December 31

	Note	2024 NIS million	2023 NIS million
Assets			
Intangible assets	5	**2,840**	2,452
Deferred tax assets	34	**41**	20
Deferred acquisition costs	6	**3,373**	3,114
Fixed assets	7	**1,394**	1,391
Investments in equity accounted investees	8	**1,503**	1,516
Investment property for yield-dependent contracts	9	**1,834**	1,898
Other investment property	9	**2,507**	2,548
Reinsurance assets		**5,369**	5,605
Current tax assets	34	**24**	76
Trade and other receivables	10	**2,311**	1,793
Premium due	11	**1,486**	1,699
Financial investments for yield-dependent contracts	12	**73,711**	71,117
Other financial investments			
Marketable debt assets	13D	**9,936**	8,520
Non-marketable debt assets	13E	**31,231**	23,873
Shares	13H	**4,490**	2,131
Other	13I	**6,754**	4,587
Total other financial investments		**52,411**	39,111
Cash and cash equivalents for yield-dependent contracts	14A	**7,388**	6,733
Other cash and cash equivalents	14B	**2,470**	5,733
Total assets		**158,662**	144,806
Total assets for yield-dependent contracts	12	**84,361**	80,608

Consolidated Statements of Financial Position as at December 31 (contd.)

	Note	2024 NIS million	2023 NIS million
Equity and liabilities			
Equity	15		
Share capital and share premium		**392**	359
Treasury shares		**(430)**	(304)
Capital reserves		**699**	540
Retained earnings		**8,456**	8,298
Total equity attributable to equity holders of the Company		**9,117**	8,893
Non-controlling interests		**87**	60
Total equity		**9,204**	8,953
Liabilities			
Liabilities for non-yield dependent insurance contracts and investment contracts	16	**32,425**	32,206
Liabilities for yield dependent insurance contracts and investment contracts	17	**83,274**	79,657
Deferred tax liabilities	34	**1,083**	947
Liability for employee benefits, net	22	**139**	263
Current tax liabilities	34	**26**	31
Trade and other payables	23	**6,180**	5,703
Financial liabilities	24	**26,331**	17,046
Total liabilities		**149,458**	135,853
Total equity and liabilities		**158,662**	144,806

Yair Hamburger	Nir Cohen	Arik Peretz
Chairman of the Board of Directors	CEO	Chief Financial Officer

Date of approval of the financial statements: March 25, 2025

Consolidated Statements of Income as at December 31

	Note	2024 NIS million	2023 NIS million	2022 NIS million
Premiums earned, gross		**15,926**	17,772	17,121
Premiums earned by reinsurers		**2,223**	2,377	2,250
Premiums earned on retention	25	**13,703**	15,395	14,871
Profits (losses) from investments, net, and financing income	26	**11,081**	7,416	(4,052)
Income from management fees	27	**1,795**	1,529	1,466
Income from commissions	28	**472**	442	417
Other revenue	29	**110**	92	53
Total income		**27,161**	24,874	12,755
Payments and changes in liabilities for insurance contracts and investment contracts, gross		**21,119**	20,674	8,149
Reinsurers' share of payments and change in liabilities for insurance contracts		**1,343**	2,042	1,623
Payments and changes in liabilities for insurance contracts and investment contracts in retention	30	**19,776**	18,632	6,526
Commissions, marketing expenses and other acquisition costs	31	**3,558**	3,359	3,063
General and administrative expenses	32	**1,753**	1,592	1,461
Other expenses	29	**80**	66	45
Financing expenses, net	33	**654**	475	427
Total expenses		**25,821**	24,124	11,522
Company's share of profits (losses) of equity accounted investees	8	**15**	(108)	78
Profit before taxes on income		**1,355**	642	1,311
Taxes on income	34	**395**	146	398
Profit for the year		**960**	496	913
Attributable to:				
Shareholders of the Company		**946**	485	906
Non-controlling interests		**14**	11	7
Profit for the year		**960**	496	913
Basic earnings per share attributable to Company shareholders (NIS)	35	**4.57**	2.31	4.27
Diluted earnings per share attributable to Company shareholders (NIS)	35	**4.55**	2.31	4.27

The accompanying Notes are an inseparable part of the Financial Statements.

Consolidated Statements of Comprehensive Income as at December 31

	2024	2023	2022
	NIS million	NIS million	NIS million
Profit for the year	**960**	496	913
Other comprehensive income (loss) items that after initial recognition as part of comprehensive income were or will be transferred to profit or loss			
Net change in fair value of financial assets classified as available-for-sale	**252**	(195)	(1,657)
Net change in fair value of financial assets classified as available-for-sale transferred to the statement of income	**(56)**	189	(132)
Loss from impairment of financial assets classified as available-for-sale transferred to the statement of income	**59**	84	85
Foreign currency translation differences for foreign activity	**(17)**	38	134
Tax benefit (taxes on income) attributable to available-for-sale financial assets	**(89)**	(31)	579
Tax benefit (taxes on income) for other comprehensive income items that after initial recognition as part of comprehensive income were or will be transferred to profit or loss	**4**	(14)	(36)
Total other comprehensive income (loss) for the year that after initial recognition as part of comprehensive income was or will be transferred to profit or loss, net of tax	**153**	71	(1,027)
Items of other comprehensive income not transferred to profit or loss			
Revaluation reserve for fixed asset items	**33**	53	21
Remeasurement of a defined benefit plan	**14**	10	39
Taxes on income for items of other comprehensive income not transferred to profit or loss	**(13)**	(19)	(16)
Total other comprehensive income for the year, not transferred to profit or loss, net of tax	**34**	44	44
Total other comprehensive income (loss) for the year	**187**	115	(983)
Total comprehensive income (loss) for the year	**1,147**	611	(70)
Attributable to:			
Shareholders of the Company	**1,133**	600	(77)
Non-controlling interests	**14**	11	7
Comprehensive income (loss) for the year	**1,147**	611	(70)

The accompanying Notes are an inseparable part of the Financial Statements.

Consolidated Statements of Comprehensive Income as at December 31

	Attributable to shareholders of the Company **										
	Share capital and premium	Capital reserves for assets available for sale	Translation reserve for foreign activity	Capital reserve for share-based payment	Treasury stock	Capital reserve for transactions with non-controlling shareholders	Capital reserve for revaluation of fixed assets	Retained earnings	Total	Non-controlling interests	Total equity
	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million
Balance as at January 1, 2024	**359**	**287**	**(130)**	**56**	**(304)**	**(49)**	**376**	**8,298**	**8,893**	**60**	**8,953**
Comprehensive income for the year											
Profit for the year	-	-	-	-	-	-	-	946	946	14	960
Total other comprehensive income (loss)	-	166	(13)	-	-	-	22	12	187	*-	187
Total comprehensive income (loss) for the year	-	166	(13)	-	-	-	22	958	1,133	14	1,147
Transactions with shareholders recognized directly in equity											
Dividends declared	-	-	-	-	-	-	-	(800)	(800)	-	(800)
Share-based payment	-	-	-	17	-	-	-	-	17	-	17
Purchase of treasury shares	-	-	-	-	(126)	-	-	-	(126)	-	(126)
Exercise of options	33	-	-	(33)	-	-	-	-	-	-	-
Dividend to non-controlling interests	-	-	-	-	-	-	-	-	-	(7)	(7)
Noncontrolling interests for consolidated companies (see Notes 37F and 39E)	-	-	-	-	-	-	-	-	-	20	20
Balance as at December 31, 2024	**392**	**453**	**(143)**	**40**	**(430)**	**(49)**	**398**	**8,456**	**9,117**	**87**	**9,204**

* Less than NIS 1 million
** For additional information see Note 15

Consolidated Statements of Comprehensive Income as at December 31

	Attributable to shareholders of the Company **										
	Share capital and premium	Capital reserves for assets available for sale	Translation reserve for foreign activity	Capital reserve for share-based payment	Treasury stock	Capital reserve for transactions with non-controlling shareholders	Capital reserve for revaluation of fixed assets	Retained earnings	Total	Non-controlling interests	Total equity
	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million
Balance as at January 1, 2023	359	222	(154)	31	(237)	(49)	339	7,824	8,335	52	8,387
Effect of initial application of IFRS 9	-	18	-	-	-	-	-	(18)	-	-	-
Balance as at January 1, 2023 after initial application of IFRS 9	359	240	(154)	31	(237)	(49)	339	7,806	8,335	52	8,387
Total comprehensive income (loss) for the year											
Profit for the year	-	-	-	-	-	-	-	485	485	11	496
Other comprehensive income for the year	-	47	24	-	-	-	37	7	115	-*	115
Total comprehensive income for the year	-	47	24	-	-	-	37	492	600	11	611
Transactions with shareholders recognized directly in equity											
Share-based payment	-	-	-	25	-	-	-	-	25	-	25
Purchase of treasury shares	-	-	-	-	(67)	-	-	-	(67)	-	(67)
Dividend to non-controlling interests	-	-	-	-	-	-	-	-	-	(3)	(3)
Balance as at December 31, 2023	359	287	(130)	56	(304)	(49)	376	8,298	8,893	60	8,953

* Less than NIS 1 million
** For additional information see Note 15

The accompanying Notes are an inseparable part of the Financial Statements.

Consolidated Statements of Comprehensive Income as at December 31

	Attributable to shareholders of the Company **										
	Share capital and premium	Capital reserves for assets available for sale	Translation reserve for foreign activity	Capital reserve for share-based payment	Treasury stock	Capital reserve for transactions with non-controlling shareholders	Capital reserve for revaluation of fixed assets	Retained earnings	Total	Non-controlling interests	Total equity
	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million
Balance as at January 1, 2022	359	1,347	(252)	6	(163)	(49)	321	7,292	8,861	32	8,893
Total comprehensive income (loss) for the year											
Profit for the year	-	-	-	-	-	-	-	906	906	7	913
Other comprehensive income (loss) for the year	-	(1,125)	98	-	-	-	18	26	(983)	-*	(983)
Total comprehensive income (loss) for the year	-	(1,125)	98	-	-	-	18	932	(77)	7	(70)
Transactions with shareholders recognized directly in equity											
Dividend to shareholders	-	-	-	-	-	-	-	(400)	(400)	-	(400)
Share-based payment	-	-	-	25	-	-	-	-	25	-	25
Purchase of treasury shares	-	-	-	-	(74)	-	-	-	(74)	-	(74)
Non-controlling interests for a subsidiary	-	-	-	-	-	-	-	-	-	13	13
Dividend to noncontrolling interests	-	-	-	-	-	-	-	-	-	-*	-
Balance as at December 31, 2022	359	222	(154)	31	(237)	(49)	339	7,824	8,335	52	8,387

* Less than NIS 1 million
** For additional information see Note 15

Consolidated Statements of Cash Flows for the Year Ended December 31

	Annex	2024 NIS million	2023 NIS million	2022 NIS million
Cash flows from operating activity				
Before taxes on income	A	**(2,730)**	3,602	2,494
Taxes paid		**(329)**	(130)	(518)
Net cash from (used for) operating activities		**(3,059)**	3,472	1,976
Cash flows from investing activity				
Acquisition of a subsidiary consolidated for the first time	B	**(562)**	(51)	(35)
Supplement of consideration for the acquisition of a subsidiary consolidated for the first time in 2021		**-**	-	(9)
Cash derecognized due to deconsolidation	C	**(5)**	-	-
Investment in investees*		**(101)**	(87)	(187)
Proceeds from sale of an investment in an equity accounted associate		**69**	36	97
Investment in fixed assets		**(45)**	(81)	(35)
Investment in intangible assets		**(421)**	(370)	(337)
Dividend and interest from investees		**48**	30	134
Proceeds from sale of fixed assets and intangible assets		**1**	12	1
Net cash used for investing activities		**(1,016)**	(511)	(371)
Cash flows from financing activities				
Proceeds of issue of liability notes, net		**494**	1,288	-
Repayment of liability notes		**(385)**	(374)	(248)
Purchase of treasury shares		**(126)**	(67)	(74)
Issue of commercial security		**100**	-	-
Short-term credit from banks, net		**1,898**	27	(228)
Loans received from banks and others		**100**	300	-
Repayment of loans from banks and others		**(27)**	(27)	(27)
Loan provided to related parties		**(12)**	-	-
Repayment of lease liabilities		**(38)**	(37)	(34)
Dividend paid to non-controlling interests		**(7)**	(3)	-
Dividend to shareholders		**(550)**	(100)	(400)
Net cash from (used for) financing activities		**1,447**	1,007	(1,011)
Effect of exchange rate fluctuations on cash balances and cash equivalents		**20**	119	148
Increase (decrease) in cash and cash equivalents, net		**(2,608)**	4,087	742
Cash and cash equivalents at the beginning of the year	D	**12,466**	8,379	7,637
Cash and cash equivalents at the end of the year	E	**9,858**	12,466	8,379

* In 2022, Harel Insurance made a non-cash investment in an associate partnership (against the balance of non-marketable debt assets) in the amount of NIS 20 million

Consolidated Statements of Cash Flows for the Year Ended December 31 (contd.)

	2024	2023	2022
	NIS million	NIS million	NIS million
Annex A - Cash flows from operating activity (1) (2) (3)			
Profit for the year	**960**	496	913
Items not involving cash flows:			
Company's share in losses (profits) of equity-accounted investees	**(15)**	108	(78)
Net losses (profit) from finance investments for yield dependent insurance contracts and investment contracts	**(6,840)**	(4,034)	7,168
Net losses (profits) from other financial investments			
Marketable debt assets	**(159)**	(82)	(406)
Non-marketable debt assets	**(384)**	(455)	(515)
Shares	**(102)**	86	(153)
Other investments	**(283)**	98	414
Change in financial liabilities	**5,691**	883	2,759
Change in the fair value of investment property for yield-dependent contracts	**(44)**	(8)	(83)
Change in fair value of other investment property	**(15)**	(118)	(123)
Amortization and depreciation			
Fixed assets	**121**	125	113
Intangible assets	**330**	303	272
Total liabilities for non-yield-dependent insurance contracts and investment contracts	**99**	1,112	171
Change in liabilities for non-yield-dependent insurance contracts and investment contracts	**4,024**	3,407	(4,266)
Change in reinsurance assets	**219**	(515)	130
Change in deferred acquisition costs	**(269)**	(220)	(256)
Salary income for share-based payments	**17**	25	25
Income tax expenses	**395**	146	398
Changes in other statement of financial position items:			
Financial investments and investment property for yield-dependent insurance contracts and investment contracts:			
Acquisition of investment property	**-**	(9)	(14)
Proceeds from sale of investment property	**108**	179	-
Net acquisitions of financial investments	**3,252**	506	(1,445)
Change in cash and cash equivalents (4)	**(23)**	-	-
Other financial investments and investment property			
Acquisition of investment property	**(58)**	(22)	(21)
Proceeds from sale of investment property	**114**	-	5
Net acquisitions of financial investments	**(9,636)**	(455)	(327)
Premiums collectible	**190**	(204)	(93)
Other receivables	**(482)**	1,067	(1,721)
Other payables	**70**	1,173	(374)
Liabilities for employee benefits, net	**(10)**	10	1
Total adjustments required to present cash flows from operating activity	**(3,690)**	3,106	1,581
Total cash flows from (used for) operating activity before taxes on income	**(2,730)**	3,602	2,494

(1) Cash flows from operating activities include the purchase and sale, net, of financial investments, attributable to activity for insurance contracts and investment contracts

(2) As part of the operating activities, interest received was stated at NIS 1,897 million (for 2023 and 2022, NIS 1,826 million and NIS 1,501 million, respectively), and interest was paid in the amount of NIS 298 million (for 2023 and 2022, NIS 365 million and NIS 119 million, respectively)

(3) As part of the operating activities, a dividend received from other financial investments was stated in the amount of NIS 515 million (for 2023 and 2022, NIS 457 million and NIS 626 million, respectively)

(4) Due to termination of the old outline in the long-term care agreement with the members of Clalit Health Services and the implementation of the new outline, according to which the fund bears the full insurance risk. See also Note 39E1

	For the year ended December 31		
	2024	**2023**	**2022**
	(Audited)	**(Audited)**	**(Audited)**
	NIS million	**NIS million**	**NIS million**
Annex B: Acquisition of subsidiaries consolidated for the first time (see Note 39E)			
Assets and liabilities of the consolidated subsidiaries at the acquisition date			
Goodwill arising on acquisition	**(203)**	(45)	(2)
Intangible assets arising on acquisition	**(97)**		-
Retained cost – intangible asset for customer relations – created on acquisition	**-**	(5)	(35)
Deferred tax assets	**(6)**	-	-
Fixed assets	**-**	(1)	-
Other receivables	**(76)**	-	-
Other financial investments	**(1,002)**	-	(5)
Liabilities for employee benefits, net	**-**	-	1
Financial liabilities	**787**	-	-
Deferred tax liabilities	**2**	-	-
Trade and other payables	**26**	-	2
Non-controlling interests	**7**	-	4
Total cash derecognized due to acquisition of subsidiaries consolidated for the first time	**(562)**	(51)	(35)

	For the year ended December 31		
	2024	**2023**	**2022**
	(Audited)	**(Audited)**	**(Audited)**
	NIS million	**NIS million**	**NIS million**
Annex C – Cash derecognized due to deconsolidation (see Note 39E)			
Deferred tax assets	**1**	-	-
Current tax assets	**6**	-	-
Trade and other receivables	**1**	-	-
Liabilities for employee benefits, net	**2**	-	-
Current tax liabilities	**(5)**	-	-
Trade and other payables	**(9)**	-	-
Assets net of liabilities derecognized from the Company's consolidated balance sheet due to deconsolidation	**(4)**	-	-
Investment in an equity accounted investee arising upon the sale due to a decrease in the holding rate	**(4)**	-	-
Capital gains from the sale	**3**	-	-
Cash derecognized due to deconsolidation	**(5)**	-	-

Consolidated Statements of Cash Flows for the Year Ended December 31 (contd.)

	2024	2023	2022
	NIS million	NIS million	NIS million
Annex D - Cash and cash equivalents at the beginning of the year			
Cash and cash equivalents for yield-dependent contracts	**6,733**	6,450	5,012
Other cash and cash equivalents	**5,733**	1,929	2,625
Cash and cash equivalents at the beginning of the year	**12,466**	8,379	7,637
Annex E - Cash and cash equivalents at the end of the year			
Cash and cash equivalents for yield-dependent contracts	**7,388**	6,733	6,450
Other cash and cash equivalents	**2,470**	5,733	1,929
Cash and cash equivalents at the end of the year	**9,858**	12,466	8,379

Note 1 - General

A. The reporting entity

Harel Insurance Investment and Financial Services Ltd. ("the Company") is a company resident and incorporated in Israel. The Company’s shares are traded on the Tel Aviv Stock Exchange Ltd. The official address of the company is 3 Abba Hillel St., Ramat Gan.

The Company is a holding company whose principal holdings are in consolidated companies that are insurance and financial services companies. The consolidated financial statements as at December 31, 2024 include the financial statements of the Company and of its subsidiaries ("the Group") as well as the Group's interests in associates and in joint arrangements.

B. Swords of Iron War

On October 7, 2023, the Hamas terror organization launched a ruthless attack on the State of Israel which included the firing of rockets and infiltration of thousands of terrorists from the Gaza Strip into Israel. Following the horrifying attack, the government of Israel declared the Swords of Iron War ("the War"), called up large swathes of its reserve forces and launched a counter offensive against Hamas operating from the Gaza Strip. In parallel, there was a serious escalation of the security situation on Israel’s northern border, facing the Hezbollah terror organization, as well as growing hostilities with Iran and the Houthis in Yemen.

2024 was a turbulent year for Israel as a nation and for the Israeli economy in particular. The war spanned seven fronts, including Gaza, Lebanon, Iran, and Syria, affecting every sector of the economy. In July 2024, Israel initiated military operations against Lebanon, Iran, and Yemen, including targeted eliminations of senior Hamas and Hezbollah members. From that point onward, a positive shift in the economy was apparent. Despite the significant challenges and obstacles in the business environment, the Israeli economy demonstrated resilience and strength. By the second half of 2024, economic activity rebounded and there was relatively effective adaptation to the challenges of the period.

The security situation has a direct impact on the state of the Israeli economy. The effects of the October 7, 2023 events and subsequent developments on the Israeli economy as a whole, and on the insurance and finance industry in particular, are significant. However, the scope and depth of these effects remain uncertain and cannot yet be fully assessed. The resumption of hostilities following temporary ceasefires on various fronts, their escalation, and their expansion to new fronts, along with the involvement of additional countries in the conflict and the issue of hostages could affect the Israeli economy. The Company is unable to estimate the future effect due to the significant uncertainty as at the publication date of this report.

Below are the effects of the War on the Group's exposure to insurance risk:

Life insurance and long-term savings: Most of the exposure resulting from the War is attributable to death risk insurance, to the extent that claims arise in these segments. The increase in the cost of claims in 2024 is estimated at NIS 53 million before tax (NIS 35 million after tax) (in 2023, NIS 88 million before tax (NIS 58 million after tax)). Additionally, no substantial change was found in the amount of withdrawals and redemptions due to the War.

Health insurance including long-term care: The exposure resulting from the War in 2024 is not significant and is estimated at NIS 8 million before tax (NIS 5 million after tax) (in 2023, NIS 9 million before tax (NIS 6 million after tax)).

Non-life insurance: As a rule, property losses arising from war events are not covered by property policies, therefore Harel Insurance believes that the scope of the exposure due to the War is not significant at this stage.

Additionally, as at the publication date of the financial statements, the War has had no material impact on the continuation of growth in the total assets managed by the Group.

It is emphasized that the assessments of the Group’s management concerning the possible ramifications of the War on its activity are uncertain and are beyond the Group’s control. These assessments are based on the best knowledge of the Group’s management at this stage. All or part of these estimates might not materialize or may materialize differently and even significantly differently, than expected.

Note 1 – General (contd.)

C. Definitions

In these financial statements:

Interested parties	-	As defined in paragraph (1) of the definition of interested parties in Section 1 of the Securities Law, 1968.
Dikla	-	Dikla Insurance Company Ltd., whose insurance license was nullified commencing January 1, 2016, received a license to engage in insurance brokerage and at the same time its name was changed on January 1, 2016 to Dikla General Insurance Agency Ltd. In September 2016, the Company changed its name to Dikla Insurance Agency Ltd.
The Company	-	Harel Insurance Investments & Financial Services Ltd.
The Commissioner	-	Commissioner of the Capital Market, Insurance and Savings.
Hamazpen	-	Hamazpen Shutaphim Laderech Ltd.
Joint Arrangements	-	Arrangements in which the Group has joint control that was obtained by a contractual arrangement that requires unanimous consent regarding the activities that significantly affect the returns from the arrangement.
The Group	-	The Company and its subsidiaries.
Harel Insurance	-	Harel Insurance Company Ltd.
Harel Issues	-	Harel Finance & Issues Ltd.
Harel Finance	-	Harel Finance Holdings Ltd.
Harel 60+	-	A company wholly owned by Harel Insurance which provides mortgage loans, including "reverse mortgage" which is a loan provided to borrowers aged 60 or more in the form of a lien on their home.
Liabilities for insurance contracts and investment contracts	-	Insurance reserves and outstanding claims in life insurance, non-life insurance, healthcare insurance, and insurance companies overseas.
Associate company	-	A company, except for a consolidated company, including a partnership or a joint venture, in which the Company's investment is included, whether directly or indirectly, in the financial statements on an equity basis.
Consolidated company/subsidiary	-	A company, including a partnership, whose financial statements are fully consolidated, directly or indirectly, with the Company's financial statements.
Investee company	-	A subsidiary or associate company.

Note 1 – General (contd.)

C. Definitions (contd.)

Insurance contracts	-	Contracts (policies) where one party (the insurer) accepts a significant insurance risk of a counter party (the policyholder), by agreeing to compensate the policyholder if any defined uncertain future event (insured event) has a negative effect on the policyholder.
Investment contracts	-	Policies that do not constitute insurance contracts are those that do not expose the Company to significant insurance risk.
Yield-dependent contracts	-	Insurance policies and investment contracts in which the insurer's liability, for the savings component or the risk therein, is mostly linked to the yield on the investment portfolio (policies that share in investment profit) in assets for yield-dependent contracts.
Supervision Law	-	Supervision of Financial Services (Insurance) Law, 1981, and its amendments.
Mirvah Hogen Ltd.	-	A company providing price quotes and discount interest rates to financial institutions for revaluation of nonmarketable debt assets.
Reinsurance assets	-	Reinsurers' share of the insurance reserves and outstanding claims.
Assets for yield-dependent contracts	-	Total assets held against the liabilities arising from yield-dependent contracts.
Premiums	-	Premiums, including fees.
Earned premiums	-	Premiums relating to the Reporting Period.
Related parties	-	As defined by International Accounting Standard 24 (2009) - Related Parties.
Investment Rules Regulations	-	Supervision of Financial Services (Provident Funds) (Investment Rules Applicable to Financial Institutions), 2012.
EMI	-	EMI Ezer Mortgage Insurance Company Ltd.
Interasco	-	Interasco Societe Anonyme General Insurance Company A.E.G.A. - a company incorporated in Greece and which holds an insurer's license in Greece.
Turk Nippon	-	Turk Nippon Sigorta A.S. - an insurance company incorporated in Turkey, whose insurer's license in Turkey was renewed in April 2009.

Note 2 - Basis of Preparation

A. Framework of the financial reporting

Up to December 31, 2022, the consolidated financial statements of the Group were prepared in accordance with International Financial Reporting Standards (IFRS), including for data relating to consolidated subsidiaries that meet the definition of an Insurer, as this term is defined in the Supervision Law.

In accordance with the Commissioner's guidelines as published in the documents relating to the Roadmap for the Adoption of IFRS 17, Insurance Contracts ("the Roadmap"), the initial date of application of IFRS 17 and IFRS 9 for insurance companies in Israel ("the New Standards") (where their mandatory date of application by these companies according to IFRS should have been January 1, 2023) was revised and will become applicable on or after quarterly and annual periods commencing January 1, 2025. Accordingly, the transition date will be January 1, 2024. According to the Roadmap, there is no early adoption of IFRS 17 in Israel

Accordingly, from January 1, 2023 until the initial date of application of the New Standards by Israel's insurance companies, as noted above, insurance companies in Israel continue to apply the provisions of IFRS 4, Insurance Contracts, and IAS 39, Financial Instruments: Recognition and Measurement, that they applied until that date, and that were replaced by the New Standards. Any other IFRS are applied by Israel's insurance companies in accordance with the dates prescribed therein.

Consequently, and in accordance with the provisions of the Israel Securities Regulations (Preparation of Annual Financial Statements), 2010 ("the Preparation of Financial Statements Regulations"), together with Staff Accounting Position 99-10: "Applicative Issues in the Application of IFRS 17" published by the Israel Securities Authority (ISA) staff ("Staff Position 99-10"), as at January 1, 2023, the Group's consolidated financial statements are not in full conformity with IFRS, so that the data in the Company's consolidated financial statements for subsidiaries that were consolidated and meet the definition of an insurer, as defined in the Supervision Law, are prepared in accordance with the provisions established by the Commissioner under the Supervision Law, whereas the data in the Company's consolidated financial statements that do not relate to the aforesaid subsidiaries continue to be prepared in accordance with IFRS.

These financial statements have been prepared in accordance with the Israel Securities Regulations (Annual Financial Statements), 2010 for the holding companies of insurers.

The consolidated financial statements were approved for publication by the Company's Board of Directors on March 25, 2025.

B. Functional and presentation currency

The consolidated financial statements are presented in New Israel Shekels (NIS), which is the Company's functional currency and are rounded to the nearest million, unless specified otherwise. The shekel is the currency that represents the main economic environment in which the Company operates.

Note 2 - Basis of Preparation

C. Basis of measurement

The financial statements were prepared on basis of the historical cost, except for the following assets and liabilities:

- Financial instruments measured at fair value through profit or loss;
- Financial instruments classified as available-for-sale measured at fair value through other comprehensive income;
- Investment property measured at fair value;
- The fixed assets group relating to land and office buildings measured at fair value (re-valuation method);
- Investments in associates and joint transactions measured at fair value;
- Deferred tax assets and liabilities;
- Assets and liabilities for employee benefits;
- Reinsurance assets;
- Insurance liabilities;
- Provisions;
- Liabilities for financial guarantees.

For additional information regarding the measurement of these assets and liabilities, see Note 3, Significant Accounting Policies.

D. Use of estimates and judgments

The preparation of the consolidated financial statements in conformity with IFRSs and/or in conformity with the requirement of the Commissioner in accordance with the Supervision Law and its related regulations requires management to make judgments, estimates and assumptions, including actuarial assumptions and estimates, which affect the application of accounting policies, and the reported amounts of assets, liabilities, income and expenses. It is stipulated that actual results may differ from these estimates, in part due to regulatory changes that were or are expected to be published in the insurance, pension and provident sectors and where there is a measure of uncertainty as to their ramifications and manner of application. The main estimates included in the financial statements are based, among other things, on actuarial estimates and on external valuation reports.

The preparation of accounting and actuarial estimates used in the preparation of the Group's financial statements, requires the Company’s management to make certain assumptions regarding circumstances and events that involve considerable uncertainty. The Company’s management bases these judgments on past experience, various facts, external circumstances and reasonable assumptions, including future expectations, to the extent that they can be estimated, regarding the circumstances appropriate for each estimate.

The estimates and underlying assumptions are reviewed regularly. Changes in the accounting estimates are recognized in the period in which they are revised and in any future periods affected. In this context, see Note 3C on the revised interest rates applied in calculating the insurance liabilities, and see also Note 36 on the effect of revised actuarial studies on life insurance, health insurance and non-life insurance.

Note 2 - Basis of preparation (contd.)

D. Use of estimates and judgment (contd.)

Information about critical assumptions made by the Group where there is a significant risk that a material change in them, particularly in view of the aforementioned regulatory changes, might materially change the value of the assets and liabilities in the financial statements during the course of the next fiscal year:

- Liabilities for insurance contracts - these liabilities are based on actuarial valuation methods and on estimates regarding demographic and economic variables. The actuarial valuations and various assumptions are based mainly on past experience, and are grounded on the belief that behavior and claims in the past reflect future events. Any change in risk factors, in the frequency or severity of the events, and any change in the legal position may significantly affect the amount of the liability for insurance policies (see Note 36).
- Legal claims - contingent and pending legal claims, and motions for certification of class-actions have been filed against the Group. In estimating the chances of legal claims that were submitted against the Company and its investees, the companies relied on professional opinions prepared by their legal counsel. These legal estimates are based on their best professional judgment, considering the stage at which the proceedings are at, and the accumulated legal experience with the various issues. It is emphasized that the outcomes of the claims as decided by the courts may differ from the estimates (see Note 39).
- Investments in shares and debt instruments - the fair value of investments actively traded on regulated financial markets is determined in relation to their quoted closing bid price at the closing of trade, at the date of measurement. For investments traded on the over-the-counter (OTC) market, the Group receives price quotes from recognized pricing companies. For investments for which there is no active market, the fair value is determined by external valuers using evaluation techniques. The fair value of non-marketable debt assets measured at fair value through profit or loss and of non-marketable financial debt assets for which information about their fair value is provided for explanatory purposes only, is calculated according to a model based on discounting the cash flows where the discounting interest rates and quoted prices are determined by a company that provides them to financial institutions (see Note 13). The fair value of investment funds is based on the net asset value (NAV) which is generally reported from the funds on a quarterly basis. The fund’s reports are reviewed and approved by the investment manager.
- Impairment of goodwill - The Group assesses goodwill for impairment at least once a year. This requires management to assess the expected future cash flows from use of or the continued use of the cash-generating units to which goodwill has been allocated (or a group of cash-generating units). Management is also required to assess the suitable discount rates for these cash flows. An impairment loss is not reversed. Changes in the Group's assessment could lead to material changes in the carrying amount of the assets and the operating results (see Note 5).
- Determining the recoverability of deferred acquisition costs - the recoverability of the deferred acquisition costs in life insurance and long-term care and in health insurance is tested each year using guidelines for cancellation rates, mortality, incidence, and other variable factors (see Note 3C). A review of whether there has been impairment of the deferred acquisition costs in respect of asset management contracts is performed once a year (see Note 3C).
- Determining the fair value of investment property – investment property is presented at fair value at the date of the report, with changes in the fair value recognized in profit or loss. The fair value is determined by independent external appraisers using economic valuations, including assumptions regarding estimates of expected future cash flows from the asset and an estimate of the appropriate discount rate for these cash flows. The fair value is determined in relation to recent transactions of a nature and location which are similar to the estimates when this information is available (see Note 9).

Note 2 - Basis of preparation (contd.)

D. Use of estimates and judgment (contd.)

- Determining the fair value of owner-occupied property - owner-occupied property is presented at fair value at the reporting date where changes in the fair value beyond the cost net of depreciation are recognized in a revaluation reserve. The fair value is determined by independent, external appraisers based on estimates of economic value that include assumptions regarding estimates of future cash flows expected from similar assets and an estimate of the appropriate capitalization rate for these cash flows. The fair value is determined using a combination of several revaluation methodologies, including the comparative approach and discounting of appropriate rent from similar assets (see Note 7).

Determination of fair value

Preparation of the financial statements requires the Group to determine the fair value of certain assets and liabilities. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place in the principal market for the asset or liability, or, in the absence of a principal market, in the most advantageous market for the asset or liability. The Group uses valuation techniques suited to circumstances and where sufficient data are available for measuring fair value, while maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

Further information about the assumptions that were used to determine fair value is included in the following notes:

- Note 7, Fixed assets;
- Note 9, Investment property;
- Note 12, Assets for yield-dependent contracts;
- Note 13, Other financial investments;
- Note 24, Financial liabilities.

When determining the fair value of an asset or liability, the Group uses observable market data wherever possible. There are three levels of fair value measurements in the fair value hierarchy that are based on the data used in the evaluation, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than those included within Level 1 that are observable, either directly or indirectly;
- Level 3: inputs that are not based on observable market data (unobservable inputs).

E. Reclassification

In some sections of the financial statements and some of the Notes, insignificant reclassifications of comparative figures were made. These reclassifications did not have any effect on the Company’s equity and/or on profit or loss and/or comprehensive income.

F. Changes in the Consumer Price Index and in US dollar (USD) exchange rates

	Consumer Price Index		
	CPI for	**Known CPI**	**Representative USD exchange rate**
	%	**%**	**%**
For the year ended			
December 31, 2024	**3.24**	**3.43**	**0.55**
December 31, 2023	2.96	3.34	3.07
December 31, 2022	5.26	5.28	13.15

Note 2 - Basis of preparation (contd.)

G. Operating cycle and reporting structure

The Group's activities, which are mainly financial in nature, do not have a clearly identifiable operating cycle and are generally longer than a year, particularly in relation to life insurance business, long-term savings and non-life insurance business, for which the reporting period continues long after the period of insurance coverage.

The Consolidated Statements of Financial Position are presented by order of liquidity, and not according to current and non-current classifications. The Group believes that this presentation, which complies with IAS 1, provides information that is more reliable and relevant, due to the above, and also complies with the guidelines of the Commissioner regarding presentation in the financial statements of insurance companies.

Note 3 - Significant accounting policies

The accounting policies described below have been applied consistently by the Group entities for all periods presented in these consolidated financial statements, unless otherwise stated.

A. Basis of consolidation

1. Business combinations

The Group applies the Acquisition Method to all business combinations.

The acquisition date is the date on which the acquirer obtains control over the acquiree.

The Group recognizes goodwill at acquisition according to the fair value of the consideration transferred, including any amounts that were recognized in respect of any non-controlling interests in the acquiree as well as the fair value at the acquisition date of any pre-existing equity right of the Group in the acquiree, less the net amount attributed to identifiable assets acquired and the liabilities assumed.

2. Subsidiaries

Subsidiaries are entities controlled by the Group. The financial statements of the subsidiaries are included in the consolidated financial statements from the date of gaining control until the control ends. The accounting policies of the subsidiaries have been changed when necessary to align them with the accounting policies adopted by the Group.

The financial statements of the pension funds, provident funds, mutual funds, ETFs and investment portfolios managed by the Group, were not consolidated since the Group has no control over these entities as set out in IFRS 10, Consolidated Financial Statements.

3. Investment in associates and in joint ventures

Associates are those entities over which the Group has significant influence, but not control or joint control, over their financial and operating policies. Significant influence is presumed to exist when the Group holds between 20% and 50% of another entity. In assessing significant influence, potential voting rights that are currently exercisable or convertible into shares of the investee are taken into account. Joint ventures are joint arrangements in which the Group has the rights to the net assets of the arrangement.

Investment in associates and joint ventures are accounted for using the equity method and are recognized initially at cost. The cost of the investment includes transaction costs.

When a company first obtains significant influence or joint control in a joint arrangement that was accounted for as an available-for-sale financial asset until the date of obtaining significant influence or joint control, accumulated other comprehensive income in respect of that investment is transferred to profit or loss at that date.

The consolidated financial statements include the Group's share of the income and expenses in profit or loss and of other comprehensive income of equity accounted investees, after making the necessary adjustments to align their accounting policies with those of the Group, from the date on which significant influence or joint control commences and until the date on which significant influence or joint control ceases.

Note 3 - Significant accounting policies (contd.)

A. Basis of consolidation (contd.)

4. Non-controlling interests

Non-controlling interests comprise the equity of a subsidiary that cannot be attributed, directly or indirectly, to the parent company.

<u>Measurement of non-controlling interests on the date of the business combination</u>

Non-controlling interests are measured on the date of the business combination according to their proportionate share in the identifiable assets and liabilities of the acquiree.

<u>Allocation of other comprehensive income or loss to the shareholders</u>

Profit or loss and any part of other component of comprehensive income are allocated to the owners of the Company and the non-controlling interests. Total profit or loss and other comprehensive income is allocated to the owners of the Company and the non-controlling interests even if the result is a negative balance of non-controlling interests.

<u>Transactions with non-controlling interests, while retaining control</u>

Transactions with non-controlling interests while retaining control are accounted for as equity transactions. Any difference between the consideration paid or received and the change in non-controlling interests is included in the owners' share of the Company directly in capital reserve.

B. Foreign currency

1. Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions.

Foreign currency differences arising on translation are generally recognized in profit or loss, except for differences which are recognized in other comprehensive income, arising on the translation of available-for-sale equity instruments (except on impairment in which case foreign currency differences that have been recognized in other comprehensive income are reclassified to profit or loss).

2. Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to NIS at exchange rates at the reporting date. The income and expenses of foreign operations are translated to NIS at exchange rates at the dates of the transactions. Income and expenses of foreign operations in a hyperinflationary economy are translated into shekels according to the exchange rate at the reporting date. Prior to translating the financial statements for foreign operations in a hyperinflationary economy, the financial statements for the current year were restated so as to reflect the changes in the purchasing power of the local currency. The restatement was prepared on the basis of the Consumer Price Index consistent with the reporting date.

Foreign currency differences for the translation are recognized in other comprehensive income and are recognized in equity in the foreign activity translation reserve.

When the foreign operation is a non-wholly-owned subsidiary of the Group, then the relevant proportionate share of the foreign operation translation difference is allocated to the non-controlling interests.

Foreign currency differences for loans received from or provided for foreign operations, including foreign operations that are subsidiaries, are generally recognized in profit or loss in the consolidated financial statements.

Foreign exchange gains and losses from loans received from or provided to a foreign operation, the settlement of which is neither planned nor likely in the foreseeable future, are considered to form part of a net investment in a foreign operation and are recognized in other comprehensive income, and are presented within equity in the translation reserve.

Note 3 - Significant accounting policies (contd.)

C. Insurance contracts

IFRS 4, which discusses insurance contracts, allows insurers to continue to apply the accounting policy adopted prior to the date of transition to IFRS for insurance contracts they issue (including related acquisition costs and related intangible assets, as well as for reinsurance contracts they purchase.

Following is a summary of the Group's accounting policy in connection with insurance contracts:

1. Life insurance and long-term savings and long-term care insurance

a. For income recognition, see Note 3L below.

b. Life insurance reserves:

Life insurance reserves are calculated in accordance with the instructions of the Commissioner (regulations and circulars), generally accepted accounting principles, and actuarial methods. The liabilities are calculated according to the relevant cover data, such as the age and gender of the insured, number of years of coverage, policy period, category of insurance, and sum insured.

Life insurance reserves and deferred acquisition costs for life insurance policies issued up to December 31, 1998, are determined on the basis of an actuarial evaluation, performed by the appointed actuary for life insurance at Harel Insurance, Adi Shimoni, F.IL.A.A. The actuary is an officer at Harel Insurance.

Long-term care insurance reserves and the reinsurers' share in these reserves are determined on the basis of an actuarial valuation by the appointed actuary for health insurance at Harel Insurance, Jonathan Brody F.IL.AA. The actuary is an officer in Harel Insurance.

Life insurance reserves linked to the CPI and the investments to cover these reserves are included in the financial statements according to the last CPI published before the report date (the CPI for November). Life insurance reserves associated with policies which according to their conditions are linked semi-annually, were included in the financial statements according to the CPI for June or December, as applicable.

c. Commissioner's instructions concerning liabilities for annuity payments:

The Commissioner periodically publishes circulars concerning calculation of the liabilities for annuity payments in life insurance policies. The circulars contain instructions for calculating the provisions due to the pace of improvement in longevity that requires the adequacy of the liabilities for insurance contracts to be monitored thus allowing the annuity to be properly received and supplemented.

For additional information see Note 36.

d. Deferred acquisition costs for life insurance and long-term care contracts:

Deferred acquisition costs ("DAC") for life insurance policies and long-term care policies that were sold from 1 January 1999 include direct expenses for agents' commissions, including prizes and bonuses and expenses related to the writing of new policies, including medical examination expenses, underwriting, marketing and general and administrative expenses. The DAC is amortized at equal annual rates over the policy period but not more than 15 years. The DAC relating to cancelled policies is written off at the date of cancellation.

Every year the appointed actuary tests the recoverability of the DAC. The test is performed to ensure that the liabilities for insurance contracts net of the DAC, for policies that were sold from 1999, are expected to generate future income that will cover the balance of the DAC and the insurance liabilities, the operating expenses and commissions in respect of those policies. The test is performed collectively at the level of all personal lines products and for all the underwriting years together. The assumptions applied in this test include assumptions for cancellations, operating expenses, return on assets, mortality and morbidity, as determined by the Company's actuary every year based on reviews, past experience and current relevant studies.

Note 3 - Significant accounting policies (contd.)

C. Insurance contracts (contd.)

1. Life insurance and long-term savings segment and long-term care insurance (contd.)

e. Deferred acquisition costs for asset management contracts:

Incremental acquisition costs such as commissions for agents, acquisition supervisors and marketing personnel, which are directly attributable to the acquisition of contracts for managing the assets of pension funds and provident funds, are discounted as DAC assets if they can be identified separately and reliably measured and they are likely to be recovered through management fees. The DAC is amortized over the period estimated for receiving the income from the management fees, including taking cancellations into account. The amortization period is assessed at least once a year.

The outstanding DAC accumulated up to December 31, 2017 is assessed for impairment every year, by comparing the total expected discounted flow from the portfolio in its entirety with the outstanding DAC at the reporting date. The outstanding DAC accumulated from January 1, 2018 is assessed for impairment every year in accordance with IFRS 15, by comparing the total expected non-discounted flow with the outstanding DAC at the reporting date. The assessment is performed on the basis of grouping transactions that were brokered by agents separately from transactions that were performed by the Company’s salaried marketing personnel, and for each business (output) year separately per business and agent for output, from 2018. Where necessary, the impairment is recognized in the income statement.

f. Liability adequacy test (LAT):

Harel Insurance conducts an on-going review of the adequacy of the liabilities for life insurance and long-term care contracts (LAT). If the test shows that the premiums received are inadequate for covering the expected claims, minus the insurance reserves at the calculation date, a special provision is recorded for the shortfall. The test is performed separately for personal lines policies and group policies. For personal lines policies, the test is performed at the level of the insurance plan in the policy, including the riders that are relevant for that policy. The test for group policies is performed at the individual collective level.

The review is performed separately, according to the following allocation: (a) non-life insurance portfolio; (b) health insurance portfolio; (c) life insurance portfolio, excluding Long-term Care; (d) long-term care portfolio; and this based on groups of policies as they were defined by the Commissioner in Insurance Circular 2020-1-5 concerning an amendment to the provisions of the Consolidated Circular on the Measurement of Liabilities - Liability Adequacy Test (LAT), dated March 29, 2020. The parameters and assumptions used for these reviews include assumptions for cancellations, operating expenses and fees, yield from assets, interest, illiquidity premiums, mortality, annuity take-up rates (TUR) and morbidity rates, and taking into account the retained fair value of the non-marketable assets compared with their carrying amount. The assumptions are determined by the actuary every year based on reviews, past experience and other relevant studies. For group policies, the reviews are conducted with respect to adequacy of the reserves based on the claims experience of the collectives.

Note 3 - Significant accounting policies (contd.)

C. Insurance contracts (contd.)

1. Life insurance and long-term savings segment and long-term care insurance (contd.)

g. Effects of changes in the interest rate, illiquidity premium, and the difference between the fair value and carrying amount of the non-marketable assets on the insurance liabilities (including the non-life insurance segment):

	For the year ended December 31		
	2024	**2023**	**2022**
	NIS million	**NIS million**	**NIS million**
Life insurance – decrease in insurance liabilities due to:			
Update of interest rate applied in calculating the reserves for annuity and work disability (1)	**128**	176	227
Total life insurance	**128**	176	227
Health insurance – increase (decrease) in the insurance liabilities due to:			
LAT - personal lines long-term care (3)	**(76)**	-	764
Update of interest rate applied in calculating the reserves for claims in payment - personal lines and group long-term care	**-**	42	15
Update of interest rate applied in calculating the active reserve - personal lines and group long-term care (2)	**-**	-	763
Total health insurance	**(76)**	42	1,542
Non-life insurance – decrease in the insurance liabilities due to:			
Effects of the interest rate (4)	**57**	83	524
Total non-life insurance	**57**	83	524
Total effects on profit and comprehensive income before tax	**109**	301	2,293
Total effects on profit and comprehensive income after tax	**72**	198	1,509

Note 3 - Significant accounting policies (contd.)

C. Insurance contracts (contd.)

1. Life insurance and long-term savings segment and long-term care insurance (contd.)

g. Effects of changes in the interest rate, illiquidity premium, and the difference between the fair value and carrying amount of the non-marketable assets on the insurance liabilities (including the non-life insurance segment): (contd.)

Life insurance:

(1) In 2024 (Q2), the interest rate applied in calculating the reserves for annuity was updated. Consequently, a decrease of NIS 128 million before tax was recorded in the insurance liabilities in the life insurance sector (a decrease of NIS 63 million in the liabilities for policies that include a savings component up to 1990 and a decrease of NIS 65 million in the liabilities for policies that include a non yield-dependent savings component from 2024).

In 2023 (Q3), the interest rate applied in calculating the reserves for annuity and reserves for paid work disability loss claims was updated. Consequently, a decrease of NIS 166 million before tax was recorded in the reserve for annuities in payment and the supplementary reserve for annuity (a decrease of NIS 91 million in the liabilities for policies that include a savings component up to 1990, decrease of NIS 75 million in the liabilities for policies that include a non yield-dependent savings component from 2004), and a decrease of NIS 10 million before tax in reserves for paid work disability claims.

In 2022 (Q2), the interest rate applied in calculating the reserves for annuity and reserves for work disability claims in payment were updated. Consequently, a decrease of NIS 222 million in insurance liabilities before tax was recorded in in the reserve for annuities in payment and the supplementary reserve for annuity (decrease of NIS 27 million in the liabilities for policies that include a savings component up to 1990, decrease of NIS 154 million in the liabilities for policies that include a savings component until 2003, decrease of NIS 41 million in the insurance liabilities for policies that include a non-yield dependent savings component from 2004), and a decrease of NIS 5 million before tax in reserves for paid work disability claims.

Health insurance:

(2) In 2023 (Q3), the interest rate applied in calculating the reserves for payment in personal lines and group long-term care sectors was updated. Consequently, insurance liabilities were reduced by NIS 42 million before tax.

In 2022 (Q2), the interest rate applied in calculating the reserve for claims in payment in the personal lines long-term sector was updated. Consequently, insurance liabilities were reduced by NIS 15 million before tax.

In 2022 (Q4), the interest rate applied in calculating the active life reserve in the personal lines long-term care sector was updated. Consequently, insurance liabilities were reduced by NIS 763 million before tax.

(3) In 2024 (Q4), due to a decrease in the interest curve applied in calculating the insurance liabilities (changes in the risk-free interest curve and a decrease in the illiquidity premium), and changes in the difference between the fair value of the non-marketable assets and their carrying amount, a LAT reserve in the amount of NIS 76 million before tax was recognized in the personal lines long-term sector.

Due to the steep rise of the interest curve applied in calculating the insurance liabilities in 2022 (Q1), the LAT reserve in the long-term care sector in the amount of NIS 764 million was reset, without the need to use the retained fair value of the non-marketable assets allocated to the personal lines long-term care sector.

Note 3 - Significant accounting policies (contd.)

C. Insurance contracts (contd.)

1. Life insurance and long-term savings segment and long-term care insurance (contd.)

g. Effects of changes in the interest rate, illiquidity premium, and the difference between the fair value and carrying amount of the non-marketable assets on the insurance liabilities (including the non-life insurance segment): (contd.)

Non-life insurance:

(4) In 2024, due to changes in the interest curve applied in calculating the insurance liabilities (changes in the risk-free interest curve and a decrease in the illiquidity premium), and changes in the difference between the fair value of the non-marketable assets and their carrying amount, insurance liabilities in the non-life segment were reduced by NIS 57 million before tax.

In 2023, due to changes in the interest curve applied in calculating the insurance liabilities (changes in the risk-free interest curve and a decrease in the illiquidity premium), and changes in the difference between the fair value of the non-marketable assets and their carrying amount, insurance liabilities in the non-life segment were reduced by NIS 83 million before tax.

In 2022, due to the increase in the interest curve applied in calculating the insurance liabilities (a sharp increase of the risk-free interest curve and an increase in the illiquidity premium), and changes in the difference between the fair value of the non-marketable assets and their carrying amount, insurance liabilities in the non-life segment were reduced by NIS 524 million before tax.

The following table addresses the difference between the fair value and carrying amount of the non-marketable assets used for offsetting the reserves in the context of testing the adequacy of the reserves in health insurance and non-life insurance. Most of the difference is in respect of non-marketable debt assets:

	December 31			
	2024		2023	
	Health	Non-life	Health	Non-life
	NIS million	NIS million	NIS million	NIS million
Total retained value *	5	167	42	147
Amount offset from LAT reserve	5	167	-	147
Outstanding fair value to be offset	-	-	42	-

* Not including retained value of NIS 956 million for designated bonds (at December 31, 2023 – not including retained value of NIS 1,174 million for designated bonds.

Note 3 - Significant accounting policies (contd.)

C. Insurance contracts (contd.)

1. Life insurance and long-term savings segment and long-term care insurance (contd.)

h. Outstanding claims include mainly provision for outstanding claims for death in individual policies and in group life insurance transactions, based on notifications received about insured events and sums insured.

i. The provisions for annuity payments and for prolonged claims in the payment of work disability and long-term care, the direct and indirect expenses relating thereto, as well as the provisions for incurred but not yet reported claims (IBNR), are included in the liabilities for insurance and investment contracts.

j. Provision for profit sharing accrued to the right of group holders of group life insurance policies and group long-term care policyholders are included within “trade and other payables”.

k. Investment contracts:

l. Receipts in respect of investment contracts are not included in the item earned premiums but are recognized directly to liabilities for insurance and investments contracts. Payment of surrenders, death and term, for these contracts are not recognized in the statement of income, but are deducted directly from the item liabilities for insurance and investments contracts.

m. The statement of income includes investment revenues, a change in the liabilities and payments for investment contracts on account of the insureds’ share of the investment revenues, management fees agents’ commissions, and general and administrative expenses.

n. Presentation of insurance liabilities according to financial exposure:

Pursuant to the Commissioner’s directive, the insurance liabilities listed below are presented according to the financial exposure arising from them:

1. Group LTC plan in which most of the investment risks are not imposed on the insurer.
2. Part of the liabilities in LTC plans in which the insurer does not bear most of the investment risk.
3. Part of the liabilities in P.H.I. plans in which the insurer does not bear the financial exposure.

o. A difference in origin for future profitability incorporated in the assets and liabilities acquired was attributed to the insurance liabilities for the Eliahu transaction. This difference in origin was amortized in accordance with the period of the economic benefit.

p. The Group accounts for the new collective insurance agreement that came into effect in 2024, in which the basic insurance risk relating to the insured event is not transferred from the collective to Harel Insurance as an undertaking to provide a loan from Harel Insurance to the collective at an interest rate lower than the market interest rate. In accordance with IAS 39, the initial recognition of the undertaking is based on its fair value and it is subsequently measured at the higher of the amount initially recognized, net of cumulative amortization under IFRS 15 or the amount determined for it, as required, in accordance with IAS 37.

q. The assets of the collective fund, held by Harel Insurance in trust for the collective (client assets), are not recognized in the Group's financial statements. Based on a review of the relevant indicators, they do not meet the definition of an "asset" for financial reporting.

Note 3 - Significant accounting policies (contd.)

C. Insurance contracts (contd.)

2. Non-life and health insurance segment, excluding long-term care

a. For revenue recognition see Note 3L below.

b. Changes in liabilities and payments for insurance policies, both gross and retention, include settlement and direct handling costs for claims paid and outstanding claims, which occurred during the reporting year, payments and updating the provision for outstanding claims that was recorded in previous years, as well as the general and administrative expenses component for claims settlement.

c. Provision for indirect expenses to settle outstanding claims:

Provisions for outstanding claims included in liabilities from insurance contracts include provisions for indirect expenses for settling claims.

d. Liabilities for insurance contracts and deferred acquisition costs:

The reserve for unexpired risks and outstanding claims included in the item liabilities for insurance contracts, and the reinsurers' share therein, included in the item reinsurance assets and deferred acquisition costs for non-life insurance and health insurance were calculated in accordance with the Supervision of Insurance Business (Methods of Calculating Provisions for Future Claims in General Insurance) Regulations 1984, including amendments, the Commissioners' instructions and generally accepted actuarial methods for calculating outstanding claims, applied at the discretion of the actuaries.

e. Liabilities for insurance contracts includes the following insurance liabilities:

1. Liability for unexpired risks which constitutes the balance of the unearned premium reserve at the end of the reporting period. This liability is not calculated by actuarial methods and is not dependent on any assumptions. The liability reflects the insurance premiums in respect of the insurance period after the report date and is calculated on a daily basis.
2. Provision for premium deficiency (as required), in the branches motor property, compulsory motor, comprehensive household and healthcare, which is a provision for anticipated loss and is calculated on retention, based on an actuarial estimate.
3. Insurance liability in health insurance are calculated, mostly, according to actuarial estimates.
4. For contingent claims, see Section F below.

The change in the liability for unexpired risks is included in the Statement of Income under earned premiums; the change in the other insurance liabilities is included under payments and change in liabilities for insurance contracts.

f. Contingent claims:

The contingent claims in the financial statements are calculated using the following methods:

1. Contingent claims and the re-insurers share therein, are included according to actuarial evaluation, except for the branches specified in section 2 below. The actuarial calculation for non-life insurance in Harel Insurance is made by the appointed actuary for non-life insurance, Jonathan Schwartz, F.IL.A.A. The actuarial calculation for health insurance in Harel Insurance is made by the appointed actuary for health insurance, Jonathan Brody F.IL.AA. The actuaries are officers in Harel Insurance.
2. Contingent claims in the non-statistical sectors, such as contractors, force majeure, and other lines of business are included based on an individual assessment of the claims by the Group's experts handling the claims, based, among other things, on opinions received from external experts. The estimates include a suitable provision for settlement of claims and handling expenses not yet paid at the date of the financial statement. The estimates also include provisions for claims that have been incurred but not yet reported (IBNR) according to Group experience.

Note 3 - Significant accounting policies (contd.)

C. Insurance contracts (contd.)

2. Non-life and health insurance, excluding long-term care (contd.)

g. Best practice principles for the calculation of insurance reserves in non-life insurance

Commencing December 31, 2015, the Company applied the Commissioner's position in the context of the Best Practice for calculating the reserves in non-life insurance. Among other things, the Commissioner's position addresses the following topics:

1. The principle of prudence, in which "a reserve adequate to cover the insurer's liabilities" means that it is fairly likely that the prescribed insurance liability in retention will be adequate to cover the insurer's liabilities. For outstanding claims in the compulsory and liabilities lines of business, the "fairly likely" test refers to an estimated probability of at least 75%. Nonetheless, insofar as there is a limitation in the statistical analysis, the actuary will apply discretion and may use generally accepted actuarial methods. In this context, the random risk and systemic risk must be addressed.
2. The Company assesses the adequacy of the reserves in non-life insurance based on the best practice principles set out above. As part of the assessment, the Company discounts the future claims payments using a risk-free interest curve, adapting it to the illiquid nature of the insurance liabilities and taking into account the method of revaluing the assets held to cover these liabilities.
3. Grouping - to calculate margins for uncertainty in statistical sectors (according to their definition in the Commissioner's position), each sector must be treated separately, but the risks from all the underwriting (or loss) years in the sector may be grouped together. In non-statistical sectors, they may all be treated as a single unit.
4. Determining the amount of the insurance liabilities for policies sold in time periods close to the date of the report and for risks after the date of the report.

h. Subrogation and salvage are taken into account in the database from which the actuarial evaluations for the outstanding claims are calculated. In non-statistical lines of business, subrogation and salvage are taken into account when assessing the risk in the claim portfolios on a claim by claim basis.

i. Deferred acquisition costs:

1. Deferred acquisition costs in non-life insurance include agents' commissions and part of the general and administrative expenses related to the writing of policies in respect of the retained unearned insurance premiums. The deferred acquisition costs are calculated according to the lower of actual costs or at standard rates prescribed in the Supervision Regulations, calculated as a percentage of unearned premiums for each branch separately.
2. Deferred acquisition costs for illness and hospitalization insurance include long-term expenses resulting from the issuing of new policies, including expenses for medical examinations, underwriting commissions, marketing and general and administrative expenses.
3. Deferred acquisition costs are amortized at equal rates over the period of the policy, but no longer than six years. Deferred acquisition costs associated with cancelled policies are written off at the cancellation date.
4. Pursuant to the Commissioner's instructions, every year the appointed actuary tests the recoverability of the DAC. The test is performed to ensure that the reserve, net of the DAC, is adequate and that the policies are expected to generate future income to cover the amortization of DAC and the insurance liabilities, the operating expenses and commissions in respect of those policies. The test of recoverability for the reporting year showed that total future revenues from insurance policies for illness and hospitalization in respect of which deferred acquisition costs were paid, cover the outstanding deferred expenses at the reporting date.
5. The reinsurers' share of the DAC is classified within "trade and other payables".

Note 3 - Significant accounting policies (contd.)

C. Insurance contracts (contd.)

2. Non-life and health insurance, excluding long-term care (contd.)

j. Business received through the Israeli pool for motor vehicle insurance of the Israel Insurance Association ("the Pool"), from other insurance companies (including co-insurance) and underwriting agencies are included according to the accounts received up to the report date with the additional of the relevant provisions, based on the Company's rate of participation therein.

k. Gross earned premiums include all the amounts paid by the borrowers in connection with property insurance policies written through a mortgage bank. The amounts paid to the mortgage bank for expenses are included under commission and other marketing and acquisition expenses.

l. Provision for profit sharing credited to group health insurance policyholders is recorded on the basis of the agreements in force and is included under credit and other payables, changes therein are net of premiums.

m. Mortgage insurance business

The subsidiary EMI operates in Israel as an insurer in the credit insurance market for mortgages for residential properties (Monoline branch), and is subject to the conditions of the insurer's license issued by the Commissioner, including the definition of the branch in which EMI is authorized to operate, conditions concerning minimum equity, the unique nature of its insurance activity, the need for the Commissioner's approval of the policy conditions and conditions of the insurance plan, provisions concerning a reserve for unexpired risks (UPR), a reserve for outstanding claims (Loss Reserve), contingency reserve, reinsurance, provisions concerning an option for the policyholder to cancel the EMI policy, and provisions concerning payment of premiums by the insured.

Below are the principals of the significant accounting policies applied for mortgage insurance businesses through EMI:

1. The premiums are recorded as revenues based on monthly output reports. Premiums relate principally to insurance periods during the life of the loans. Premiums from policies that commence after the report date are recorded as advance premiums under trade and other payables.
2. Recorded gross premiums - the premium received for the entire policy period net of premium refunds to insureds for policies that were cancelled before the end of the original loan period.
3. Earned premiums - the income included in the financial statements under premiums earned are net of cancellations based on information received from the policyholders and subject to the provisions of any law, and after the deduction or addition of all the changes in the reserve for unexpired risks, and in relation to the Reporting Period.
4. Notably, in light of the foregoing in second-tier section 11 below, EMI does not record new premiums and due to the fact that the paid-up amounts are included in gross premiums as a negative amount, the gross premium might be a negative amount.
5. Payments and changes in liabilities for insurance contracts includes payments for insurance contracts including direct expenses for settling claims as well as indirect expenses (general and administrative) for claims settlement and revised provision for outstanding claims and for the reserve for extraordinary risks that were recorded in previous years.
6. The reserve for unexpired risks, the reserve for extraordinary risks, and outstanding claims ("the insurance obligations") were calculated based on the instructions in the insurer's license, amendments included, granted to EMI under the Insurance Supervision Law ("the Insurer's License"). Accordingly, no actuarial calculation is necessary to determine the insurance obligations, and they are therefore independent of any special assumptions.

Note 3 - Significant accounting policies (contd.)

C. Insurance contracts (contd.)

2. Non-life insurance segment and health insurance segment, excluding long-term care (contd.)

m. Mortgage insurance business (contd.)

7. A difference in origin was attributed to the insurance obligations, reflecting their fair value on the acquisition date. The difference in origin in respect of the insurance obligations is amortized based on the economic life of the obligations.
8. The reserve for unexpired risks reflects the premium component paid to the company for policy periods that apply after the report date ("unearned premium"). In addition, a percentage of the premiums less the change in the reserve for unexpired risks ("the earned premium") is transferred to the reserve for extraordinary risks to cover loss and expenses in excess of the rate of the earned premium, net, for that year.
9. Based on the information in EMI's insurer's license, EMI is unable to apply subrogation against an insured, unless the insured deliberately caused the insured event.
10. The change in the reserve for unexpired risks appears in the Income Statement under earned premiums. The change in other insurance obligations appears under payments and changes in obligations for insurance contracts.
11. On November 1, 2012, the Bank of Israel published an instruction concerning limits on financing rates for housing loans (LTV ratio) which will apply to loans that are approved in principle from November 1, 2012 onwards. The new instruction is a continuation of the previous measures introduced by the Supervisor of Banks in the mortgage credit market. The instruction prescribes that a bank may not approve a mortgage with an LTV ratio of more than 70%, except for a loan for the purchase of a borrower's only apartment, for which the maximum LTV ratio will be 75%. Additionally, the provision prescribes that a bank may not approve a loan to a borrower to finance an apartment for investment purposes with an LTV ratio of more than 50%. Consequently, in 2013 the format of EMI's operations was adjusted to the existing scope of activity, at the same time continuing to deal with policies which are in force and maintaining the company's ability to resume underwriting and policy issue activity. The insurance cover sold by EMI is long-term cover, where the entire premium is received in advance when the policy is issued. Accordingly, recognition of the revenue and the profit is spread over the period of the insurance risk and EMI has an insurance commitment for many years in advance. In 2024, EMI recorded a new premium of an insignificant amount and it is not expected to record any significant premium as long as the provision remains in force.
12. Harel Insurance entered into transactions to provide financial guarantees to an international reinsurer for mortgage portfolios that were provided by financial institutions, in the amount of 50% of the costs of any claim filed against the reinsurer. EMI, on its part, provides project and operating services in connection with the insured portfolios in a TPA (Third Party Administrator) format. In consideration of the financial guarantees and development and operating services, Harel Insurance and EMI are entitled to a fee of 50% of the net premium to be received from the reinsurer.

Note 3 - Significant accounting policies (contd.)

D. Provision for doubtful debts

1. In respect of outstanding premiums, loans and other receivables - the provision is determined specifically in respect of debts whose collection is doubtful in the opinion of management.
2. The provision in respect of reinsurers' debts which the Group's management considers doubtful is determined on the basis of individual risk estimates. In addition, in determining the reinsurers' share in outstanding claims and insurance reserves, included in the item reinsurance assets, the Company and the consolidated companies take into account, among other things, an estimate of the chances of collection from the reinsurers. The share of those reinsurers who are having financial difficulties (if any) is calculated according to the actuary's recommendation, which takes into account all the risk factors. When reinsurers encounter financial difficulties, they are likely to raise various arguments related to acknowledgment of the debt. In these cases, the Group takes into account the reinsurers' willingness to reach cut-off agreements. The reinsurers' liabilities to the Group do not release the Company from its obligations to the insured parties under the insurance policies.

E. Financial instruments

1. Non-derivative financial assets

a. Initial recognition of financial assets

The Group initially recognizes loans, receivables and deposits at the time that they are created. All other financial assets acquired in regular way purchases, including assets designated at fair value through profit or loss, are initially recognized on the date at which the Group undertook to purchase or sell the asset. **Non-derivative financial instruments comprise investments in equity and debt securities, premiums due, and trade and other receivables, and cash and cash equivalents.**

b. Derecognition of financial assets

Financial assets are derecognized when the contractual rights of the Group to the cash flows from the asset expire, or the Group transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognized as a separate asset or liability.

Regular way sales of financial assets are recognized on the trade date at which the Group undertook to sell the asset.

See subsection (2) below regarding the offset of financial assets and financial liabilities.

c. Classification and measurement of financial assets

<u>Accounting policy applied from January 1, 2023, for financial assets that do not refer to subsidiaries that meet the definition of an insurer - in accordance with IFRS 9</u>:

Financial assets are classified at initial recognition to one of the following measurement categories: amortized cost, fair value through other comprehensive income, or fair value through profit or loss.

Classification of financial assets that are debt assets is based on the Group's business model for the management of financial assets and on the nature of the contractual cash flows of the financial asset. Consequently:

Note 3 – Significant accounting policies (contd.)

E. Financial instruments (contd.)

1. Non-derivative financial assets (contd.)

c. Classification and measurement of financial assets: (contd.)

Accounting policy applied from January 1, 2023, regarding financial assets that do not refer to subsidiaries that meet the definition of the insurer - in accordance with IFRS 9: (contd.)

(1) Debt assets held within a business model whose objective is to hold financial assets so as to collect contractual cash flows and include solely payments of principal and interest, are measured at amortized cost. For information about recognition of impairment losses for such assets, see Note 3I regarding impairment;

(2) Debt assets with cash flow characteristics that do not include solely payments of principal and interest are measured at fair value through profit or loss.

(3) Debt assets whose cash flow characteristics include solely payments of principal and interest, but are held within a business model whose objective is both the sale and collection of contractual cash flows, are measured at fair value through other comprehensive income (FVTOCI). For information about the method of recognizing impairment losses for such assets, see Note 3I regarding impairment;

(4) Debt assets whose cash flow characteristics include solely payments of principal and interest, but are financial assets held for trading and whose performance is assessed on the basis of fair value, and they are not held under one of the two business models in section (1) and (3) above, are measured at fair value through profit or loss.

The Group assesses the objective of the business model in which the financial asset is held at portfolio level, since this best reflects the way in which the business is managed and information is provided to management. The following considerations were taken into account in the assessment of the Group's business model:

- The declared policy and objectives of the portfolio and actual implementation of the policy, including whether management's strategy centers on receiving contractual interest, maintaining a specific interest profile, matching the duration of the assets to the duration of any liabilities associated with them or expected cash flows, or disposing of cash flows through sale of the assets
- How performance of the business model and the financial assets held in this model are assessed and reported to key personnel in the management;
- The risks affecting the business model's performance (and the financial assets held in that business model) and how those risks are managed;
- How the business managers are compensated (for example, whether the compensation is based on the fair value of the managed assets or on the collected contractual cash flows); and
- The frequency, value and timing of sales of financial assets in prior periods, the reasons for the sales and expectations for future sale activity.

To assess whether the cash flows include solely principal and interest, "principal" is the fair value of the financial asset at initial recognition. 'Interest' is defined as consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin. In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

Note 3 Significant accounting policies (contd.)

E. Financial instruments (contd.)

1. Non-derivative financial assets (contd.)

c. Classification and measurement of financial assets: (contd.)

Accounting policy applied from January 1, 2023, regarding financial assets that do not refer to subsidiaries that meet the definition of the insurer - in accordance with IFRS 9: (contd.)

(5) At the initial date of recognition, the Group might designate financial assets to fair value through profit or loss, providing that the designation is intended to prevent or significantly reduce an accounting mismatch.

Investments in capital instruments are measured at fair value through profit or loss, other than investments not held for trading that the Group may choose to designate to fair value through other comprehensive income for which the amounts to be recognized in equity will not be classified to profit or loss, even if the investment is sold (except in the event of a distribution of dividends that are not a return on the investment). **The Group did not choose this designation. Consequently, investments in capital instruments classified as available-for-sale up to January 1, 2023 are measured at fair value through profit or loss as from this date.**

Accounting policy implemented for financial assets that do not refer to subsidiaries that meet the definition of the insurer - in accordance with IAS 39:

Financial assets that refer to subsidiaries that meet the definition of an insurer, are classified into groups as follows:

Financial assets at fair value through profit or loss

A financial asset is classified at fair value through profit or loss, if it is held for trading or if it is designated as such at the time of initial recognition. Financial assets are designated at fair value though profit or loss if the Group manages this class of investment and makes purchase and sale decisions based on their fair value, in accordance with the Group's documented risk management or investment strategy. If the designation is intended to prevent an accounting mismatch or if the device includes an embedded derivative, attributable transaction costs are recognized in profit or loss as incurred. These financial assets are measured at fair value and changes therein are recognized in profit or loss.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest method, and net of any impairment losses.

Loans and receivables include cash and cash equivalents, premiums due, other receivables and investments in non-marketable bonds.

Cash and cash equivalents include cash balances available for immediate use and call deposits. Cash equivalents include short-term highly liquid investments (with original maturities of three months or less) that are readily convertible into known amounts of cash and are exposed to insignificant risks of change in value and are not limited by any lien.

Held-to-maturity investments

If the Group has the express intent and ability to hold debt securities to maturity, then such debt securities are classified as held-to-maturity. Held-to-maturity investments are initially recognized at fair value, plus attributable transaction costs. Subsequent to initial recognition, held-to-maturity investments are measured at amortized cost using the effective interest method, less any impairment loss.

Note 3 – Significant accounting policies (contd.)

E. Financial instruments (contd.)

1. Non-derivative financial assets (contd.)

c. Classification and measurement of financial assets: (contd.)

Accounting policy implemented for financial assets that do not refer to subsidiaries that meet the definition of the insurer - in accordance with IAS 39: (contd.)

Financial assets that refer to subsidiaries that meet the definition of an insurer, are classified into groups as follows: (contd.)

Available-for-sale financial assets

Available for sale financial assets are non-derivative financial assets which have been designated as available for sale financial assets or which have not been classified into one of the other categories.

The Group's investments in shares and certain debt securities are classified as available-for-sale financial assets.

Available-for-sale financial assets are recognized initially at fair value plus any directly attributable transaction costs. In subsequent periods, they are measured at fair value and changes therein, other than impairment loss, gains or loss arising from foreign currency changes and the accrual of effective interest on available-for-sale debt instruments, are recognized directly in other comprehensive income and presented within equity in a reserve for equity instruments classified as available-for-sale. Dividends received for financial assets available for sale are recognized in profit or loss at the date of payment. When the investment is derecognized, the cumulative gain or loss in capital fund for available for sale financial assets, are transferred to profit or loss.

On the method of recognizing impairment losses in profit or loss in respect of this category of assets, see Note 3I below on impairment.

2. Non-derivative financial liabilities

The Group has the following financial liabilities that are not derivatives: loans and credit from banks and other providers of credit, marketable and non-marketable debt instruments, other suppliers and creditors (trade payables), and financial guarantees.

a. Initial recognition of financial liabilities

The Group initially recognizes debt instruments issued on the date that they originated. All other financial liabilities are recognized initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

Financial liabilities (other than financial liabilities at fair value through profit or loss) are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities, other than financial guarantees are measured at amortized cost using the effective interest method. Financial liabilities are designated at fair value through profit or loss if the Group manages such liabilities and their performance is assessed based on their fair value in accordance with the Group's documented risk management strategy, providing that the designation is intended to prevent an accounting mismatch, or the liability is a combined instrument including an embedded derivative. On the subsequent measurement of financial guarantees, see Section 5 below.

Transaction costs directly attributable to an expected issuance of an instrument that will be classified as a financial liability are recognized as an asset in the framework of deferred expenses in the statement of financial position. These transaction costs are deducted from the financial liability upon its initial recognition, or are amortized as financing expenses in the statement of income when the issuance is no longer expected to occur.

b. Derecognition of financial liabilities

Financial liabilities are derecognized when the Group's commitment, as specified in the agreement, expires or when it is settled or eliminated.

Note 3 – Significant accounting policies (contd.)

E. Financial instruments (contd.)

2. Non-derivative financial liabilities (contd.)

c. Change of conditions of debt instruments:

A swap of debt instruments having substantially different terms, between an existing borrower and lender is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability at fair value. Furthermore, a substantial modification of the terms of the existing financial liability or part of it, is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

In such cases, the entire difference between the amortized cost of the original financial liability and the fair value of the new financial liability is recognized in profit or loss as financing income or expense.

The terms are substantially different if the discounted present value of the cash flows according to the new terms, including any commissions paid, less any commissions received and discounted using the original effective interest rate, is different by at least ten percent from the discounted present value of the remaining cash flows of the original financial liability.

In addition to the aforesaid quantitative criterion, the Group examines, among other things, whether there have also been changes in various economic parameters inherent in the replaced debt instruments, therefore as a rule, exchanges of CPI-linked debt instruments with unlinked instruments are considered exchanges with substantially different terms even if they do not meet the aforementioned quantitative criterion.

d. Offset of financial instruments:

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when the Group currently has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

3. Derivative financial instruments

Derivatives are recognized initially at fair value; attributable transaction costs are recognized in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are recognized immediately to profit or loss, as financing income or expenses.

4. The Group passed the following resolutions for asset classification:

A. Assets included in the investment portfolios of yield-dependent contracts

These assets, which include marketable and non-marketable financial instruments (including investments in associates), are designated to fair value categories through profit or loss, for the following reasons: they are separate and distinct managed portfolios, where their presentation according to fair value significantly diminishes the accounting mismatch of the presentation of financial assets and liabilities according to different measurement bases, and the portfolio management and performance are measured according to fair value based on the documented risk management strategy, and the information about the financial instruments is reported to management (the relevant investment committee) on the basis of fair value.

Non-marketable assets (not including shares) held to cover a yield-dependent group long-term care portfolio were classified to loans and receivables.

B. Non-marketable assets included in investment portfolios held to cover non yield-dependent contracts (Nostro)

These assets, which include earmarked bonds, other non-marketable bonds, commercial certificates, bank deposits and loans and other receivables, are included in the statement of financial position as non-marketable debt assets. **These assets were classified to loans and receivables.**

Non-marketable shares are classified to available-for-sale financial assets. For derivatives or embedded derivatives - see below.

Note 3 – Significant accounting policies (contd.)

E. Financial instruments (contd.)

C. Marketable assets included in investment portfolios held to cover non yield-dependent contracts (Nostro) that do not include embedded derivatives or constitute derivatives (including investment reserves)

The marketable assets held to cover yield-guaranteed liabilities issued from 2004 were classified up to December 31, 2013 to fair value through profit or loss. From 2014, assets classified to fair value through profit or loss continue to be accounted for in the same manner until their disposal, **while new assets are included in the total Nostro portfolio and accounted for as available for sale.**

D. Derivatives and financial assets which include separable embedded derivatives

These assets, marketable and non-marketable, are designated to fair value through profit or loss.

E. Held-to-maturity

These assets include CPI-linked marketable bonds held against the liabilities that are not yield-dependent. These assets were classified as "held to maturity" for the following reasons: the Company intends and is able to hold these assets until their final date of maturity. In addition, these assets are held against insurance liabilities, most of which are CPI-linked. By classifying the assets to this category, an accounting match is created which is sensitive to changes in the CPI between the assets and liabilities against which they are held.

5. Financial guarantees

Transactions in which Harel Insurance provides guarantees to a foreign reinsurer of mortgage portfolios that were provided by financial institutions, are accounted for as transactions for providing financial guarantees. On the initial date of recognition, a financial guarantee is recognized according to its fair value. In subsequent periods, a financial guarantee is measured at the higher of the amount recognized , if recognition is required, under the provisions of IAS 37 and the liability recognized for the first time after being amortized under the provisions of IFRS 15. Any update of a liability according to the foregoing, is recognized in profit or loss.

F. Fixed assets

1. Recognition and measurement

Fixed asset items are measured at cost net of accumulated depreciation and accumulated impairment losses, excluding owner-occupied real estate, presented at fair value, where the changes in fair value are recorded in equity under the revaluation reserve and are recognized in other comprehensive income.

Any increase in the value of owner occupied real estate as a result of revaluation is recognized in profit or loss up to the amount at which it offsets the impairment resulting from the revaluation of that asset, which was previously recognized in profit or loss. Any subsequent, further increase is recognized in the revaluation reserve.

When performing a revaluation, depreciation accrued on the date of the revaluation is offset against the asset's gross carrying amount, and the net amount is restated according to the estimated amount of the asset. The revaluation reserve is carried over directly to surpluses when the asset is derecognized, but not earlier.

Note 3 - Significant accounting policies (contd.)

F. Fixed assets (contd.)

2. Depreciation

Depreciation is recognized in profit or loss on a straight-line basis (unless the amount is included in the carrying amount of another asset) over the estimated useful lives of each part of the fixed asset item, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Freehold land is not depreciated.

The rate of depreciation, based on the estimated useful life for current and comparative periods, is as follows:

• Buildings	2% - 4%
• Fixtures and office equipment	6% - 20%
• Computers and peripherals	14% - 33%
• Leasehold improvements	10% - 25%
• Motor vehicles	15%

Leasehold improvements are depreciated using the straight line method over the period of the lease (including an option for extension available to the Group which it intends to exercise) or based on the estimated useful life of the assets, whichever is shorter.

Depreciation methods, useful lives and residual values are reviewed at the end of each reporting year and adjusted if appropriate.

G. Intangible assets

(1) **Surplus costs attributable to future management fees as were expected to be received are amortized over the projected period for receiving the management fees,** reflecting the format for projected consumption of the future economic benefits inherent in the asset.

(2) Software development costs for the Company's own use are capitalized when the preliminary design stage is complete and it is expected that the project will be completed and the software will be used for its intended use. Capitalization ceases when the software is substantially completed and ready for its intended use. These costs are amortized in a straight line over the expected period of consumption of the economic benefit.

(3) Implementation costs in cloud computing arrangements are capitalized insofar as the asset meets the definition of an intangible asset, and specifically to the extent that the Group controls the asset. If the Company does not recognize an intangible asset, it examines whether the services received are distinct from the cloud-computing service. If the services received by the Company are distinct from the cloud-computing services or are provided by a third-party that is not a cloud-computing service provider, the Group recognizes the expense when the implementation services are provided. Insofar as the services are not distinct, the implementation costs are recognized as an expense concurrently with the consumption of the cloud-computing services.

(4) Goodwill and brand that were recognized as part of the acquisition of subsidiaries or the purchase of activity, are included within intangible assets.

(5) In subsequent periods goodwill and brand are measured at cost net of accumulated impairment loss. Goodwill and brand are not systematically amortized, but rather tested every year for impairment. As for the other intangible assets, estimates of depreciation methods, useful life and retention values are reassessed at least at the end of each reporting year and adjusted where necessary.

Note 3 - Significant accounting policies (contd.)

H. Investment property

Investment property is property (land or building - or part of a building - or both) held (by the Group as owner or by the lessee under a financial lease) either to earn rental income or for capital appreciation or both, but not for use or sale during the normal course of business.

Investment property is initially measured at cost. In subsequent periods the investment property is measured at fair value, while the changes therein are recognized in profit or loss.

The Group measures its investment property using the fair value model, and accordingly it measures the property under construction as follows:

(1) At fair value, where the fair value of the property under construction can be reliably measured; and -

(2) Where the fair value cannot be reliably measured, at cost during the construction period until either construction is completed or its fair value can be reliably measured, whichever is earlier.

When investment property which is measured at fair value becomes a fixed asset (owner-occupied property), its fair value is set at this date as cost of the fixed assets for subsequent accounting treatment.

When investment property that was previously classified as a fixed asset is sold, any related amount included in the revaluation reserve is transferred to retained earnings.

I. Impairment

1. Non-derivative financial assets

<u>Accounting policy implemented from January 1, 2023, regarding financial assets that do not refer to subsidiaries that meet the definition of the insurer - in accordance with IFRS 9</u>:

The Group apples the expected credit loss model to financial assets measured at amortized cost and investments in debt assets measured at fair value through other comprehensive income, and it does not apply to investments in capital instruments.

The Group elected to measure the provision for expected credit losses in respect of customers and receivables for leasing as an amount equal to the contractual credit losses throughout the life of the instrument. For other debt assets, the Groups measures the provision for expected credit losses at the amount equal to the instrument's full lifetime expected credit losses, other than for the following provisions that are measured at an amount equal to the 12-month expected credit losses resulting from default events:

- Debt instruments that are determined as being low risk on the reporting date; and
- Other debt instruments and deposits, for which the credit risk has not increased significantly since the initial date of recognition.

When assessing whether the credit risk of a financial asset has significantly increased from its initial recognition and the assessment of expected credit losses, the Group considers reasonable and substantive information that is relevant and can be obtained without any excessive cost or effort. Such information includes quantitative and qualitative information as well as analysis, based on the Group's past experience and an assessment of the reported credit, and it includes forward looking information.

Expected credit losses are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of the difference between the cash flows to which the Group is entitled according to the contract and the cash flows that the Group expects to receive. The expected credit losses are discounted at the effective interest rate of the financial asset. As at December 31, 2024, the amount of the provision for credit losses according to this model amounted to NIS 32 million (as at December 31, 2023, NIS 3 million).

Note 3 - Significant accounting policies (contd.)

I. Impairment (contd.)

1. Non-derivative financial assets (contd.)

Accounting policy implemented from January 1, 2023, regarding financial assets that do not refer to subsidiaries that meet the definition of the insurer - in accordance with IFRS 9: (contd.)

At each reporting date, the Group assesses whether the financial assets measured at amortized cost and the debt instruments measured at fair value through other comprehensive income, if there are any, have been impaired due to credit risk. A financial asset is impaired as a result of credit risk when one or more of the events that negatively affects the future cash flows estimated for this financial asset occurs. For financial assets impaired due to credit risk - the interest income is calculated by applying the effective interest rate to the amortized cost of the financial asset (for non-impaired assets, the effective interest rate is applied to the financial asset's gross value).

Accounting policy applied for financial assets that do not refer to subsidiaries that meet the definition of the insurer - in accordance with IAS 39:

A financial asset not carried at fair value through profit or loss is tested for impairment when objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably. **Objective evidence that financial assets are impaired can include default by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or the issuer of the debt will enter bankruptcy, adverse changes in the payment status of borrowers, or the disappearance of an active market for the security, or changes in the economic environment which confirm the insolvency of the debt issuers and observable data indicating a measurable decrease in expected cash flows from a group of financial assets.**

When testing for impairment of available-for-sale financial assets that are equity instruments, the Group also examines the difference between the fair value of the asset and its original cost while taking into consideration the standard deviation of the instrument's price, the length of time the fair value of the asset is lower than its original cost and changes in the technological, economic or legal environment or in the market environment in which the issuer of the instrument operates. Furthermore, a significant or prolonged decline of the fair value below the original cost is objective evidence of impairment.

In accordance with Group policy, a decline of more than 20% below the original cost of the instrument, or a decline to below the original cost for more than nine months, is considered significant or prolonged, respectively.

Evidence of impairment of debt instruments

The Group assesses evidence of the impairment of financial assets at the level of the individual asset and at the collective level.

For significant financial assets, the need for impairment is assessed separately for each asset. Furthermore, where no specific impairment is identified for significant financial assets, the need for collective impairment is assessed with the purpose of locating an impairment that has occurred but has not yet been identified. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

Note 3 - Significant accounting policies (contd.)

I. Impairment (contd.)

1. Non-derivative financial assets (contd.)

Accounting policy applied for financial assets that do not refer to subsidiaries that meet the definition of the insurer - in accordance with IAS 39: (contd.)

Accounting of impairment losses for financial assets

An impairment loss on a financial asset, measured at amortized cost, is calculated as the difference between the carrying amount of the asset and the present value of estimated future cash flows, capitalized at the original effective interest rate.

Losses for financial assets measured at amortized cost are recognized in profit or loss and reflected in a provision for loss against the balance of the assets. Interest income on the impaired assets is recognized using the interest rate that was used to discount the future cash flows for the purpose of measuring the impairment loss.

Impairment losses on available-for-sale financial assets are recognized by transferring the cumulative loss that has been recognized in a capital reserve to profit or loss. The cumulative loss that is classified from other comprehensive income to profit or loss is the difference between the acquisition cost, net of any principal repayment and amortization, and the current fair value, less any impairment loss previously recognized in profit or loss. Any additional impairment is recognized in profit or loss. Changes in impairment provisions attributable to application of the effective interest method are reflected as a component of net investment profit and financing income.

Reversal of impairment losses

The impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortized cost and available-for-sale financial assets that are debt securities, the reversal is recognized in profit or loss. For available-for-sale financial assets that are debt securities, the reversal is recognized directly in profit or loss and the current cumulative difference (the difference between the fair value and cost) is recognized in other comprehensive income, if there is no objective evidence of impairment.

The reversal of an impairment loss for financial assets that are classified as available-for-sale that are capital instruments is recognized directly to other comprehensive income.

2. Non-financial assets

A. Timing of testing for impairment

The carrying amount of the Group’s non-financial assets, which are not deferred acquisition costs, investment property and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset’s recoverable amount is estimated.

Every year and on the same date, or more frequently if there are indications of impairment, the Group estimates the recoverable amount of each cash generating unit that contains goodwill, or intangible assets that have indefinite useful lives or are unavailable for use.

B. Determining cash-generating units

To test for impairment, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the “cash-generating unit”).

Note 3 - Significant accounting policies (contd.)

I. Impairment (contd.)

2. Non-financial assets (contd.)

C. Allocation of goodwill to cash-generating units

In cash-generating units to which goodwill was allocated, assets are grouped together so that the level at which the goodwill is tested reflects the lowest level of the goodwill which can be monitored for internal reporting purposes, but in any event is not greater than the operating segment (before the grouping of similar segments).

Goodwill acquired in a business combination is allocated to groups of cash-generating units, including those existing in the Group before the business combination, that are expected to benefit from the synergies of the combination.

D. Recognition of impairment loss

Impairment losses are recognized if the carrying amount of an asset or cash-generating unit exceeds its estimated recoverable amount, and is recognized in profit or loss. For cash-generating units that include goodwill, an impairment loss is recognized when the carrying amount of the cash-generating unit, after including the balance of goodwill, exceeds its recoverable amount. Impairment loss recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amounts of the other assets in the cash-generating unit on a pro rata basis.

E. Reversal of impairment loss

An impairment loss in respect of goodwill is not reversed. In respect of other assets, for which impairment loss were recognized in prior periods, an assessment is performed at each reporting date for any indications that these loss have decreased or no longer exist.

3. Investments in associates and joint ventures

After applying the equity value method, the Group determines whether it is necessary to recognize loss for impairment of the investment in affiliated companies or joint transaction. At each reporting date, the Company determines whether there is objective evidence indicating impairment of the investment in an affiliated company. Where necessary, the impairment loss is recognized as the difference between recoverable amount of the investment in the affiliate and its carrying amount. An impairment loss is recognized in profit or loss within the Company's share of the profits (losses) of equity accounted investees.

Goodwill, which accounts for part of the investment in an affiliate or joint transaction, is not recognized separately as asset and is therefore not tested separately from impairment. An impairment loss is not allocated to any specific asset, including goodwill which constitutes part of the investment in the affiliate or joint transaction.

An impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of the investment after the impairment loss was last recognized. The carrying amount of the investment, after the reversal of the impairment loss, must not exceed the carrying amount of the investment that would have been determined using the equity method if no impairment loss had been recognized.

Note 3 - Significant accounting policies (contd.)

J. Employment benefits

Employee benefits include short-term benefits, post-employment benefits, other long-term benefits and severance benefits.

1. Post-employment benefits

Israel labor and severance pay laws require the Company to make severance payments to an employee upon dismissal or retirement or to make regular deposits with a defined contribution plan, under Section 14, as noted below. The Company's liabilities for said are treated as post-employment benefits.

The calculation of the Company's liability for employee benefits is based on a binding employment agreement and on the employees' salaries, which, in the opinion of management, create the right to receive severance compensation.

Post-employments benefits are generally financed by deposits to a defined benefit plan or to a defined contribution plan, as detailed below:

A. Defined contribution plan

Part of the severance payments are subject to Section 14 of Severance Pay Law, 1963, and accordingly, regular deposits by the Company with pension funds and / or insurance policies with insurance companies, exempt the Company from any additional liability to employees, for which deposits were made, as noted above. These deposits and deposits with provident funds constitute a defined contribution plan. The Group’s obligations to make contributions to a defined contribution plan are recognized as an expense under profit or loss in the period in which the employees provided related services.

B. Defined benefit plans

Part of the severance payments which are not covered by deposits with the defined contribution plan, as stated above, are accounted for by the Group as a defined benefits plan, under which a liability for employee benefit is recorded and for which the Group deposits funds with central severance pay funds and appropriate insurance policies. The Group’s net obligation in respect of defined benefit plans for post- employment benefits is calculated separately for each plan by estimating the amount of future benefit due to employees for their services in current and previous periods. This benefit is presented at current value net of the fair value of the plan’s assets . The discount rate is the yield at the reporting date on high-quality CPI-linked corporate bonds, whose currency is NIS and maturity date is similar to the Group’s obligations. The calculation is performed annually by a qualified actuary using the projected unit credit method.

Re-measurement of the net defined benefit liability (asset) for a defined benefit include actuarial gains and loss, the return on plan assets (excluding interest) and any change in the effect of the asset ceiling (if any, excluding interest). Re-measurements are recognized immediately directly in retained earnings through other comprehensive income. Interest costs on a defined benefit obligation and interest income on plan assets that were recognized in profit or loss are presented under payroll expenses in general and administrative expenses.

<u>Plan assets</u>

Interest costs on a defined benefit obligation and interest income on plan assets that were recognized in profit or loss are presented under payroll expenses in general and administrative expenses.

Insurance policies in respect of employee severance benefits, which were issued by a related party, do not constitute defined benefit plan assets and are offset against the for insurance contracts liabilities.

Note 3 - Significant accounting policies (contd.)

J. Employment benefits (contd.)

2. Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided or upon the actual absence of the employee when the benefit is not accumulated (such as maternity leave).

The provision for short-term employee benefits for a cash bonus or profit-sharing plan, is recognized for the amount expected to be paid, if the Group has a present legal or constructive obligation to pay this amount as a result of a past service provided by the employee and the obligation can be estimated reliably.

The employee benefits for measurement are classified as short-term benefits or as other long-term benefits according to the company forecast for full disposal of the benefits.

3. Share-based payment transactions

The grant date fair value of share-based payment awards to employees is recognized as a salary expense with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the awards. The amount recognized as an expense in respect of share-based payment awards that are conditional upon meeting service conditions is adjusted to reflect the number of awards that are expected to vest.

For share-based payment awards that are conditional on market performance vesting conditions, the Group considers these conditions in estimating the fair value of the awarded equity instruments, and the Group therefore recognizes an expense in respect of these awards whether or not the conditions have been met.

K. Provisions

The provision for legal claims is recognized if, as a result of a past event, the Group has a present legal or constructive obligation and the Group will more likely than not require economic resources to settle the obligation, which can be reliably estimated. If the time factor is significant, the provision is measured at present value.

L. Revenue recognition

1. Premiums

a. Life insurance and long-term care premiums, including savings premiums and except for receipts from investment contracts are mainly recognized as income when due. Cancellations are recognized upon receipt of notice from the policyholder, or as initiated by the Group due to arrears in payment, as permitted by law. Profit sharing is deducted from the premiums.

b. Non-life insurance premiums are mostly recognized as revenues on the basis of monthly output reports. Insurance premiums usually relate to an insurance period of one year.

Some of the insurance premiums in the sickness and hospitalization and travel insurance branches are recognized as income on a daily or monthly basis.

Premiums in the compulsory motor sector are recognized as income when they are paid, given that the insurance cover only takes effect when the premiums have been paid.

Premiums from of policies where the insurance become applicable after the report date or premiums relating to periods of more than one year from the issue of the policy, as well as life insurance premiums received prior to their due date, are included in the Statement of Financial Position under trade and other payables.

Revenues from premiums after their cancellation which were received from policyholders, and net of provisions due to non-payment of the premiums, subject to the provisions of any law, and after deduction or addition of all changes in the unearned premiums, are recorded in the statement of income under earned premiums, gross.

Profit-sharing in group insurance is deducted from the insurance premiums.

Note 3 - Significant accounting policies (contd.)

L. Revenue recognition (contd.)

2. Management fees, commissions and other financial services

a. Management fees for insurance contracts and yield-dependent investment contracts:

Management fees are calculated according to the conditions of the contracts, and in accordance with the Commissioner's instructions based on the yield and accrual of the policyholder's savings.

Management fees for insurance contracts and investment contracts sold from January 1, 2004 are fixed management fees only.

Management fees for insurance contracts sold until December 31, 2003 include fixed and variable management fees. Fixed management fees are calculated at fixed rates of the accrued savings and recorded on an accrual basis.

Variable management fees are calculated as a percentage of the real annual profit (from January 1 to December 31) credited to the policy, net of the fixed management fees collected from that policy. Variable management fees may be collected only from real positive yield and net of real loss accumulated in previous years.

During the year the variable management fees are recorded on an accrual based on the real monthly yield, insofar as it is positive. In months where the real yield is negative, the variable management fees are reduced to the level of the total variable management fees collected in aggregate from the beginning of the year. Negative yields in respect of which reductions were not made in the current year will be deducted, for the purpose of calculating management fees from positive yield in subsequent periods (see also Note 27).

Management fees for claims and the operation of insurance schemes for Clalit Health Services are on the basis of signed agreements. These agreements prescribe a rate of total assets and profit arising from the assets held against the plan's liabilities.

b. Management fee revenues from pension and provident funds are calculated as a percentage of the value of their assets at the end of each month and/or from total contributions collected each month, which are recognized as accrual-based income, since the Group has a right to consideration from the customer in an amount that corresponds directly to the value to the customer of the Group's performance completed to date..

c. Management fees from associates are recognized as income in the period in which the related services are rendered.

d. Management fees (including from mutual funds and investment portfolios) and revenues from consulting are recognized as accrued income over the period in which the service is rendered (with a performance obligation over time) or a performance obligation at a point in time).

e. Success fees based on periodic returns are recorded as income at the end of the reference period, since during the period, it is not highly probable that the returns, if generated up to that date, will not be subsequently reversed.

f. Revenues from non-life insurance commissions in insurance agencies is recognized as incurred.

g. Revenues from life insurance commissions are recognized based on the date of entitlement to receive payment of the commissions when the service is rendered according to the agreements with the insurance companies, net of the provisions for refunded commissions according to the anticipated cancellations of insurance policies for which a refund is not highly probable.

h. Revenues from reinsurance commissions in non-life insurance, life insurance, and health insurance are recognized as incurred.

i. Revenues from operating services for mortgage portfolios insured by third parties are recognized throughout the service period.

Note 3 - Significant accounting policies (contd.)

M. Net gains (loss) from investments, financing income and financing expenses

Net gains (loss) from investments and financing income include interest income on amounts invested (including available-for-sale financial assets), income from dividends, gains (loss) on the sale of available-for-sale financial assets, revaluation of investment property, changes in the fair value of financial assets through profit or loss, gains and loss from exchange-rate differences on assets and gains (loss) from the sale of investments measured at amortized cost which are calculated as the difference between the proceeds from the sale, net, and the original or amortized cost and are recognized at the time of the sale. Interest income is recognized on accrual, using the effective interest method. Income from dividends is recognized on the date that the Group's right to receive payment. If dividends are received on marketable shares, the Company recognizes the income from the dividends on the ex-dividend date.

Financing expenses comprise interest expense on loans received, gains and loss from exchange rate differences on liabilities and changes in the time value of provisions. Credit costs are recognized in the statement of income.

In the cash flow reports, interest received and paid and dividends received are presented under cash flows from operating activities. Dividends paid are presented as cash flows from financing activities.

N. General and administrative expenses and costs

General and administrative expenses attributed to indirect expenses for claims settlement are classified as payments and the change in liabilities for insurance contracts and investment contracts and general and administrative expenses attributed to classified purchase costs appear under "Other purchase expenses and commissions". The classification is prepared in accordance with the Group's internal models which are based on direct expenses charged and indirect expenses which were allocated.

O. Income tax expenses

Income tax expenses comprise current and deferred tax expenses. Current tax and deferred taxes are recognized in profit or loss, , or are recognized directly in equity or in other comprehensive income to the extent they relate to items recognized directly in equity or in other comprehensive income except if the tax is related to a business combination.

<u>Current taxes</u>

Current tax is the tax expected payable or receivable on the taxable income for the year, and is calculated using tax rates enacted or substantively enacted at the reporting date. Current taxes also include taxes in respect of previous years.

<u>Uncertain tax positions</u>

A provision for uncertain tax positions, including additional tax and interest expenses, is recognized when it is more probable than not that the Group will have to use its economic resources to pay the obligation.

<u>Deferred taxes</u>

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. **The Group does not recognize deferred tax for the following temporary differences: Initial recognition of goodwill; initial recognition of assets and liabilities in a transaction that is not a business combination and which does not affect accounting profit or taxable profit or loss; differences associated with investments in subsidiaries, joint arrangements and associates, to the extent that the Group is able to control the timing of the reversal of the temporary difference and it is probable that they will not reverse in the foreseeable future, either by way of selling the investments or by way of distributing dividends in respect of the investment.**

Note 3 - Significant accounting policies (contd.)

O. Income tax expense (contd.)

Deferred taxes (contd.)

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. **For investment property that is measured at fair value, there is a rebuttable presumption that the carrying amount of the investment property will be recovered through sale.**

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognized for unused tax loss, tax benefits and deductible temporary differences, to the extent that it is probable that future taxable profit will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

P. Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares.

Q. Leases

The Group accounts for contracts as lease contracts if, under the conditions of the contract, they convey the right to the Group companies to control the use of an identified asset for a period of time in exchange for consideration. For lease contracts that contain non-lease components, such as services or maintenance, that are related to a lease component, the Group elected to account for the contract as a single lease component without separating the components.

Upon initial recognition, the Group recognizes a liability at the present value of the balance of future lease payments (these payments do not include certain variable lease payments), and concurrently recognizes a right-of-use asset at the same amount of the lease liability, adjusted for any prepaid or accrued lease payments, plus direct costs incurred in respect of the lease. **Since the interest rate implicit in the Group's leases is not readily determinable, the incremental borrowing rate of the lessee is used.**

Subsequent to initial recognition, the right-of-use asset is accounted for using the cost model and is depreciated over the shorter of the lease term or useful life of the asset, whichever is earlier. **Depreciation is calculated on a straight-line basis as follows:**

- Motor vehicles: 2-5 years
- Buildings: 2-7 years

When there are signs of impairment, the Group assesses impairment of a right-of-use asset in accordance with IAS 36.

The Group has elected to apply the practical expedient by which short-term leases of up to one year and/or leases in which the underlying asset has a low value, are accounted for such that lease payments are recognized in profit or loss on a straight-line basis, over the lease term, without recognizing an asset and/or liability in the statement of financial position.

Assets that the Group leases to others:

Leases in which the Group leases assets to others, which in practice do not transfer all the risks and rewards associated with ownership of the underlying asset, are classified as operating leases. The Group recognizes operating lease payments as revenue on a straight-line basis over the lease term.

Note 3 - Significant accounting policies (contd.)

R. New standards and interpretations not yet adopted by the Israeli insurance companies in the Group in accordance with the directives of the Capital Market Authority, Insurance and Savings

IFRS 17, Insurance Contracts (“IFRS 17”) and IFRS 9, Financial Instruments (“IFRS 9)

For further information about IFRS 17 and IFRS 9, see Note 41.

S. New standards not yet adopted by the Group

IFRS 18, Presentation and Disclosure in Insurance Contracts ("the Standard" or "IFRS 18")

The Standard replaces IAS 1, Presentation of Financial Statements. The Standard promotes improved structure and content for the financial statements, in particular the statement of income. The Standard includes new requirements for disclosure and presentation as well as requirements retained from IAS 1, with limited wording changes. As part of the new disclosure requirements, companies are required to present two subtotals in the statement of income: operating profit and profit before financing and taxes. In addition, for most companies, the results in the statement of income will be classified into three categories: operating, investing, and financing. For changes in the structure of the statements of income, the Standard also includes a requirement for separate disclosure in the financial statements regarding the use of management-defined performance measures (Non-GAAP measures). Additionally, under the Standard, specific provisions were added for the aggregation and disaggregation of line items in the financial statements and the notes. The Standard will encourage companies to avoid classification of items as 'other' (for example, other expenses), and such classification will entail further disclosure requirements.

IFRS 18 will apply for annual periods beginning on or after January 1, 2027, with an option for early application. On August 4, 2024, the Israel Securities Authority issued a decision according to which early application of the Standard will only be possible from January 1, 2025. The Group is examining the effects of the Standard on the financial statements with no plans for early adoption.

Amendments to IFRS 9, Financial Instruments and IFRS 7, Financial Instruments: Disclosures: Amendments to Classification and Measurement of Financial Instruments (“the Amendments”)

The Amendments refer to the following topics:

- Clarifications are added for the recognition and derecognition date of financial instruments, and an exception is added for the derecognition date of financial liabilities settled by electronic cash transfers;
- Classification of financial assets:
    - Updating the application guidance for assessing whether the contractual cash flows of a financial asset are solely payments of principal and interest (SPPI), when the contractual terms of the asset include contingent characteristics (for example, linking to ESG parameters), and adding examples on the subject
    - Clarification for when financial instruments are contractually linked and when they are non-recourse financial assets for determining whether they include SPPI
- Updating disclosure requirements for financial instruments with contingent characteristics that are not directly related to a change in the underlying risks/costs of the instrument; and
- Updating disclosure requirements for investments in equity instruments measured at fair value through other comprehensive income (FVOCI).

The Amendments will be applied starting from annual reporting periods beginning on January 1, 2026. Early application is permitted. Early application can be elected for all the amendments or only the amendments related to classification of financial assets (including the Amendment to IFRS 7, which includes the related disclosure requirements). The Amendment to IFRS 9 will be applied retroactively without the requirement for restatement of comparative figures. When applying the Amendment to IFRS 7, disclosure for periods prior to the initial application date of the Amendments is not required.

As set out in Note 2A, the Group’s insurance companies have not yet applied the provisions of IFRS 9 as a whole. The Group is examining the effects of the amendments on the financial statements with no plans for early adoption.

Note 4 – Operating segments

The Note on Operating Segments includes several segments that constitute strategic business units of the Group. The strategic business units include different products and services and the allocation of resources and evaluation of performance are managed separately. The basic products in each segment are similar in principal with respect to their significance, the way they are distributed, the mix of customers, nature of the regulatory environment and also long-term demographic and economic characteristics that are derived from exposure whose characteristics resemble those of insurance risks. Likewise, the results of the portfolio of investments held against insurance liabilities may significantly affect profitability.

Segment performance is measured on the basis of the segmental income before taxes on income. The inter-segmental business results are eliminated as part of the adjustments made for the purpose of the preparation of the consolidated financial statements. Notably, there is no outstanding debit-credit balance from the transfer of marketable assets between the difference segments, if such transfers are made.

The Group operates in the following segments:

1. Life insurance and long-term savings

This segment includes the Group's insurance activities in the life insurance branch as well as its management of pension and provident funds.

2. Health insurance

This segment consists of the group's insurance activities in the sickness and hospitalization, personal accident, long-term care, foreign workers, travel insurance and dental lines of business. The policies sold in these branches of insurance cover a range of injuries caused to the insured party as a result of illness and / or an accident, including long-term care and dental treatment. Health insurance policies are offered to both private individuals and groups.

3. Non-life insurance

This segment comprises five second-tier segments:

Motor property - includes the Group's activities in selling insurance policies in the motor vehicle insurance branch ("motor property") covering damages caused to vehicle owners as a result of accident and / or theft and / or liability of the vehicle owner, or any driver, for damage to property caused to third parties in an accident.

Compulsory motor - includes the Group's activities in this branch, according to the requirements of the Motor Vehicle Insurance Ordinance (New Version)-1970, ("compulsory motor"), which cover physical injury resulting from the use of a motor vehicle in accordance with the Compensation to Road Accident Victims Law, 1975.

Other liability - includes the Group's activities in the sale of policies that cover the insured party's liability vis-à-vis a third party (except for liability coverage in the compulsory motor sector, as explained above). Other liability includes the following branches - employer's liability, third-party liability, professional liability, directors and officers liability (D&O), and insurance for defective products (product liability).

Property and other branches - this includes the Group's insurance activities in all property branches (except for motor property), (such as: the provision of Sale Law guarantees, and homeowners insurance).

Mortgage insurance: this sector includes the Group's insurance activities in credit insurance in the homeowners' mortgage (a monoline branch). This insurance is designed to provide indemnity for loss caused as a result of non-payment of loans given against a first mortgage on a single real estate property for residential purposes only, and after disposing of the property which serves as collateral for such loans.

4. Insurance companies overseas

The overseas segment consists of the activity of Interasco and Turk Nippon, an insurance company wholly owned by the Company.

Note 4 –Operating segments (contd.)

5. Financial services

Group activities in the capital and financial markets are carried out through Harel Finance. Harel Finance is involved, through companies under its control, in the following activities:

- Management of mutual funds
- Management of securities portfolios for private individuals, entities and institutional customers in the Israeli and foreign capital markets.

6. Credit

The operations included in the credit segment include the following:

- Business and credit support for medium businesses - through a second-tier subsidiary in which the Company holds 70%, Hamazpen Shutaphim Laderech Ltd., which creates innovative financing solutions for high-quality entrepreneurs providing credit to small and medium businesses, including the provision of mezzanine loans;
- Mortgage and reverse mortgage loans - through a wholly owned subsidiary of Harel Insurance, Harel 60+ Ltd. ("Harel 60+"), which provides mortgage loans, including reverse mortgage loans provided to borrowers aged 60 or more, with a lien on their home;
- Development property finance support - carried out by Harel Insurance under the development property finance division, which focuses on construction projects for residences, offices, and trade in Israel. As part of this activity, Harel Insurance provides a full financing package for developers, including financial credit and a guarantee policy under the Sales (Housing) (Insurance of Investments of Persons Acquiring Apartments) Law, 1974 ("the Sales Law"). It should be noted that the results of the activity for providing a guarantee policy under the Sales Law are included in the non-life insurance sector;
- Providing financial guarantees and development and operating services for mortgage portfolios - through Harel Insurance and EMI. For further information, see Note 3C2m12.

Additionally, in December 2024, the Company completed a transaction to acquire the entire shares of Gamla Harel Residential Real Estate Ltd., which operates in the financing sector for residential real estate developers – see Note 39E.

Segment results include, on the one hand, the contribution of investments of debt assets as part of Harel 60+ and development property finance activity, and on the other, since these investments were financed by the health insurance and non-life insurance segments, respectively segment results also include financing expenses that reflect the theoretical costs for raising credit for these activities (and in parallel, theoretical finance income was included for placing the debt assets in favor of these activities in the health insurance segment and the non-life insurance segment, respectively). Similarly, for theoretical inter-segment financing, segment liabilities include theoretical inter-segment financial liabilities with the health insurance segment and the non-life insurance segment, and on the other hand, health insurance assets and non-life insurance assets include corresponding theoretical financial debt assets.

7. Not attributed to operating segments and others

Activities not attributed to operating segments include mainly the activities of insurance agencies as well as the capital activity of the consolidated insurance companies.

Note 4 – Operating segments (contd.)

A. Information about reportable segments

	As at December 31, 2024								
	Life insurance and long-term savings	Health insurance	Non-life insurance	Insurance companies overseas	Financial services	Credit	Not attributed to operating segments and others*	Adjustments and offsets	Total
	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions
Assets									
Intangible assets	533	-	103	2	427	52	1,723	-	2,840
Deferred acquisition costs	2,122	776	400	76	-	-	-	(1)	3,373
Investments in equity accounted investees	357	-	520	-	-	-	626	-	1,503
Investment property for yield-dependent contracts	1,738	96	-	-	-	-	-	-	1,834
Other investment property	1,350	-	454	-	-	-	703	-	2,507
Financial investments for yield-dependent contracts	70,761	3,126	-	-	-	-	-	(176)	73,711
Other financial investments									
Marketable debt assets	4,054	2,397	1,830	106	81	-	1,468	-	9,936
Non-marketable debt assets	5,752	2,324	1,022	88	15,344	6,056	878	(233)	31,231
Shares	507	420	622	-	2,922	-	19	-	4,490
Other	1,071	972	1,389	34	178	-	3,110	-	6,754
Total other financial investments	11,384	6,113	4,863	228	18,525	6,056	5,475	(233)	52,411
Reinsurance assets	384	1,604	3,262	124	-	-	-	(5)	5,369
Premium due	137	263	917	169	-	-	-	-	1,486
Cash and cash equivalents for yield-dependent contracts	7,058	330	-	-	-	-	-	-	7,388
Other cash and cash equivalents	1,022	-	654	113	35	38	608	-	2,470
Other assets	1,095	1,664	3,105	72	87	226	2,127	(4,606)	3,770
Total assets	97,941	13,972	14,278	784	19,074	6,372	11,262	(5,021)	158,662
Total assets for yield-dependent contracts	80,833	3,704	-	-	-	-	-	(176)	84,361
Liabilities									
Liabilities for non-yield dependent insurance contracts and investment contracts	12,433	8,644	10,742	611	-	-	-	(5)	32,425
Liabilities for yield-dependent insurance contracts and investment contracts	79,698	3,576	-	-	-	-	-	-	83,274
Financial liabilities	942	3	11	-	17,361	1,688	6,735	(409)	26,331
Other liabilities	1,662	973	2,096	107	179	4,061	2,957	(4,607)	7,428
Total liabilities	94,735	13,196	12,849	718	17,540	5,749	9,692	(5,021)	149,458

* Most of the assets presented are held to cover the equity of the Group's financial institutions. Total assets and liabilities of the activity of the insurance agencies is negligible. Total assets and liabilities of the activity of the insurance agencies is negligible

Note 4 – Operating segments (contd.)

A. Information about reportable segments (contd.)

	For the year ended December 31, 2024								
	Life insurance and long-term savings	Health insurance	Non-life insurance	Insurance companies overseas	Financial services	Credit	Not attributed to operating segments and others	Adjustments and offsets	Total
	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions
Premiums earned, gross	5,585	4,896	4,838	612	-	-	-	(5)	15,926
Premiums earned by reinsurers	306	164	1,620	138	-	-	-	(5)	2,223
Premiums earned in retention	5,279	4,732	3,218	474	-	-	-	-	13,703
Profit from investments, net, and financing income	8,965	701	590	81	260	388	314*	(218)	11,081
Income from management fees	1,395	94	-	-	300	-	10	(4)	1,795
Income from commissions	55	18	313	22	-	-	139**	(75)	472
Other income	29	-	-	-	1	28	52	-	110
Total income	15,723	5,545	4,121	577	561	416	515	(297)	27,161
Payments and changes in liabilities for insurance contracts and investment contracts, gross	13,315	3,825	3,535	447	-	-	-	(3)	21,119
Reinsurers' share in payments and change in liabilities for insurance contracts	236	123	959	28	-	-	-	(3)	1,343
Payments and changes in liabilities for insurance contracts and investment contracts in retention	13,079	3,702	2,576	419	-	-	-	-	19,776
Commissions, marketing expenses and other acquisition costs	1,380	1,076	1,003	159	-	-	15***	(75)	3,558
General and administrative expenses	803	271	53	40	227	50	315****	(6)	1,753
Other expenses	17	-	12	3	2	1	45	-	80
Financing expenses (income), net	34	87	18	(1)	226	238	268	(216)	654
Total expenses	15,313	5,136	3,662	620	455	289	643	(297)	25,821
Share in profits (losses) of equity accounted investees	(8)	(10)	(22)	-	-	-	55	-	15
Profit (loss) before income tax	402	399	437	(43)	106	127	(73)	-	1,355
Other comprehensive income (loss) before taxes on income	98	74	90	(8)	-	-	31	-	285
Total comprehensive income (loss) taxes on income	500	473	527	(51)	106	127	(42)*****	-	1,640

* Total profit from investments is in respect of the assets held to cover the equity of the Group's financial institutions
** Income from commissions includes commissions paid to insurance agencies owned by the Group. NIS 73 million of this amount are commissions paid to these agencies by the Group's financial institutions
*** For the activity of the insurance agencies that are fully owned by the Group
**** Of the total general and administrative expenses, an amount of NIS 102 million is for expenses of the activity of the Group's insurance agencies
*****Total comprehensive loss before income tax for the activity of the Group's insurance agencies was NIS 2 million

Note 4 – Operating segments (contd.)

A. Information about reportable segments (contd.)

	As at December 31, 2023								
	Life insurance and long-term savings	Health insurance	Non-life insurance	Insurance companies overseas	Financial services	Credit	Not attributed to operating segments and others	Adjustments and offsets	Total
	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million
Assets									
Intangible assets	540	-	114	3	428	54	1,313	-	2,452
Deferred acquisition costs	1,878	799	368	70	-	-	-	(1)	3,114
Investments in equity accounted investees	373	-	579	-	-	-	564	-	1,516
Investment property for yield-dependent contracts	1,799	99	-	-	-	-	-	-	1,898
Other investment property	1,402	-	508	-	-	-	638	-	2,548
Financial investments for yield-dependent contracts	66,341	4,776	-	-	-	-	-	-	71,117
Other financial investments									-
Marketable debt assets	3,319	2,079	1,435	**125	81	-	**1,481	-	8,520
Non-marketable debt assets	5,153	2,603	1,802	**92	9,404	3,960	**1,178	(319)	23,873
Shares	463	375	602	-	673	-	18	-	2,131
Other	1,019	779	1,363	**43	122	-	**1,261	-	4,587
Total other financial investments	9,954	5,836	5,202	260	10,280	3,960	3,938	(319)	39,111
Reinsurance assets	328	1,892	3,209	182	-	-	-	(6)	5,605
Premium due	149	535	895	120	-	-	-	-	1,699
Cash and cash equivalents for yield-dependent contracts	6,289	444	-	-	-	-	-	-	6,733
Other cash and cash equivalents	1,197	-	946	46	49	30	3,465	-	5,733
Other assets	973	1,144	2,748	62	117	108	1,773	(3,645)	3,280
Total assets	91,223	15,525	14,569	743	10,874	4,152	11,691	(3,971)	144,806
Total assets for yield-dependent contracts	75,069	5,539	-	-	-	-	-	-	80,608
Liabilities									-
Liabilities for non-yield-dependent insurance contracts and investment contracts	12,414	8,389	10,834	575	-	-	-	(6)	32,206
Liabilities for yield-dependent insurance contracts and investment contracts	74,290	5,367	-	-	-	-	-	-	79,657
Financial liabilities	**523	18	22	-	9,546	688	**6,568	(319)	17,046
Other liabilities	1,587	952	2,050	88	150	3,288	2,475	(3,646)	6,944
Total liabilities	88,814	14,726	12,906	663	9,696	3,976	9,043	(3,971)	135,853

* Most of the assets presented are held to cover the equity of the Group’s financial institutions. Total assets and liabilities of the activity of the insurance agencies is negligible

** Reclassified

Note 4 - Operating segments (contd.)

A. Information about reportable segments (contd.)

	For the year ended December 31, 2023								
	Life insurance and long-term savings	**Health insurance**	**Non-life insurance**	**Insurance companies overseas**	**Financial services**	**Credit**	**Not attributed to operating segments and others**	**Adjustments and offsets**	**Total**
	NIS million	**NIS million**	**NIS million**	**NIS million**	**NIS million**	**NIS million**	**NIS million**	**NIS million**	**NIS million**
Premiums earned, gross	6,286	6,468	4,474	548	-	-	-	(4)	17,772
Premiums earned by reinsurers	283	377	1,606	115	-	-	-	(4)	2,377
Premiums earned in retention	6,003	6,091	2,868	433	-	-	-	-	15,395
Profit from investments, net, and financing income	5,929	692	339	69	122	289	140*	(164)	7,416
Income from management fees	1,273	5	-	-	242	-	12	(3)	1,529
Income from commissions	60	17	303	20	-	-	104**	(62)	442
Other revenues	29	-	-	-	1	28	34	-	92
Total income	13,294	6,805	3,510	522	365	317	290	(229)	24,874
Payments and changes in liabilities for insurance contracts and investment contracts, gross	11,127	5,812	3,193	545	-	-	-	(3)	20,674
Reinsurers' share of payments and change in liabilities for insurance contracts	196	675	949	225	-	-	-	(3)	2,042
Payments and changes in liabilities for insurance contracts and investment contracts in retention	10,931	5,137	2,244	320	-	-	-	-	18,632
Commissions, marketing expenses and other acquisition costs	1,264	1,046	942	161	-	-	8***	(62)	3,359
General and administrative expenses	760	325	59	39	189	32	193****	(5)	1,592
Other expenses	19	-	17	2	2	-	26	-	66
Financing expenses (income), net	26	72	22	(3)	94	182	244	(162)	475
Total expenses	13,000	6,580	3,284	519	285	214	471	(229)	24,124
Company's share of profits (losses) of equity accounted investees	(28)	(42)	(66)	-	-	-	28	-	(108)
Profit (loss) before taxes on income	266	183	160	3	80	103	(153)	-	642
Other comprehensive income (loss) before taxes on income	(29)	(54)	119	(8)	-	-	151	-	179
Total comprehensive income (loss) before taxes on income	237	129	279	(5)	80	103	(2)*****	-	821

* Total profit from investments is in respect of the assets held to cover the equity of the Group's financial institutions
** Income from commissions includes commissions paid to insurance agencies owned by the Group. NIS 60 million of this amount is commissions paid to these agencies by the Group's financial institutions
*** For the activity of the insurance agencies that are wholly owned by the Group
**** Of total general and administrative expenses, NIS 76 million is for expenses of the activity of the Group's insurance agencies
***** Total comprehensive income before income tax for the activity of the Group's insurance agencies was NIS 16 million

Note 4 – Operating segments (contd.)

A. Information about reportable segments (contd.)

	For the year ended December 31, 2022								
	Life insurance and long-term savings	Health insurance	Non-life insurance	Insurance companies overseas	Financial services	Credit[1]	Not attributed to operating segments and others	Adjustments and offsets	Total
	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million
Premiums earned, gross	6,504	5,928	4,245	448	-	-	-	(4)	17,121
Premiums earned by reinsurers	213	352	1,588	101	-	-	-	(4)	2,250
Premiums earned, gross	6,291	5,576	2,657	347	-	-	-	-	14,871
Profits (losses) from investments, net, and financing income	(4,705)	(63)	168	26	38	143	408*	(67)	(4,052)
Income from management fees	1,226	4	-	-	226	-	13	(3)	1,466
Income from commissions	56	19	281	19	-	-	121**	(79)	417
Other revenues	29	-	-	-	-	11	13 [1]	-	53
Total income	2,897	5,536	3,106	392	264	154	555	(149)	12,755
Payments and changes in liabilities for insurance and investment contracts, gross	1,402	3,440	2,964	346	-	-	-	(3)	8,149
Reinsurers' share of payments and change in liabilities for insurance contracts	136	526	915	49	-	-	-	(3)	1,623
Payments and changes in liabilities for insurance and investment contracts in retention	1,266	2,914	2,049	297	-	-	-	-	6,526
Commissions, marketing expenses and other acquisition costs	1,164	1,000	862	107	-	-	9***	(79)	3,063
General and administrative expenses	710	329 [1]	62	24	174	20	147 *** [1]	(5)	1,461
Other expenses	21	-	10	2	4	-	8	-	45
Financing expenses (income), net	23	82	70	(8)	13	70	242 [1]	(65) [1]	427
Total expenses	3,184	4,325	3,053	422	191	90	406	(149)	11,522
Company's share of profits (losses) of equity accounted investees	(5)	(1)	15	-	-	-	69	-	78
Profit (loss) before taxes on income	(292)	1,210	68	(30)	73	64	218	-	1,311
Other comprehensive income (loss) before taxes on income	(398)	(423)	(61)	5	-	-	(633)	-	(1,510)
Total comprehensive income (loss) before taxes on income	(690)	787	7	(25)	73	64	(415)*****	-	(199)

* Total profits from investments are for the assets held to cover the capital of the financial institutions in the Group

** Fees from income include fees paid to insurance agencies owned by the Group. NIS 77 million including fees paid to these agencies from financial institutes in the Group

*** For the activity of the insurance agencies that are wholly owned by the Group

**** Of the total general and administrative expenses, an amount of NIS 80 million is for expenses of the activity of the Group's insurance agencies

*****Total comprehensive income before income tax for the activity of the Group's insurance agencies was NIS 20 million

Note 4 - Operating segments (contd.)

B. Additional information about the non-life insurance segment

	For the year ended December 31, 2024					
	Compulsory motor	Motor property	Property and other branches*	Other liability branches**	Mortgage insurance	Total
	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions
Gross premiums	769	1,542	1,499	1,121	(1)	4,930
Reinsurance premiums	7	19	1,157	457	-	1,640
Premiums in retention	762	1,523	342	664	(1)	3,290
Change in unearned premium, in retention	3	31	17	26	(5)	72
Premiums earned in retention	759	1,492	325	638	4	3,218
Profit from investments, net, and financing income	219	73	22	269	7	590
Income from commissions	-	5	243	65	-	313
Total income	978	1,570	590	972	11	4,121
Payments and changes in liabilities for insurance contracts, gross	1,043	1,064	541	907	(20)	3,535
Reinsurers' share in payments and change in liabilities for insurance contracts	80	13	439	427	-	959
Payments and changes in liabilities for insurance contracts in retention	963	1,051	102	480	(20)	2,576
Commissions, marketing expenses and other acquisition costs	131	349	320	203	-	1,003
General and administrative expenses	13	15	13	10	2	53
Other expenses	5	4	2	1	-	12
Financing expenses, net	12	1	-	5	-	18
Total expenses (income)	1,124	1,420	437	699	(18)	3,662
Share in profits (losses) of equity accounted investees	(8)	(3)	(1)	(10)	-	(22)
Profit (loss) before income tax	(154)	147	152	263	29	437
Comprehensive income before income tax	33	11	3	40	3	90
Total comprehensive income (loss) taxes on income	(121)	158	155	303	32	527
Liabilities for insurance contracts, gross, as at December 31, 2024	3,207	1,048	1,188	5,191	108	10,742
Liabilities for insurance contracts, in retention, as at December 31, 2024	2,804	1,033	256	3,279	108	7,480

* Property and other branches include mainly results from property loss and comprehensive homeowners insurance branches, which account for 79% of total premiums in these branches
** Other liability branches include mainly results from third-party insurance and professional liability branches, which account for 69% of total premiums in these branches

Note 4 – Operating segments (contd.)

B. Additional information about the non-life insurance segment (contd.)

	For the year ended December 31, 2023					
	Compulsory motor	Motor property	Property and other branches*	Other liability branches**	Mortgage insurance	Total
	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions
Gross premiums	723	1,402	1,437	1,087	(1)	4,648
Reinsurance premiums	6	25	1,123	460	-	1,614
Premiums in retention	717	1,377	314	627	(1)	3,034
Change in unearned premium, in retention	(16)	166	9	11	(4)	166
Premiums earned in retention	733	1,211	305	616	3	2,868
Profit from investments, net, and financing income	127	34	24	149	5	339
Income from commissions	5	5	232	61	-	303
Total income	865	1,250	561	826	8	3,510
Payments and changes in liabilities for insurance contracts, gross	808	980	518	911	(24)	3,193
Reinsurers' share in payments and change in liabilities for insurance contracts	72	37	427	413	-	949
Payments and changes in liabilities for insurance contracts in retention	736	943	91	498	(24)	2,244
Commissions, marketing expenses and other acquisition costs	160	291	300	191	-	942
General and administrative expenses	18	16	14	9	2	59
Other expenses	8	5	3	1	-	17
Financing expenses, net	9	2	1	10	-	22
Total expenses (income)	931	1,257	409	709	(22)	3,284
Share in profits (losses) of equity accounted investees	(27)	(7)	(2)	(30)	-	(66)
Profit (loss) before income tax	(93)	(14)	150	87	30	160
Comprehensive income before income tax	45	12	4	55	3	119
Total comprehensive income (loss) taxes on income	(48)	(2)	154	142	33	279
Liabilities for insurance contracts, gross, as at December 31, 2023	3,425	973	1,148	5,155	133	10,834
Liabilities for insurance contracts, in retention, as at December 31, 2023	2,956	953	227	3,356	133	7,625

* Property and other branches include mainly results from property loss and comprehensive homeowners insurance branches, which account for 78% of total premiums in these branches
** Other liability branches include mainly results from third-party insurance and professional liability branches, which account for 69% of total premiums in these branches

Note 4 – Operating Segments (contd.)

B. Additional information about the non-life insurance segment (contd.)

	For the year ended December 31, 2022					
	Compulsory motor	Motor property	Property and other branches*	Other liability segments**	Mortgage insurance	Total
	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million
Gross premiums	843	1,189	1,310	1,063	(2)	4,403
Reinsurance premiums	115	55	1,011	435	-	1,616
Premiums in retention	728	1,134	299	628	(2)	2,787
Change in outstanding unearned premiums, in retention	62	38	21	14	(5)	130
Earned premiums in retention	666	1,096	278	614	3	2,657
Profit from investments, net, and financing income	57	13	20	67	11	168
Income from commissions	7	6	205	63	-	281
Total income	730	1,115	503	744	14	3,106
Payments and changes in liabilities for insurance contracts, gross	673	1,140	587	592	(28)	2,964
Reinsurers’ share of payments and change in liabilities for insurance contracts	108	71	486	250	-	915
Payments and changes in liabilities for insurance contracts and investment contracts, in retention	565	1,069	101	342	(28)	2,049
Commissions, marketing expenses and other acquisition costs	132	272	279	179	-	862
General and administrative expenses	19	18	16	8	1	62
Other expenses	5	3	2	-	-	10
Financing income, net	28	5	2	35	-	70
Total expenses (income)	749	1,367	400	564	(27)	3,053
Company’s share of profits of equity accounted investees	6	1	-	7	1	15
Profit (loss) before income tax	(13)	(251)	103	187	42	68
Other comprehensive income before income tax	(19)	(4)	(1)	(23)	(14)	(61)
Total comprehensive income (loss) before income tax	(32)	(255)	102	164	28	7
Liabilities for insurance contracts, gross, as at December 31, 2022	3,450	878	1,115	5,147	162	10,752
Liabilities for insurance contracts, retention, as at December 31, 2022	2,905	836	216	3,497	162	7,616

* Property and other branches include mainly results from the property loss and comprehensive homeowners sectors whose activity accounts for 71% of the premiums in these sectors

** Other liabilities branches include mainly results from the third-party and professional liability sectors whose activity accounts for 71% of the premiums in these sectors

Note 4 - Operating segments (contd.)

C. Additional information about the life insurance and long-term savings segment

	For the year ended December 31, 2024				For the year ended December 31, 2023			
	Provident	Pension	Life insurance	Total	Provident	Pension	Life insurance	Total
	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions
Premiums earned, gross	**-**	**-**	**5,585**	**5,585**	-	-	6,286	6,286
Premiums earned by reinsurers	**-**	**-**	**306**	**306**	-	-	283	283
Premiums in retention	**-**	**-**	**5,279**	**5,279**	-	-	6,003	6,003
Profit from investments, net, and financing income	**5**	**10**	**8,950**	**8,965**	3	7	5,919	5,929
Income from management fees	**351**	**515**	**529**	**1,395**	308	463	502	1,273
Income from commissions	**-**	**-**	**55**	**55**	-	-	60	60
Other income	**-**	**-**	**29**	**29**	-	-	29	29
Total income	**356**	**525**	**14,842**	**15,723**	311	470	12,513	13,294
Payments and changes in liabilities for insurance contracts and investment contracts, gross	**3**	**18**	**13,294**	**13,315**	3	17	11,107	11,127
Reinsurers' share in payments and change in liabilities for insurance contracts	**-**	**-**	**236**	**236**	-	-	196	196
Payments and changes in liabilities for insurance contracts and investment contracts in retention	**3**	**18**	**13,058**	**13,079**	3	17	10,911	10,931
Commissions, marketing expenses and other acquisition costs	**166**	**182**	**1,032**	**1,380**	140	166	958	1,264
General and administrative expenses	**124**	**207**	**472**	**803**	121	193	446	760
Other expenses	**4**	**13**	**-**	**17**	5	14	-	19
Financing expenses, net	**5**	**14**	**15**	**34**	3	9	14	26
Total expenses	**302**	**434**	**14,577**	**15,313**	272	399	12,329	13,000
Share in losses of equity accounted investees	**-**	**-**	**(8)**	**(8)**	-	-	(28)	(28)
Profit before income tax	**54**	**91**	**257**	**402**	39	71	156	266
Other comprehensive income (loss) before taxes on income	**1**	**1**	**96**	**98**	1	2	(32)	(29)
Total comprehensive income before income tax	**55**	**92**	**353**	**500**	40	73	124	237

Note 4 - Operating segments (contd.)

C. Additional information about the life insurance and long-term savings segment (contd.)

	For the year ended December 31, 2022			
	Provident	Pension	Life insurance	Total
	NIS millions	NIS millions	NIS millions	NIS millions
Premiums earned, gross	-	-	6,504	6,504
Premiums earned by reinsurers	-	-	213	213
Premiums in retention	-	-	6,291	6,291
Profits (losses) from investments, net, and financing income	2	4	(4,711)	(4,705)
Income from management fees	283	430	513	1,226
Income from commissions	-	-	56	56
Other income	-	-	29	29
Total income	285	434	2,178	2,897
Payments and changes in liabilities for insurance contracts and investment contracts, gross	3	17	1,382	1,402
Reinsurers' share in payments and change in liabilities for insurance contracts	-	-	136	136
Payments and changes in liabilities for insurance contracts and investment contracts in retention	3	17	1,246	1,266
Commissions, marketing expenses and other acquisition costs	114	147	903	1,164
General and administrative expenses	110	186	414	710
Other expenses	6	15	-	21
Financing expenses, net	-	-	23	23
Total expenses	233	365	2,586	3,184
Share in losses of equity accounted investees	-	-	(5)	(5)
Profit (loss) before income tax	52	69	(413)	(292)
Other comprehensive loss before income tax	(6)	(12)	(380)	(398)
Total comprehensive income (loss) taxes on income	46	57	(793)	(690)

Note 5 - Intangible assets

A. Composition and movement

	Goodwill	Original differences attributed to value of insurance portfolios	Future management fees	Brand	Software*	Customer relations	Other	Total
	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions
Cost								
Balance as at January 1, 2024	1,353	337	551	29	2,987	103	42	5,402
Additions	3	10	-	-	372	36	-	421
Disposals	-	-	-	-	(9)	-	-	(9)
Acquisition in a business combination	203	-	-	9	-	88	-	300
Deconsolidation	-	-	-	-	(3)	-	-	(3)
Balance as at December 31, 2024	1,559	347	551	38	3,347	227	42	6,111
Depreciation and impairment losses								
Balance as at January 1, 2024	289	335	402	13	1,851	33	27	2,950
Current write-down in the year	-	-	18	-	283	28	1	330
Disposals	-	-	-	-	(6)	-	-	(6)
Deconsolidation	-	-	-	-	(3)	-	-	(3)
Balance as at December 31, 2024	289	335	420	13	2,125	61	28	3,271
Carrying amount, net, as at December 31, 2024	1,270	12	131	25	1,222	166	14	2,840

*Additions for software in 2024 include additions for software developed in-house in the amount of NIS 350 million

Note 5 – Intangible assets (contd.)

A. Composition and movement (contd.)

	Goodwill	Original differences attributed to value of insurance portfolios	Future management fees	Brand	Software*	Customer relations	Other	Total
	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions
Cost								
Balance as at January 1, 2023	1,308	337	551	29	2,629	98	42	4,994
Additions	-	-	-	-	359	-	-	359
Adjustments arising from the translation of financial statements in foreign currency	-	-	-	-	(1)	-	-	(1)
Acquisition in a business combination	45	-	-	-	-	5	-	50
Balance as at December 31, 2023	1,353	337	551	29	2,987	103	42	5,402
Depreciation and impairment losses								
Balance as at January 1, 2023	289	335	383	13	1,593	10	25	2,648
Current write-down in the year	-	-	19	-	259	23	2	303
Adjustments arising from the translation of financial statements in foreign currency	-	-	-	-	(1)	-	-	(1)
Balance as at December 31, 2023	289	335	402	13	1,851	33	27	2,950
Carrying amount, net, as at December 31, 2023	1,064	2	149	16	1,136	70	15	2,452

*Additions for computer software in 2023 include additions for independently developed software in the amount of NIS 342 million

Note 5 – Intangible assets (contd.)

B. Amortization of intangible assets

The total annual amortization is included within other expenses.

Information about amortization of intangible assets other than computer software - according to the cash generating units to which the assets are allocated:

	For the year ended December 31		
	2024	2023	2022
	NIS millions	NIS millions	NIS millions
Cash-generating unit:			
Provident activity	**4**	5	6
Pension activity	**12**	14	15
Harel Finance	**2**	2	3
Non-life insurance activity	**12**	16	10
Financial consultancy	**1**	-	-
Insurance agency activity	**12**	-	-
Other	**4**	7	1
	47	44	35

On the method of amortizing the intangible assets, see Note 3G to the Financial Statements.

C. Impairment testing of goodwill impairment and intangible assets with indefinite useful lives

Following is the carrying amount of goodwill, future management fees and brand allocated to each of the cash-generating units below and for which impairment was tested:

	Future management fees and brand		Goodwill	
	2024	2023	2024	2023
	NIS millions	NIS millions	NIS millions	NIS millions
Cash-generating unit:				
Provident activity (1)	**30**	35	**366**	366
Pension activity (2)	**100**	113	**145**	145
Mutual fund activity (3)	**-**	-	**421**	421
Mortgage insurance activity (4)	**-**	-	**20**	20
Non-life insurance activity (5)	**-**	-	**56**	56
Financial consultancy (6)	**-**	-	**44**	-
	130	148	**1,052**	1,008

Note 5 - Intangible assets (contd.)

C. Impairment testing of goodwill and intangible assets with indefinite useful lives (contd.)

1. Provident

   The recoverable amount of the provident activity was based on its useful value and determined by discounting the future cash flows from management fees net of management costs, with the help of an external valuer. The key assumptions applied in calculating the recoverable amount are: a discounting rate after tax of 10.5% (in 2023, 10%), and a long-term growth rate of 1.75% (similar to 2023).

2. Pension

   The recoverable amount of the pension activity was based on its useful value and determined by discounting the future cash flows from management fees net of refunds and management costs, with the help of an external valuer. The key assumptions applied in calculating the recoverable amount are: discounting rate after tax of 10.5% (in 2023, 10%), cancellations based on the Company's experience and assessment of management fees and frozen accounts, taking into account the circular on consolidation of accounts.

3. Mutual fund

   The recoverable amount of the mutual fund activity was based on its useful value and was determined by discounting the projected future cash flows from this cash generating unit, with the help of an outside valuer. The key assumptions applied in calculating the recoverable amount are: a discounting rate after tax of 11.3% (in 2023, 10.1%), and a long-term growth rate of 2% (similar to 2023).

4. Mortgage insurance business

   The recoverable amount of the mortgage insurance activity was based on its useful value and was determined by discounting the future cash flows of the insurance activity in the existing portfolio only, with the help of an external valuer. The key assumptions applied in calculating the recoverable amount are: a discounting rate in the existing portfolio which is the risk-free interest curve linked to the CPI, plus an illiquidity premium; the settlement rate; a future claims estimate; rate of expenses and future yield.

5. Non-life insurance

   The recoverable amount of the non-life insurance activity was based on its useful value and was determined by discounting the projected future cash flows net of tax from this cash generating unit, with the help of an external valuer. The key assumptions applied in calculating the recoverable amount are: a nominal discounting rate of 12.5% (in 2023, 11.5%), and a nominal growth rate of 2% per annum (similar to 2023).

6. Financial consultancy

   The recoverable amount of the financial consulting activity was based on its useful value and was determined by discounting the projected future cash flows net of tax from this cash generating unit, with the help of an external valuer. The key assumptions applied in calculating the recoverable amount are: a discounting rate after tax of 10%; a long-term annual growth rate of 3%.

Note 6 - Deferred acquisition costs

A. Composition

	As at December 31	
	2024	**2023**
	NIS million	**NIS million**
Life insurance and long-term savings	**2,122**	1,878
Health insurance	**776**	799
Non-life insurance	**400**	368
Insurance companies abroad	**76**	70
Adjustments for inter-segment transactions	**(1)**	(1)
	3,373	3,114

B. Movement in deferred acquisition costs in life insurance and long-term savings and in health insurance

	Life insurance and long-term savings				
	Life insurance	**Pension & provident**	**Total**	**Health insurance**	**Total**
			NIS million		
Balance as at January 1, 2023	**1,258**	**416**	**1,674**	**839**	**2,513**
Additions:					
Purchase commissions	232	191	423	139	562
Other acquisition costs	196	-	196	158	354
Total additions	428	191	619	297	916
Current write-down	(141)	(62)	(203)	(255)	(458)
Write down for cancellations	(212)	-	(212)	(82)	(294)
Balance as at December 31, 2023	**1,333**	**545**	**1,878**	**799**	**2,677**
Additions:					
Acquisition commissions	**211**	**298**	**509**	**141**	**650**
Other acquisition costs	**168**	**-**	**168**	**163**	**331**
Total additions	**379**	**298**	**677**	**304**	**981**
Current write-down	**(132)**	**(79)**	**(211)**	**(252)**	**(463)**
Write down for cancellations	**(222)**	**-**	**(222)**	**(75)**	**(297)**
Balance as at December 31, 2024	**1,358**	**764**	**2,122**	**776**	**2,898**

Note 7 - Fixed assets

A. Determination of fair value

Owner-occupied real estate is presented on the basis of the fair value defined in the valuation prepared by independent, external appraisers who have recognized professional qualifications and considerable experience in dealing with the location and type of real estate that was valued. External revaluations are performed regularly to ensure that the balance in the financial statements does not differ significantly from the value that would have been determined according to the fair value method on the report date.

The fair value is classified to Level 3 in the fair value hierarchy. The fair value is determined using a combination of several revaluation methodologies, including the comparative approach and capitalization of appropriate rent from similar assets. The appropriate amounts received from similar assets were discounted at rates ranging from 6.6%-7%, based on the risk level that corresponds with the asset.

The valuation for investment property under construction is based on estimating the fair value of the owner-occupied property after completion of its construction, less the present value of the estimated construction costs expected for its completion and less a reasonable entrepreneurial profit when relevant, taking into account a discount rate adjusted to the property's relevant risks and characteristics.

In 2024, Harel Insurance revalued owner occupied property in the amount of NIS 33 million before tax and NIS 24 million after tax (in 2023, NIS 54 million before tax and NIS 38 million after tax). In accordance with the Company's significant accounting policies described in Note 3, the change in fair value was recorded in equity under the item "revaluation reserve" and was recognized in other comprehensive income in the period.

Note 7 - Fixed assets (contd.)

B. Movements in fixed assets

	Land and office buildings*	Computers and software	Vehicles	Furniture and equipment	Leasehold improvements	Total
	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions
Cost						
Balance as at January 1, 2024	**1,301**	**619**	**75**	**173**	**170**	**2,338**
Additions in the year	**4**	**31**	**6**	**2**	**-**	**43**
Additions to right-of-use assets	**9**	**-**	**33**	**-**	**-**	**42**
Adjustments arising from the translation of financial statements of foreign operations	**(1)**	**(1)**	**(1)**	**-**	**-**	**(3)**
Revaluation	**(4)**	**-**	**-**	**-**	**-**	**(4)**
Disposals in the year	**-**	**-**	**(4)**	**-**	**-**	**(4)**
Derecognition?? of the cost of right-of-use assets	**(11)**	**-**	**(21)**	**-**	**-**	**(32)**
Acquisition in a business combination	**-**	**1**	**1**	**1**	**-**	**3**
Deconsolidation	**-**	**(8)**	**-**	**(3)**	**(12)**	**(23)**
Balance as at December 31, 2024	**1,298**	**642**	**89**	**173**	**158**	**2,360**
Accumulated depreciation						
Balance as at January 1, 2024	**67**	**574**	**34**	**143**	**129**	**947**
Additions in the year	**38**	**33**	**2**	**5**	**3**	**81**
Depreciation for right-of-use assets	**12**	**-**	**27**	**-**	**-**	**39**
Adjustments arising from the translation of financial statements of foreign operations	**(1)**	**-**	**-**	**-**	**-**	**(1)**
Revaluation	**(37)**	**-**	**-**	**-**	**-**	**(37)**
Deductions in the year	**-**	**-**	**(3)**	**-**	**-**	**(3)**
Derecognition of right-of-use assets	**(14)**	**-**	**(25)**	**-**	**-**	**(39)**
Acquisition in a business combination	**-**	**1**	**-**	**-**	**-**	**1**
Deconsolidation	**-**	**(8)**	**-**	**(3)**	**(11)**	**(22)**
Balance as at December 31, 2024	**65**	**600**	**35**	**145**	**121**	**966**
Amortized cost balance of right-of-use assets as at December 31, 2024	**51**	**1**	**36**	**1**	**-**	**89**
Amortized cost balance as at December 31, 2024	**1,233**	**42**	**54**	**28**	**37**	**1,394**

* The lands are wholly owned by the Group. Some of the ownership rights have not yet been registered in the name of the Company or its subsidiaries, mostly due to registration procedures or technical problems

Note 7 - Fixed assets (contd.)

B. Movements in fixed assets (contd.)

	Land and office buildings*	Computers and software	Vehicles	Furniture and equipment	Leasehold improvements	Total
	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million
Cost						
Balance as at January 1, 2023	1,256	572	64	169	166	2,227
Additions during the year	14	49	10	4	4	81
Additions to right-of-use assets	12	-	32	-	-	44
Adjustments attributed to the translation of financial statements for foreign activity	(1)	-	(2)	-	-	(3)
Revaluation	19	-	-	-	-	19
Deductions during the year	-	(2)	(4)	-	-	(6)
Derecognition of the cost of right-of-use assets	-	-	(25)	-	-	(25)
Acquisition within a business combination	1	-	-	-	-	1
Balance as at December 31, 2023	1,301	619	75	173	170	2,338
Accrued depreciation						
Balance as at January 1, 2023	52	537	32	136	125	882
Additions during the year	36	38	2	7	4	87
Depreciation for right-of-use assets	13	-	25	-	-	38
Revaluation	(34)	-	-	-	-	(34)
Deductions during the year	-	(1)	(2)	-	-	(3)
De-recognition of the depreciation of right-of-use assets	-	-	(23)	-	-	(23)
Balance as at December 31, 2023	67	574	34	143	129	947
Outstanding amortized cost of right-of-use assets as at December 31, 2023	51	-	25	-	-	76
Outstanding amortized cost as at December 31, 2023	1,234	45	41	30	41	1,391

* The lands are wholly owned by the Group. Some of the ownership rights have not yet been registered in the name of the Company or its subsidiaries, mostly due to registration procedures or technical problems

Note 8 - Investments in investees

A. Composition of investments in equity accounted associates and joint ventures

	Associates	
	As at December 31,	
	2024	2023
	NIS million	NIS million
Cost of shares	**899**	836
Company's share in profits accrued from date of purchase, net	**304**	341
Company's share in capital reserves accrued from date of purchase, net	**(25)**	(12)
	1,178	1,165
Long term loans and debit balances *	**325**	351
	1,503	1,516

The Group has additional interests in these entities in the context of the profit-sharing portfolio, which are included under financial investments for yield-dependent contracts. The investment in respect of these additional rights, amounted to NIS 1,296 million and NIS 1,550 million at December 31, 2024 and 2023, respectively. The Company’s income (expenses) from these investments amounted to NIS (57) million, NIS (309) million, and NIS 218 million for the years ended December 31, 2024, 2023, and 2022, respectively. The Company has an additional investment of NIS 2,343 million and NIS 2,107 million at December 31, 2024 and 2023, respectively, which is held by the Company’s pension and provident funds and is not included in the Company’s financial statements.

B. Composition of investments in equity accounted associates and joint ventures, by geographical segmentation and key categories of investment

1. Segmentation by key investment categories:

	As at December 31	
	2024	2023
Real estate	**77%**	81%
Insurance	**13%**	11%
Other sectors	**10%**	8%
Total	**100%**	100%

Real estate:

	As at December 31	
	2024	2023
Office property	**66%**	67%
Residential property	**18%**	18%
Commercial property	**16%**	15%
Total	**100%**	100%

Note 8 - Investments in investees (contd.)

B. Composition of investments in equity accounted associates and joint ventures, by geographical segmentation and key categories of investment (contd.)

2. Segmentation by geographical location:

	As at December 31					
	2024		2023		2022	
		Profit (loss)		Profit (loss)		Profit
	Percent	NIS million	Percent	NIS million	Percent	NIS million
North America	**40**	**(74)**	44	(157)	50	(19)
Western Europe	**24**	**21**	24	(4)	22	30
Israel	**36**	**68**	32	53	28	67
Total	**100**	**15**	100	(108)	100	78

3. The tax rate applicable to the profit for investees is similar to the statutory tax rate in Israel.

C. Condensed information from the financial statements about equity accounted associates each of which is insignificant on its own, adjusted to the holding rates therein at the report date

	As at December 31		
	2024	2023	2022
	NIS million	NIS million	NIS million
Assets*	**3,033**	3,073	3,048
Liabilities	**1,530**	1,557	1,492
Carrying amount of the investment	**1,503**	1,516	1,556

	For the year ended December 31		
	2024	2023	2022
	NIS million	NIS million	NIS million
Group's share of net profit (loss) from ongoing activity	**15**	(108)	78
Group's share of other comprehensive income (loss)	**(10)**	45	128
Group's share of total comprehensive income (loss)	**5**	(63)	206
Group's share of revenues of associates	**252**	252	232

* Including the balance of retained costs and goodwill

Note 8 - Investments in investees (contd.)

D. Additional information about investees

1. List of significant consolidated subsidiaries:

	Main location of Company operations	Group's ownership rights in the subsidiary	Loans and capital notes issued by the Company to subsidiaries (NIS millions)	Investment in a subsidiary (NIS millions)
2024				
Harel Insurance Company Ltd.	**Israel**	**100%**	**404**	**4,522**
Harel Finance Holdings Ltd.	**Israel**	**100%**	**202**	**638**
Harel Pension and Provident Ltd.	**Israel**	**100%**	**100**	**1,090**
Interasco A.E.G.A	**Greece**	**94%**	**-**	**43**
Turk Nippon Sigorta Anonim Sirketi	**Turkey**	**100%**	**-**	**18**
EMI – Ezer Mortgage Insurance Ltd.	**Israel**	**100%**	**-**	**230**
Se-Fi Insurance Agency Ltd.	**Israel**	**70%**	**72**	**106**
Harel Credit Holdings Ltd.	**Israel**	**100%**	**560**	**710**
2023				
Harel Insurance Company Ltd.	Israel	100%	390	4,436
Harel Finance Holdings Ltd.	Israel	100%	202	589
Harel Pension and Provident Ltd.	Israel	100%	-	919
Interasco A.E.G.A	Greece	94%	-	42
Turk Nippon Sigorta Anonim Sirketi	Turkey	100%	-	35
EMI – Ezer Mortgage Insurance Ltd.	Israel	100%	-	233

2. Dividend received from Harel Insurance

   a. On August 29, 2024, the Board of Directors of Harel Insurance approved the distribution of a dividend in the amount of NIS 200 million (NIS 1.92 per share). The dividend was paid in cash on September 26, 2024.

   b. On December 5, 2024, the Board of Directors of Harel Insurance approved the distribution of a dividend in the amount of NIS 500 million (NIS 4.79 per share). The dividend was paid in cash on December 17, 2024.

   The Board of Directors made its decisions regarding the distribution of a dividend after taking into account the financial results of Harel Insurance, the amount of distributable surpluses by Harel Insurance and review of the retained capital and compliance with the solvency provisions. Additionally, the Board of Directors of Harel Insurance examined its compliance with the profit test and solvency test prescribed in Section 203(a) of the Companies Law and following this review, the Board of Directors of Harel Insurance approved its compliance with the distribution test.

3. Dividend received from Mortgage Holdings Ltd.

   In August 2024, the Board of Directors of Mortgage Holdings Ltd. approved the distribution of a dividend in the amount of NIS 50 million. The dividend was paid in cash on September 1, 2024.

Note 8 - Investments in investees (contd.)

E. Capital requirements for consolidated companies

1. Solvency II based economic solvency regime

An economic solvency regime based on Solvency II applies to Harel Insurance, and this pursuant to the implementation provisions published in June 2017 and revised in October 2020 ("Provisions of the Economic Solvency Regime").

Economic solvency ratio:

The economic solvency ratio is calculated as the ratio between the recognized economic equity of Harel Insurance and the solvency capital requirement (SCR).

The recognized economic equity is defined as the sum of the equity arising from the economic balance and debt instruments which include loss-absorbing mechanisms (additional tier-1 capital, tier-2 capital instruments, subordinated tier-2 capital, hybrid tier-2 and tier-3 capital).

The economic balance items are calculated according to economic value, where the insurance liabilities are calculated on the basis of a best estimate of all the anticipated future flows from current business, excluding margins for conservatism and plus a risk margin.

The purpose of the solvency capital requirement (SCR) is to estimate the exposure of the economic shareholders equity to a series of scenarios set out in the economic solvency regime provisions which reflect insurance risks, market and credit risks as well as operational risks.

Among other things, the economic solvency regime includes transitional provisions associated with compliance with the capital requirements, which allow the economic capital to be increased by deducting from the insurance reserves the amount calculated in accordance with the provisions of the economic solvency regime ("the Deduction"). The Deduction will gradually decrease until 2032 ("the Transitional Period"). There is also a different maximum recognition limitation for tier-2 capital.

According to the consolidated circular, the economic solvency ratio report for data as at December 31 and June 30 each year will be included in the periodic report subsequent to the period of the calculation.

On November 27, 2024, together with the approval of the financial statements, Harel Insurance approved the economic solvency ratio report for June 30, 2024. The report is available on its website: https://www.harel-group.co.il/about/harel-group/harel/investor-relations/Pages/repayment-ability.aspx.

According to the report, Harel Insurance has a capital surplus even without taking the transitional provisions into account.

The calculation prepared by Harel Insurance for data at June 30, 2024, was reviewed in accordance with ISAE 3000 (Revised) - Insurance Engagements Other than Audits or Reviews of Historical Information ("the Standard") published by IAASB and in accordance with the Commissioner's guidelines, as included in the consolidated circular in Chapter 7, Section 5, Part 1 regarding the "external auditor", which sets out instructions for reviewing a quarterly economic solvency ratio report. The Standard is relevant for a review of the Solvency Report of Harel Insurance and it is not part of the auditing standards applicable to financial reports. The forecasts and assumptions are based, in principle, on past experience, as it emerges from actuarial studies conducted from time to time. In view of the reforms in the Capital Market, Insurance and Savings, and changes in the economic environment, past data do not necessarily reflect future performance. In some cases, the information is based on assumptions about future events, management activity, and the future development of the risk margin, which will not necessarily materialize or that may materialize differently from the assumptions that formed the basis for the information. Moreover, actual performance could differ significantly from the information, given that the combination of scenarios of events could materialize in a significantly different manner from the assumptions in the information.

Note 8 - Investments in investees (contd.)

E. Capital requirements for consolidated companies (contd.)

1. Solvency II based economic solvency regime (contd.)

A review prepared by the external auditors noted that they did not examine the reasonability of the Deduction amount in the transitional period as at June 30, 2024, other than to check that the Deduction does not exceed the projected discounted amount of the risk margin and the solvency capital requirement in respect of life and health risks for existing business in the transitional period, based on the pattern of future development of the required capital that affects calculation of the expected release of equity, as well as the release of the projected risk margin, as specified in the provisions concerning calculation of the risk margin. Furthermore, attention is drawn to the information in the Solvency Report concerning the uncertainty arising from regulatory changes and exposure to contingencies, the effect of which on the solvency ratio cannot be estimated.

Notably, the model in its current format is extremely sensitive to changes in market and other variables, such as changes in the interest rate, changes in investment profits, revised actuarial assumptions and changes relating to the activity of Harel Insurance and also concerning the uncertainty inherent in the actuarial and financial assumptions and forecasts used in the preparation of the report.

2. Own Risk and Solvency Assessment (ORSA) for insurance companies

On January 5, 2022, the Commissioner published an amendment to the provisions of the Consolidated Circular on reporting to the Commissioner of the Capital Market - Own Risk and Solvency Assessment (ORSA) of insurance companies ("the Amendment"). The Amendment stipulates that insurance companies shall report their Own Risk and Solvency Assessment (ORSA) to the Commissioner once a year, in January. According to the Amendment, the Company will provide a report to the Commissioner that will include a summary of the results, business position and interrelationships, exposure to risk, assessment of solvency and capital requirements, forward-looking assessments and sensitivity analyses and scenarios.

Harel Insurance submitted the required report to the Commissioner in January 2025.

3. Capital management policy of Harel Insurance

It is Harel Insurance's policy to hold a robust capital base to guarantee its solvency and its ability to meet its commitments towards its insureds, to ensure that Harel Insurance is capable of continuing its business activity and so that it can provide a return for its shareholders. Harel Insurance is subject to the capital requirements and defined regulations with respect to the distribution of dividends.

Subsequent to the Reporting Date, on January 14, 2025, the Board of Directors of Harel Insurance approved a revised capital management plan and at this stage, threshold conditions were determined for a dividend distribution, which include a minimum economic solvency ratio, taking the transitional provisions into account, at a rate of 135% and a minimum solvency ratio without taking the transitional provisions into account, at a rate of 115%.

For information about a dividend distribution policy for the Company that was approved by the boards of directors of the Company and Harel Insurance on February 28, 2021, see Note 15D.

4. Equity requirements in managed companies

   A. Consolidated subsidiaries that manage mutual funds and investment portfolios are obligated to hold minimum equity in accordance with the directives of the Israel Securities Authority. The companies work continuously to comply with this requirement. At December 31, 2024, the subsidiaries are in compliance with these requirements.

   B. The consolidated subsidiaries that manage pension and provident funds are subject to equity requirements established by the Commissioner. As at December 31, 2024, the consolidated subsidiaries are in compliance with these requirements.

Note 9 - Investment property (including investment property for yield-dependent contracts)

A. Composition and movement

	Investment property			
	For yield-dependent contracts		Other	
	2024	2023	2024	2023
	NIS million	NIS million	NIS million	NIS million
Balance as at January 1	**1,898**	2,060	**2,548**	2,408
Additions during the year				
Purchases and additions to existing assets	**-**	9	**58**	22
Acquisition within a business combination	**-**	-	**-**	-
Total additions	**-**	9	**58**	22
Deductions during the year				
Disposals	**108**	179	**114**	-
Total deductions	**108**	179	**114**	-
Adjustment to fair value	**44**	8	**15**	118
Balance as at December 31	**1,834**	1,898	**2,507**	2,548

B. Determination of fair value

Investment property is presented at fair value, as determined in an appraisal prepared by independent appraisers who are professionally recognized and who have considerable experience with respect to the location and type of real estate being appraised. External appraisals are performed every year, on different dates for various assets in the investment property portfolio. An internal review is conducted for other reporting periods with the purpose of ensuring that no significant change has taken place in the value of the asset, based on the parameters that were used for preparing the appraisal.

The estimates are classified to fair value Level 3 hierarchy.

Valuation of the property is based on net annual cash flows discounted at a rate reflecting the specific risks inherent in them. When actual rent agreements include rent payments that are different from market rent, adjustments are made to reflect the actual rent payments in the period of the contract

The valuations take into account the type of tenants that actually occupy the leasehold or are responsible for fulfilling the rental obligations or may occupy the leasehold when available property is rented out, including a general assessment of their creditworthiness; distribution of the responsibility for the property's maintenance and insurance between the Group and the tenant; and the remaining economic life of the property, in those locations where such parameters are relevant.

The fair value is determined using several revaluation methodologies, including the comparative approach, similar assets and discounting of the future cash flow arising from the asset. The value of most of the assets is determined according to the estimated cash flows and which take into account their inherent risk, and they are mostly discounted at rates of between 6.15%-8.5% for real estate abroad and 5%-10% for real estate in Israel, depending on the appropriate level of risk in the asset.

Property under construction is valued by estimating the fair value of the completed investment property and then deducting from that amount the present value of the estimated costs to complete construction and a reasonable profit margin, when relevant, while taking into consideration a yield adjusted for the relevant risks and characteristics of the investment property.

Investment property consists mainly of office buildings and commercial property.

Note 9 - Investment property (including investment property for yield-dependent contracts) (contd.)

C. Changes in investment property measured at level 3

	December 31, 2022							
	For yield-dependent contracts				For non-yield-dependent contracts			
	Commercial property	Real estate offices	Property under construction	Total	Commercial property	Real estate offices	Property under construction	Total
	NIS million				NIS million			
Balance as at January 1, 2024	**1,139**	**754**	**5**	**1,898**	**1,058**	**1,486**	**4**	**2,548**
Purchases	**(1)**	**-**	**1**	**-**	**1**	**57**	**-**	**58**
Disposals	**(58)**	**(50)**	**-**	**(108)**	**(62)**	**(52)**	**-**	**(114)**
Other changes	**6**	**-**	**(6)**	**-**	**4**	**-**	**(4)**	-
Total profits recognized in profit or loss:*								
Changes in fair value	**42**	**2**	**-**	**44**	**10**	**5**	**-**	**15**
Balance as at December 31, 2024	**1,128**	**706**	**-**	**1,834**	**1,011**	**1,496**	**-**	**2,507**

	December 31, 2023							
	For yield-dependent contracts				For non-yield-dependent contracts			
	Commercial property	Real estate offices	Property under construction	Total	Commercial property	Real estate offices	Property under construction	Total
	NIS million				NIS million			
Balance as at January 1, 2023	1,136	921	3	2,060	1,042	1,363	3	2,408
Purchases	5	-	4	9	8	11	3	22
Disposals	-	(179)	-	(179)	-	-	-	-
Total profits (losses) recognized in profit or loss:*								
Changes in fair value	(2)	12	(2)	8	8	112	(2)	118
Balance as at December 31, 2023	1,139	754	5	1,898	1,058	1,486	4	2,548

* Under net profit from investments and financing income

D. See Note 39 on commitments associated with the leasing of investment property.

Note 9 - Investment property (including investment property for yield-dependent contracts) (contd.)

E. Information about rights in land that the Group uses as investment property

Some of the owner-occupied or leased land in Israel, has not yet been recorded in the name of the Company or the various companies or subsidiaries at the Land Registry, mostly because of registration procedures or technical problems.

Information about investment property that the Group leases from the Israel Land Authority and other entities:

	Carrying amount as at December 31*				
	2024	2023			
	NIS million	NIS million	Capitalized lease up to	Option for an additional lease period	Leasing entity
HaMered Street, Tel Aviv	**22**	22	2032	None	ILA
Hatikvah Street, Beersheva	**311**	310	2050	The Group has an option for an additional lease period of 49 years from end of lease period	ILA
Haim Bar Lev Road, Neve Savyon	**73**	71	2041	None	ILA
Shoham shopping center	**113**	106	2042	None	ILA
Am Ve'Olamo Street, Jerusalem	**15**	15	2039	None	ILA
Yigal Alon Road, Tel Aviv	**500**	483	2060 2059	None	ILA
Corner of Weizmann and HaSadna Streets and corner of HaManofim Road, Kfar Saba	**155**	154	2058	The Group has an option for an additional lease period of 49 years from end of lease period	ILA
Giborei Yisrael Avenue, Netanya	**232**	230	2037	None	ILA
Tuval Road, Ramat Gan	**28**	27		Perpetual lease	Various lessors
Corner Galgalei HaPlada and Yalahom Binyamin Streets, Kfar Saba	**33**	30	2067	None	ILA
Zalman Shazar Street, Netanya,	**751**	715	2064	The Group has an option for an additional lease period of 49 years from end of lease period	ILA
Total	**2,233**	2,163			

* Including the building

Note 10 - Trade and other receivables

A. Composition

	As at December 31	
	2024	2023
	NIS million	NIS million
Related parties	**18**	12
Receivables in connection with the purchase of real estate	**61**	11
Government authorities and institutions	**13**	3
Receivable income (see also Note 3C2m)	**231**	226
Lease fees and prepaid expenses	**188**	163
Advances to service providers	**15**	24
Advances on account of commissions to insurance agents	**70**	87
Loans provided to externals	**28**	22
	624	548
Insurance companies and brokers:		
Deposits	**1**	1
Other accounts	**308**	577
Total insurance companies and brokers	**309**	578
Receivable income from management fees	**7**	9
Excess (deductible)	**8**	8
Subrogation and residuals	**16**	24
Deposits for payment of claims	**16**	16
Receivables for securities*	**1,158**	435
Policyholders	**6**	20
Deposits in a sick pay fund	**63**	56
Other	**121**	110
	1,395	678
Net of provision for doubtful debts	**(17)**	(11)
Total trade and other receivables	**2,311**	1,793

* Consists mainly of collateral for financial derivatives

B. Changes in the provision for doubtful debts.)

	2024	2023
	NIS million	NIS million
Balance as at January 1	**11**	2
Change in provision in period	**6**	9
Balance as at December 31	**17**	11

Note 11 – Premiums due

A. Composition

	As at December 31	
	2024	2023
	NIS million	NIS million
Premiums due *	**1,505**	1,716
Net of provision for doubtful debts	**(19)**	(17)
Total premiums due	**1,486**	1,699
* Including checks due and standing orders	**426**	556

B. Ageing

	As at December 31	
	2024	2023
	NIS million	NIS million
Premiums due whose value was not impaired		
Excluding arrears	**1,265**	1,440
In arrears :*		
less than 90 days	**101**	90
90-180 days	**54**	78
more than 180 days	**37**	56
Total premiums due whose value was not impaired	**1,457**	1,664
Impaired premiums due	**29**	35
Total premiums due	**1,486**	1,699

* Consists mainly of debts in arrears in the life insurance segment. These debts are mostly backed by the redemption value of the policies. For the linkage conditions of premiums due, see Note 36

C. Changes in the provision for doubtful debts in respect of premiums due

	NIS million
Balance as at January 1, 2022	20
Change in provision in period	(5)
Balance as at December 31, 2022	15
Change in provision in period	2
Balance as at December 31, 2023	17
Change in provision in period	**2**
Balance as at December 31, 2024	**19**

Note 12- Assets held for yield dependent contracts

A. Assets presented at fair value

	As at December 31	
	2024	2023
	NIS million	NIS million
Investment property	**1,834**	1,898
Financial investments		
Marketable debt assets	**23,862**	23,014
Non-marketable debt assets (*)	**10,083**	11,332
Shares	**13,499**	12,069
Other financial investments	**26,267**	24,702
Total financial investments	**73,711**	71,117
Cash and cash equivalents	**7,388**	6,733
Other	**1,428**	860
Total assets for yield-dependent contracts **	**84,361**	80,608
Payables	**470**	560
Financial liabilities ***	**529**	232
Financial liabilities for yield-dependent contracts	**999**	792
(*) Of which assets measured at amortized cost	**296**	384
Fair value of debt assets measured at amortized cost	**296**	383

** Including assets in the amount of NIS 3,004 and NIS 4,750 million at December 31, 2024 and 2023, respectively, for a liability attributable to the group long-term care portfolio, in which most of the investment risks are not imposed on the insurer

*** Mainly derivatives and future contracts

On the exposure for assets held to cover yield-dependent liabilities, see Note 36.

On the interest rates used to determine the fair value of non-marketable financial assets, see Note 13.

Note 12 - Assets held for yield dependent contracts (contd.)

B. Non-marketable debt assets measured at fair value hierarchy for disclosure purposes only

	As at December 31, 2024		
	Level 2	Level 3	Total
	NIS million	NIS million	NIS million
Other debt assets accounted for as loans and receivables, other than bank deposits	**271**	**20**	**291**
Bank deposits	**5**	**-**	**5**
Total	**276**	**20**	**296**

	As at December 31, 2023		
	Level 2	Level 3	Total
	NIS million	NIS million	NIS million
Other debt assets accounted for as loans and receivables, other than bank deposits	352	25	377
Bank deposits	6	-	6
Total	358	25	383

C. Fair value hierarchy of financial assets

The table below analyses the assets held against insurance policies and investment contracts carried at fair value through profit or loss.

	As at December 31, 2024			
	Level 1	Level 2	Level 3	Total
	NIS million	NIS million	NIS million	NIS million
Marketable debt assets	**21,280**	**2,582**	**-**	**23,862**
Non-marketable debt assets	**-**	**9,064**	**723**	**9,787**
Shares	**11,309**	**53**	**2,137**	**13,499**
Other	**14,533**	**352**	**11,382**	**26,267**
Total	**47,122**	**12,051**	**14,242**	**73,415**

	As at December 31, 2023			
	Level 1	Level 2	Level 3	Total
	NIS million	NIS million	NIS million	NIS million
Marketable debt assets	20,366	2,648	-	23,014
Non-marketable debt assets	-	10,068	880	10,948
Shares	9,626	35	2,408	12,069
Other	13,759	299	10,644	24,702
Total	43,751	13,050	13,932	70,733

Note 12 - Assets held for yield dependent contracts (contd.)

D. Level 3 assets measured at fair value

	Fair-value measurement on report date			
	Financial assets at fair value through profit or loss			
	Non-marketable debt assets	Shares	Other	Total
	NIS million	NIS million	NIS million	NIS million
Balance as at January 1, 2024	**880**	**2,408**	**10,644**	**13,932**
Total profits (losses) recognized:				
in profit or loss(*)	**17**	**(82)**	**629**	**564**
Interest and dividend receipts	**(62)**	**(46)**	**(479)**	**(587)**
Purchases	**181**	**94**	**1,563**	**1,838**
Sales	**-**	**(237)**	**(975)**	**(1,212)**
Redemptions	**(286)**	**-**	**-**	**(286)**
Transfers to Level 3*	**3**	**-**	**-**	**3**
Transfers from Level 3*	**(10)**	**-**	**-**	**(10)**
Balance as at December 31, 2024	**723**	**2,137**	**11,382**	**14,242**
(*) Total profits (losses) for the period included in profit or loss for assets held as at December 31, 2024	**(6)**	**(63)**	**626**	**557**

	Fair-value measurement on report date			
	Financial assets at fair value through profit or loss			
	Non-marketable debt assets	Shares	Other	Total
	NIS million	NIS million	NIS million	NIS million
Balance as at January 1, 2023	779	2,754	9,563	13,096
Total profits (losses) recognized:				
in profit or loss(*)	83	(292)	551	342
Interest and dividend receipts	(65)	(87)	(427)	(579)
Purchases	634	400	1,486	2,520
Sales	-	(367)	(514)	(881)
Redemptions	(551)	-	(15)	(566)
Balance as at December 31, 2023	880	2,408	10,644	13,932
(*) Total profits (losses) for the period included in profit or loss for assets held as at December 31, 2023	82	(297)	548	333

* Mainly for securities whose rating changed

Note 13 - Other financial investments

A. Composition

	As at December 31, 2024			
	Revalued at fair value through profit or loss	Available-for-sale	Loans and receivables	Total
	NIS million	NIS million	NIS million	NIS million
Marketable debt assets	**678**	**9,258**	**-**	**9,936**
Non-marketable debt assets	**8,495**	**-**	**22,736**	**31,231**
Shares	**2,447**	**2,043**	**-**	**4,490**
Other	**2,383**	**4,371**	**-**	**6,754**
Total	**14,003**	**15,672**	**22,736**	**52,411**

	As at December 31, 2023			
	Revalued at fair value through profit or loss	Available-for-sale	Loans and receivables	Total
	NIS million	NIS million	NIS million	NIS million
Marketable debt assets	**479**	**8,041**	**-**	**8,520**
Non-marketable debt assets	**5,853**	**-**	**18,020**	**23,873**
Shares	**200**	**1,931**	**-**	**2,131**
Other	**527**	**4,060**	**-**	**4,587**
Total	**7,059**	**14,032**	**18,020**	**39,111**

B. Fair value hierarchy of financial assets

The table below analyses financial assets carried at fair value. The balance in the financial statements for cash and cash equivalents, premiums due, trade and other payables and current tax assets, corresponds with or approximates their fair values.

	As at December 31, 2023			
	Level 1	Level 2	Level 3	Total
	NIS million	NIS million	NIS million	NIS million
Marketable debt assets	**9,511**	**425**	**-**	**9,936**
Non-marketable debt assets	**-**	**8,495**	**-**	**8,495**
Shares	**3,457**	**19**	**1,014**	**4,490**
Other	**2,167**	**355**	**4,232**	**6,754**
Total	**15,135**	**9,294**	**5,246**	**29,675**

	As at December 31, 2023			
	Level 1	Level 2	Level 3	Total
	NIS million	NIS million	NIS million	NIS million
Marketable debt assets	8,050	470	-	8,520
Non-marketable debt assets	-	5,853	-	5,853
Shares	1,447	9	675	2,131
Other	394	336	3,857	4,587
Total	9,891	6,668	4,532	21,091

Note 13 - Other financial investments (contd.)

C. Level 3 assets measured at fair value

	Fair-value measurement on report date		
	Financial assets at fair value through profit or loss and available-for-sale assets		
	Shares	Other	Total
	NIS million	NIS million	NIS million
Balance as at January 1, 2024	**675**	**3,857**	**4,532**
Total profits (losses) recognized:			
In profit or loss (*)	**5**	**146**	**151**
In other comprehensive income	**(19)**	**33**	**14**
Interest and dividend receipts	**(9)**	**(152)**	**(161)**
Purchases	**503**	**623**	**1,126**
Sales	**(141)**	**(275)**	**(416)**
Balance as at December 31, 2024	**1,014**	**4,232**	**5,246**
(*) Total profit (loss) for period included in profit or loss for assets held as at December 31, 2024	**(7)**	**188**	**181**

	Fair-value measurement on report date		
	Financial assets at fair value through profit or loss and available-for-sale assets		
	Shares	Other	Total
	NIS million	NIS million	NIS million
Balance as at January 1, 2023	577	3,293	3,870
Total profits (losses) recognized:			
In profit or loss (*)	4	141	145
In other comprehensive income	5	46	51
Interest and dividend receipts	(8)	(146)	(154)
Purchases	115	652	767
Sales	(18)	(124)	(142)
Redemptions	-	(5)	(5)
Balance as at December 31, 2023	675	3,857	4,532
(*) Total profit (loss) for period included in profit or loss for assets held as at December 31, 2023	4	143	147

Note 13 - Other financial investments (contd.)

D. Marketable debt assets

	As at December 31	
	2024	2023
	NIS million	NIS million
Government bonds		
Presented at fair value through profit or loss	**379**	336
Available-for-sale	**6,441**	4,907
Total government bonds	**6,820**	5,243
Other non-convertible debt assets		
Presented at fair value through profit or loss	**299**	143
Available-for-sale	**2,817**	3,134
Total other non-convertible debt assets	**3,116**	3,277
Total marketable debt assets	**9,936**	8,520
Outstanding impairments recognized in profit or loss for debt assets presented as available-for-sale	**-**	9

E. Non-marketable debt assets

	Carrying amount		Fair value	
	As at December 31		As at December 31	
	2024	2023	2024	2023
	NIS million	NIS million	NIS million	NIS million
Government bonds				
Accounted for as loans and receivables:				
Designated bonds	**5,285**	5,232	**6,240**	6,405
Total government bonds	**5,285**	5,232	**6,240**	6,405
Other non-convertible debt assets				
Accounted for as loans and receivables, excluding bank deposits	**10,323**	8,906	**10,451**	8,885
Bank deposits (*)	**15,623**	9,735	**15,632**	9,749
Total other non-convertible debt assets	**25,946**	18,641	**26,083**	18,634
Total non-marketable debt assets	**31,231**	23,873	**32,323**	25,039
Outstanding impairments recognized in profit or loss	**105**	82		
(*) Of which debt assets measured at fair value	**8,495**	5,853		

Note 13 - Other financial investments (contd.)

F. Non-marketable debt assets measured at fair value for disclosure purposes only, by level

	As at December 31, 2024			As at December 31, 2023		
	Level 2	Level 3	Total	Level 2	Level 3	Total
	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million
Designated bonds *	**6,240**	**-**	**6,240**	6,405	-	6,405
Other debt assets accounted for as loans and receivables, not including bank deposits	**10,031**	**420**	**10,451**	8,295	590	8,885
Bank deposits	**7,117**	**20**	**7,137**	3,896	-	3,896
Total	**23,388**	**440**	**23,828**	18,596	590	19,186

* The fair value of earmarked bonds was calculated according to their contractual maturity date

G. Interest and linkage for debt assets

		Effective interest	
		As at December 31	
		2024	2023
	Linkage base	%	%
Marketable debt assets			
	CPI-linked	**2.4**	2.2
	Shekel	**4.8**	4.4
	Linked to foreign currency	**6.0**	5.7
Non-marketable debt assets			
	CPI-linked	**3.5**	4.3
	Shekel	**3.9**	5.6
	Linked to foreign currency	**14.6**	14.2

H. Shares

	December 31	
	2024	2023
	NIS million	NIS million
Marketable		
Presented at fair value through profit or loss	**2,072**	83
Available-for-sale	**1,404**	1,373
Total marketable shares	**3,476**	1,456
Non-marketable		
Presented at fair value through profit or loss	**375**	117
Available-for-sale	**639**	558
Total non-marketable shares	**1,014**	675
Total	**4,490**	2,131
Outstanding impairments recognized in profit or loss	**195**	194

Note 13 - Other financial investments (contd.)

I. Other financial investments

	As at December 31	
	2024	2023
	NIS million	NIS million
Marketable		
Presented at fair value through profit or loss	**1,822**	82
Available-for-sale	**344**	306
Derivative instruments (see Section J below)	**2**	6
Total marketable financial investments	**2,168**	394
Non-marketable		
Presented at fair value through profit or loss	**204**	103
Available-for-sale	**4,027**	3,754
Derivative instruments (see Section J below)	**355**	336
Total non-marketable financial investments	**4,586**	4,193
Total other financial investments	**6,754**	4,587
Outstanding impairment recognized in profit or loss for other financial investments presented as available-for-sale	**212**	200
Derivative financial instruments presented in financial liabilities	**350**	97

Other financial investments consist mainly of investments in ETNs, certificates of participation in mutual funds, investment funds, future contracts, options and structured products. The fair value of non-marketable investments in investment funds and hedge funds is based mainly on the fair value of the underlying assets or on valuations.

On the Group's commitment to invest in investment funds, see Note 39.

J. Derivative instruments

Following is the net exposure to the underlying asset, presented in "Delta" terms for financial transactions at the reporting date:

	As at December 31	
	2024	2023
	NIS million	NIS million
Shares	**(1,851)**	303
CPI	**5,370**	5,263
Foreign currency	**(2,985)**	(5,017)
Interest	**(11)**	(36)

Note 13 - Other financial investments (contd.)

K. Interest rates used to determine the fair value of non-marketable debt assets

The fair value of non-marketable debt assets measured at fair value by way of profit or loss and of non-marketable debt assets, where information concerning the fair value is given for disclosure purposes only, is determined by discounting the estimated cash flows they are expected to produce. The discounting rates are based on dividing the market into deciles consistent with the yield to maturity of the debt asset, and determining the position of the non-marketable asset according on those deciles, and this in accordance with the risk premium derived from the prices of transactions/issuances on the non-marketable market. The price quotes and interest rates used for the discounting are determined by Mirvah Hogen, a company that provides price quotes and interest rates for financial institutions for revaluing non-marketable debt assets.

The yield curve presented below, and the average weighted interests for each of the rating groups presented in the table, are consistent with the assets included in each rating group.

	As at December 31	
	2024	**2023**
	% interest	**% interest**
AA and higher	**0.7**	0.8
A	**3.7**	5.6
BBB	**7.6**	7.7
Less than BBB	**6.0**	15.5
Not rated	**3.8**	4.4

The sources for the local rating level are the Maalot and Midroog rating companies. Data from Midroog were converted into rating symbols, on the basis of accepted conversion coefficients.

There are some difference between ratings in Israel and ratings abroad. The sources for foreign ratings are the rating companies approved by the Commissioner, S&P, Moody’s and Fitch.

On an internal rating, see Note 36.

L. Aging of investments in non-marketable debt assets

	As at December 31	
	2024	**2023**
	NIS million	
Government bonds	**5,285**	5,232
Debt assets whose value was not impaired		
excluding arrears	**20,730**	18,491
In arrears:		
More than 180 days	**-**	-
Total debt assets whose value was not impaired	**20,730**	18,491
Impaired debt assets		
Impaired assets, gross	**5,721**	207
Provision for loss	**505**	57
Impaired debt assets, net	**5,216**	150
Total non-marketable debt assets	**31,231**	23,873

Note 14 - Cash and cash equivalents

A. For yield-dependent investment contracts and insurance contracts

	As at December 31	
	2024	2023
	NIS million	NIS million
Cash and call deposits in banks	**7,388**	6,733

Cash balances held in banks as at December 31, 2024 and 2023, bear daily interest at an annual rate of 4.15% and 4.34% respectively, in annual terms.

B. Other

	As at December 31	
	2024	2023
	NIS million	NIS million
Cash and call deposits	**2,210**	2,572
Short-term deposits	**260**	3,161
Cash and cash equivalents	**2,470**	5,733

Cash in banks at December 31, 2024 and 2023 bear daily interest at an annual rate of 4.15% and 4.34% respectively, in annual terms.

Short-term deposits held in banks are for periods of between one week and three months. The deposits bear interest at a rate of 4.33% and 4.64%, in annual terms, at December 31, 2024 and 2023, respectively.

On the linkage and interest terms of the cash and short-term deposits, see Note 36.

Note 15 – Equity

A. Composition of share capital

	As at December 31, 2024		As at December 31, 2023	
	Registered	Issued and paid-up	Registered	Issued and paid-up
Ordinary shares, NIS 0.1 par value each	**500,000,000**	**224,148,312**	500,000,000	222,836,923

B. Treasury stock

1. Company shares held by the Company and subsidiaries

	As at December 31	
	2024	2023
Percentage of issued share capital	**8%**	**6%**
Cost (NIS million)*	**430**	**304**

* At December 31, 2024 and 2023, all the Treasury stock held by the Company

2. Plans to repurchase shares

(a) On August 29, 2022, the Company's Board of Directors approved a plan to repurchase shares of the Company in the amount of up to NIS 100 million. This plan will be implemented from time to time as will be determined by the Company's management which was authorized by the Board of Directors to purchase securities at its discretion during the period prescribed for implementation of the plan. In the reporting period, the Company purchased 591,775 shares amounting to NIS 18 million. As at December 31, 2024, the Company has utilized the full plan by purchasing 3,408,006 shares.

(b) On January 30, 2024, the Company's Board of Directors approved a plan to buy back shares of the Company in the amount of up to NIS 100 million. This plan will be implemented from time to time as will be determined by the Company's management which was authorized by the Board of Directors to purchase securities at its discretion during the period prescribed for implementation of the plan. In the reporting period, the Company purchased 2,941,855 shares at a cost of 97.5 million. As at the publication date of the report, the Company utilized the full plan by purchasing 3,009,955 shares.

(c) On November 27, 2024, the Company's Board of Directors approved a plan to repurchase shares of the Company in the amount of up to NIS 100 million. This plan will be implemented from time to time as will be determined by the Company's management which was authorized by the Board of Directors to purchase securities at its discretion during the period prescribed for implementation of the plan. As at December 31, 2024, the Company purchased 169,155 shares at a cost of NIS 7.8 million. As at the publication date of the report, the Company has purchased 342,967 shares at a cost of NIS 17 million.

(d) On March 25, 2025, together with the publication of the financial statements, the Company's Board of Directors approved a plan to repurchase shares of the Company in the amount of up to NIS 100 million. This plan will be implemented from time to time as will be determined by the Company's management which was authorized by the Board of Directors to purchase securities at its discretion during the period prescribed for implementation of the plan.

C. Rights attached to shares

1. Voting rights in the general meeting, right to dividends, rights upon liquidation of the Company, and rights to appoint company directors.
2. Marketability on the Tel Aviv Stock Exchange.

Note 15 – Equity (contd.)

D. Dividends

1. Dividend distribution policy

On February 28, 2021, the Company's Board of Directors approved a dividend distribution policy whereby the Company will distribute a dividend of at least 30% of the comprehensive income according to its annual consolidated financial statements.

Additionally, on February 28, 2021, the board of directors of the subsidiary Harel Insurance approved a dividend distribution policy in which the Company will distribute a dividend of at least 35% of the comprehensive income according to the annual consolidated financial statements of Harel Insurance, and this as long as Harel Insurance is in compliance with the minimum targets for solvency based on Solvency II (according to the updated decision of the Board of Directors of Harel Insurance of January 2025, minimum solvency was set at 135% taking into account the transitional provisions, and 115% excluding the transitional provisions in the transitional period).

Distribution of the dividend by the Company could be affected, among other things, by the ability of Harel Insurance to actually distribute a dividend.

It is stipulated that this policy should not be construed as an undertaking by the Company to distribute a dividend and that any dividend distribution in practice will be subject to specific approval by the Board of Directors at its exclusive discretion. In practice, the Board of Directors may decide to distribute different (higher or lower) rates of dividend or not to distribute any dividend at all. Furthermore, any actual dividend distribution will be subject to compliance with the statutory provisions applicable to dividend distributions, including under the Companies Law, 1999, and to the financial covenants undertaken and/or that the Company may undertake in the future, to satisfying adequate amounts of distributable profits on the relevant dates and to the extent to which the Company requires cash to finance its operations, including future investments, as they may be from time to time, and/or its anticipated and/or planned future activity.

The Board of Directors may review its dividend distribution policy from time to time and may, at any time, based on business considerations and the provisions of law and regulations applicable to the Company, resolve to make changes in the dividend distribution policy, including the share of the dividend to be distributed.

2. Dividend distribution

(a) On March 28, 2024, the Company's Board of Directors approved the distribution of a cash dividend in the amount of NIS 350 million (NIS 1.69 per share). The Board of Directors made its decision about the distribution of the dividend, after taking into account the Company's results in accordance with the financial statements. The Board of Directors was presented with information on the distributable profits, capital surpluses of the Company's subsidiaries and the Group's cash requirements, in various scenarios. The Board of Directors reviewed the Company's compliance with the profit test and solvency test prescribed in Section 203(a) of the Companies Law. Following this review, the Board of Directors confirmed the Company's compliance with the distribution test. The dividend was paid on April 16, 2024.

(b) On August 29, 2024, the Company's Board of Directors approved the distribution of a cash dividend in the amount of NIS 200 million (NIS 0.97 per share). The Board of Directors made its decision about the distribution of the dividend, after taking into account the Company's results in accordance with the financial statements. The Board of Directors was presented with information on the distributable profits, capital surpluses of the Company's subsidiaries and the Group's cash requirements, in various scenarios. The Board of Directors reviewed the Company's compliance with the profit test and solvency test prescribed in Section 203(a) of the Companies Law. Following this review, the Board of Directors confirmed the Company's compliance with the distribution test. The dividend was paid in cash on September 29, 2024.

Note 15 – Equity (contd.)

D. Dividends (contd.)

2. Dividend distribution (contd.)

(c) On December 23, 2024, the Company's Board of Directors approved the distribution of a cash dividend in the amount of NIS 250 million (NIS 1.21 per share). The Board of Directors made its decision about the distribution of the dividend, after taking into account the Company's results in accordance with the financial statements. The Board of Directors was presented with information on the distributable profits, capital surpluses of the Company's subsidiaries and the Group's cash requirements, in various scenarios. The Board of Directors reviewed the Company's compliance with the profit test and solvency test prescribed in Section 203(a) of the Companies Law. Following this review, the Board of Directors confirmed the Company’s compliance with the distribution test. The dividend was paid in cash on January 9, 2025.

E. Non-controlling interests

	As at December 31	
	2024	**2023**
	NIS million	**NIS million**
Share of balance sheet value *	**87**	60

* Including the part of the balance of surplus attributed costs

Note 15 - Equity (contd.)

F. Other comprehensive income

	Capital reserve for available-for-sale assets	Translation reserve for foreign activity	Capital reserve for revaluation of fixed assets	Actuarial changes	Total	Non-controlling interests	Total equity
	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million
For the year ended December 31, 2024							
Net change in the fair value of financial assets classified as available-for-sale	252	-	-	-	252	-*	252
Net change in fair value of financial assets classified as available-for-sale transferred to income statement	(56)	-	-	-	(56)	-*	(56)
Loss from impairment of available-for-sale financial assets transferred to income statement	59	-	-	-	59	-	59
Foreign currency translation differences for foreign activity	-	(17)	-	-	(17)	-	(17)
Revaluation reserve for fixed asset items	-	-	33	-	33	-	33
Remeasurement of a defined benefit plan	-	-	-	14	14	-	14
Tax benefits (taxes on income) attributable to other items of other comprehensive income (loss)	(89)	4	(11)	(2)	(98)	-	(98)
Total other comprehensive income (loss) for the period, net of tax	166	(13)	22	12	187	-	187

	Capital reserve for available-for-sale assets	Translation reserve for foreign activity	Capital reserve for revaluation of fixed assets	Actuarial changes	Total	Non-controlling interests	Total equity
	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million
For the year ended December 31, 2023							
Net change in the fair value of financial assets classified as available-for-sale	(195)	-	-	-	(195)	*-	(195)
Net change in fair value of financial assets classified as available-for-sale transferred to income statement	189	-	-	-	189	*-	189
Loss from impairment of available-for-sale financial assets transferred to income statement	84	-	-	-	84	-	84
Foreign currency translation differences for foreign activity	-	38	-	-	38	-	38
Revaluation reserve for fixed asset items	-	-	53	-	53	-	53
Remeasurement of a defined benefit plan	-	-	-	10	10	-	10
Tax benefits (taxes on income) attributable to other items of other comprehensive income (loss)	(31)	(14)	(16)	(3)	(64)	*-	(64)
Total other comprehensive income (loss) for the period, net of tax	47	24	37	7	115	-	115

* Less than NIS 1 million

Note 15 - Equity (contd.)

F. Other comprehensive income (contd.)

	Capital reserve for available-for-sale assets	Translation reserve for foreign activity	Capital reserve for revaluation of fixed assets	Actuarial changes	Total	Non-controlling interests	Total equity
	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million
For the year ended December 31, 2022							
Net change in the fair value of financial assets classified as available-for-sale	(1,657)	-	-	-	(1,657)	-*	(1,657)
Net change in fair value of financial assets classified as available-for-sale transferred to income statement	(132)	-	-	-	(132)	-*	(132)
Loss from impairment of available-for-sale financial assets transferred to income statement	85	-	-	-	85	-	85
Foreign currency translation differences for foreign activity	-	134	-	-	134	-	134
Revaluation reserve for fixed asset items	-	-	21	-	21	-	21
Re-measurement of a defined benefit plan	-	-	-	39	39	-	39
Tax benefit (income tax) associated with components of other comprehensive income (loss)	579	(36)	(3)	(13)	527	-*	527
Total other comprehensive income (loss) for the period, net of tax	(1,125)	98	18	26	(983)	-	(983)

* Less than NIS 1 million

Note 16 - Liabilities for non-yield dependent insurance and investment contracts

	As at December 31					
	2024	2023	2024	2023	2024	2023
	Gross		Reinsurance		Retention	
	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million
Life insurance and long-term savings						
Insurance contracts	**12,372**	12,357	**254**	209	**12,118**	12,148
Investment contracts	**108**	143	**-**	-	**108**	143
	12,480	12,500	**254**	209	**12,226**	12,291
Net of amounts deposited with a consolidated subsidiary as part of a defined benefit plan for the Company's employees	**(47)**	(86)	**-**	-	**(47)**	(86)
Total life insurance and long-term savings	**12,433**	12,414	**254**	209	**12,179**	12,205
Insurance contracts included in the health insurance segment	**8,644**	8,389	**1,566**	1,861	**7,078**	6,528
Insurance contracts included in the non-life insurance segment	**10,742**	10,834	**3,262**	3,209	**7,480**	7,625
Insurance contracts included in the insurance companies overseas segment	**611**	575	**124**	182	**487**	393
Inter-segment adjustments and offsets	**(5)**	(6)	**(5)**	(6)	**-**	-
Total liabilities for non-yield-dependent insurance contracts and investment contracts	**32,425**	32,206	**5,201**	5,455	**27,224**	26,751

The allocation between liabilities for yield-dependent insurance contracts and investment contracts and non-yield-dependent liabilities is based on the method of linkage of the insureds rights in the policy.

Note 17 - Liabilities for yield-dependent insurance and investment contracts

	As at December 31					
	2024	2023	2024	2023	2024	2023
	Gross		Reinsurance		Retention	
	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million
Life insurance and long-term savings						
Insurance contracts	**58,484**	55,311	**130**	119	**58,354**	55,192
Investment contracts	**21,284**	19,122	**-**	-	**21,284**	19,122
	79,768	74,433	**130**	119	**79,638**	74,314
Net of amounts deposited in a consolidated subsidiary as part of a defined benefit plan for the Company's employees	**(70)**	(143)	**-**	-	**(70)**	(143)
Total life insurance and long-term savings	**79,698**	74,290	**130**	119	**79,568**	74,171
Insurance contracts included in the health insurance segment	**3,576**	5,367	**38**	31	**3,538**	5,336
Total liabilities for yield-dependent insurance contracts and investment contracts	**83,274**	79,657	**168**	150	**83,106**	79,507

The allocation between liabilities for yield-dependent investment contracts and insurance contracts and liabilities that are not yield-dependent is based on the method of linkage of the rights of the policyholders.

Note 18 - Liabilities for insurance contracts included in the non-life insurance segment

A. Liabilities for insurance contracts included in the non-life insurance segment

1. By category

	As at December 31					
	2024	2023	2024	2023	2024	2023
	Gross		Reinsurance		Retention	
	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million
Compulsory motor and motor liabilities sectors						
Provision for unearned premiums	**732**	703	**176**	177	**556**	526
Outstanding claims and provision for premium deficiency	**7,666**	7,877	**2,139**	2,091	**5,527**	5,786
Total compulsory motor and motor liabilities branches (see Section B1 below)	**8,398**	8,580	**2,315**	2,268	**6,083**	6,312
Of this - total liabilities for compulsory motor (see Section C3 below)	**3,207**	3,425	**403**	469	**2,804**	2,956
Property and other branches (including motor property - CASCO)						
Provision for unearned premiums	**1,280**	1,216	**459**	438	**821**	778
Outstanding claims and reserve for extraordinary risks	**1,064**	1,038	**488**	503	**576**	535
Total property and other branches (including motor property - CASCO) (see Section B2 below)	**2,344**	2,254	**947**	941	**1,397**	1,313
Total liabilities for insurance contracts included in non-life insurance segments	**10,742**	10,834	**3,262**	3,209	**7,480**	7,625
Deferred acquisition costs						
Compulsory motor and motor liabilities branches	**123**	103	**25**	26	**98**	77
Property and other sectors (including motor property - CASCO)	**277**	265	**88**	88	**189**	177
Total DAC	**400**	368	**113**	114	**287**	254
Liabilities for non-life insurance policies net of DAC						
Compulsory motor	**3,161**	3,393	**403**	469	**2,758**	2,924
Other liabilities branches	**5,114**	5,084	**1,887**	1,773	**3,227**	3,311
Property and other branches (including motor property - CASCO)	**2,067**	1,989	**859**	853	**1,208**	1,136
Total liabilities in non-life insurance contracts net of DAC	**10,342**	10,466	**3,149**	3,095	**7,193**	7,371

Note 18 - Liabilities for insurance contracts included in the non-life insurance segment (contd.)

A. Liabilities for insurance contracts included in the non-life insurance segment (contd.)

2. By method of calculation

	As at December 31					
	2024	**2023**	**2024**	**2023**	**2024**	**2023**
	Gross		**Reinsurance**		**Retention**	
	NIS million	**NIS million**	**NIS million**	**NIS million**	**NIS million**	**NIS million**
Actuarial estimates						
Jonathan Shwartz (in 2023, Jeffrey Cohen)	**8,532**	8,659	**2,524**	2,454	**6,008**	6,205
Provision based on other estimates						
Claims Department estimate for known outstanding claims	**127**	165	**103**	140	**24**	25
Reserve for extraordinary risks	**71**	91	**-**	-	**71**	91
Provision for unearned premiums	**2,012**	1,919	**635**	615	**1,377**	1,304
Total liabilities for insurance contracts included in non-life insurance segment	**10,742**	10,834	**3,262**	3,209	**7,480**	7,625

Note 18 - Liabilities for insurance contracts included in the non-life insurance segment (contd.)

B. Changes in liabilities for insurance contracts included in the non-life insurance segment, net of deferred acquisition costs

1. Compulsory motor and liability branches

	As at December 31					
	2024	2023	2024	2023	2024	2023
	Gross		Reinsurance		Retention	
	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million
Balance at beginning of year	**8,477**	8,489	**2,242**	2,167	**6,235**	6,322
Accrued cost of claims for current underwriting year	**1,340**	1,202	**295**	265	**1,045**	937
Change in retained amount at beginning of year due to CPI linkage and change in exchange rate and investment profit according to the capitalization assumption embedded in the liabilities	**387**	345	**102**	90	**285**	255
Change in estimate of accrued cost of claims for previous underwriting years (a)	**232**	149	**110**	107	**122**	42
Total change in accrued cost of claims	**1,959**	1,696	**507**	462	**1,452**	1,234
Payments for claims settlement during the year:						
For current underwriting year	**12**	11	**2**	2	**10**	9
For previous underwriting years	**2,149**	1,697	**457**	385	**1,692**	1,312
Total payments for period	**2,161**	1,708	**459**	387	**1,702**	1,321
Balance at end of year	**8,275**	8,477	**2,290**	2,242	**5,985**	6,235

(a) The change in the estimated cumulative cost of claims for previous underwriting years, in 2024, was affected, in part by changes in the interest curve applied in calculating the insurance liabilities and by changes in the difference between the fair value and the carrying amount of the non-marketable assets. The change in the estimated cumulative cost of claims for previous underwriting years, in 2024, includes NIS 146 million, gross (about NIS 64 million in retention) for output which is attributed to previous underwriting years and was recorded in 2024 (in 2023 including NIS 128 million, gross (NIS 61 million in retention) for the period attributed to previous underwriting years that was recorded in 2023

* Opening and closing balances include outstanding claims plus provision for short premium, exceptional risks reserves, unearned premium reserve, net of deferred acquisition costs

** The aggregate cost of claims for events in the reporting year includes the balance of outstanding claims at the end of the reporting year with the addition of total claims payments in the reporting period, including direct and indirect expenses to settle claims

*** The payments to settle claims include direct and indirect expenses to settle claims (general and administrative recorded in the claims) attributed to the underwriting years

Note 18 - Liabilities for insurance contracts included in the non-life insurance segment (contd.)

B. Changes in liabilities for insurance contracts included in the non-life insurance segment, net of deferred acquisition costs (contd.)

2. Property and other branches (including motor property)

	As at December 31					
	2024	2023	2024	2023	2024	2023
	Gross		Reinsurance		Retention	
	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million
Balance at beginning of year	**1,989**	1,937	**853**	866	**1,136**	1,071
Accrued cost of claims for events in the reporting year	**1,567**	1,533	**420**	446	**1,147**	1,087
Change in cost of accrued claims for events that preceded the reporting year	**37**	24	**33**	21	**4**	3
Total change in accrued cost of claims	**1,604**	1,557	**453**	467	**1,151**	1,090
Payments to settle claims during the year:						
For events in the reporting year	**1,033**	1,040	**212**	245	**821**	795
For events preceding the reporting year	**526**	537	**255**	252	**271**	285
Total payments for period	**1,559**	1,577	**467**	497	**1,092**	1,080
Change in reserve for extraordinary risks and provision for unearned premiums, net of DAC	**33**	133	**20**	20	**13**	113
Change in provision for premium deficiency	**-**	(61)	**-**	(3)	**-**	(58)
Balance at end of year	**2,067**	1,989	**859**	853	**1,208**	1,136

* Opening and closing balances include outstanding claims plus provision for premium deficiency, reserve for extraordinary risks, unearned premium, and net of deferred acquisition costs

** The aggregate cost of claims for events in the reporting year, includes the balance of outstanding claims at the end of the reporting year, plus total claims payments during the Reporting Period, including direct and indirect expenses for claims settlement

*** The payments to settle claims include direct and indirect expenses to settle claims (general and administrative recorded in the claims) attributed to the underwriting year

Note 18 - Liabilities for insurance policies included in the non-life insurance segment (contd.)

C. Analysis of the development of estimated liabilities for insurance contracts, net of deferred acquisition costs

1. Gross in compulsory motor branches

	As at December 31, 2024										
	Underwriting year										
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Total
	In NIS million adjusted to CPI*										
Claims paid (in aggregate) at end of year											
After one year	10	18	16	19	16	25	14	15	11	12	
After two years	79	92	95	105	104	97	88	80	74		
After three years	228	245	251	275	275	271	242	321			
After four years	390	452	444	531	528	450	547				
After five years	574	650	659	775	735	686					
After six years	771	862	887	969	1,047						
After seven years	963	1,038	1,070	1,226							
After eight years	1,198	1,199	1,267								
After nine years	1,325	1,366									
After ten years	1,447										
Estimate of accrued claims (including payments) at end of year **(1)											
After one year	1,308	1,398	1,528	1,648	1,638	1,387	1,793	1,555	1,243	1,340	
After two years	1,384	1,446	1,537	1,641	1,555	1,526	1,515	1,565	1,308		
After three years	1,439	1,466	1,534	1,614	1,725	1,431	1,526	1,609			
After four years	1,415	1,470	1,530	1,787	1,713	1,401	1,587				
After five years	1,433	1,480	1,673	1,718	1,698	1,439					
After six years	1,459	1,613	1,627	1,712	1,719						
After seven years	1,539	1,567	1,630	1,713							
After eight years	1,571	1,604	1,653								
After nine years	1,596	1,642									
After ten years	1,609										
Surplus (deficiency) relative to first year ***	(301)	(244)	(125)	(65)	(81)	(52)	206	(54)	(65)		(781)
Rate of deviation relative to first year, in percent	23.01%	17.45%	8.18%	3.94%	4.95%	3.75%	-11.49%	3.47%	5.23%		5.79%
Cost of accrued claims as at December 31, 2024	1,609	1,642	1,653	1,713	1,719	1,439	1,587	1,609	1,308	1,340	15,619
Aggregate payments up to December 31, 2024	1,447	1,366	1,267	1,226	1,047	686	547	321	74	12	7,993
Balance of outstanding claims	162	276	386	487	672	753	1,040	1,288	1,234	1,328	7,626
Outstanding claims for years up to and including 2014 underwriting year											649
											8,275
Total liabilities for insurance contracts in compulsory motor and motor liabilities branches											8,398
Net of DAC											123
Total as at December 31, 2024											8,275

(1) Data for the last year and the three years preceding it that were added to each underwriting year also include data for the outstanding claims and claims paid of Shirbit, from the date of the acquisition of its activity on December 1, 2021

* The above amounts are presented in inflation-adjusted values to allow the development to be reviewed on the basis of real values

** The estimate of aggregate claims at the end of the first year includes the reserve for unearned premium net of deferred acquisition costs

*** The difference between the estimate of aggregate claims in the first year and the estimate of aggregate claims at the reporting date

Note 18 - Liabilities for insurance contracts included in the non-life insurance segment (contd.)

C. Analysis of the development of estimated liabilities for insurance contracts, net of deferred acquisition costs (contd.)

2. In self-retention in compulsory motor and liabilities branches

	As at December 31, 2024										
	Underwriting year										
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Total
	In NIS million adjusted to CPI*										
Claims paid (in aggregate) at end of year (1)											
After one year	8	16	14	15	14	23	9	13	10	10	
After two years	58	78	82	89	85	83	65	62	64		
After three years	173	210	221	243	237	222	202	269			
After four years	298	382	392	465	440	372	453				
After five years	434	549	580	670	626	561					
After six years	578	735	769	836	880						
After seven years	721	879	924	1,056							
After eight years	899	1,015	1,090								
After nine years	977	1,145									
After ten years	1,054										
Estimate of accrued claims (including payments) at end of year **(1)											
After one year	904	1,169	1,310	1,394	1,391	1,122	1,300	1,143	969	1,046	
After two years	962	1,208	1,318	1,379	1,305	1,155	1,114	1,158	1,021		
After three years	1,010	1,240	1,319	1,364	1,380	1,073	1,131	1,167			
After four years	1,010	1,235	1,325	1,476	1,365	1,064	1,179				
After five years	1,022	1,236	1,387	1,419	1,358	1,082					
After six years	1,032	1,309	1,345	1,416	1,359						
After seven years	1,094	1,282	1,348	1,420							
After eight years	1,131	1,309	1,367								
After nine years	1,136	1,333									
After ten years	1,144										
Surplus (deficiency) relative to first year ***	(240)	(164)	(57)	(26)	32	40	121	(24)	(52)		(370)
Rate of deviation relative to first year, in percent	26.55%	14.03%	4.35%	1.87%	-2.30%	-3.57%	-9.31%	2.10%	5.37%		3.46%
Cost of accrued claims as at December 31, 2024	1,144	1,333	1,367	1,420	1,359	1,082	1,179	1,167	1,021	1,046	12,118
Aggregate payments up to December 31, 2024	1,054	1,145	1,090	1,056	880	561	453	269	64	10	6,582
Balance of outstanding claims	90	188	277	364	479	521	726	898	957	1,036	5,536
Outstanding claims for years up to and including 2014 underwriting year											449
											5,985
Total liabilities for insurance contracts in compulsory motor and motor liabilities branches											6,083
Net of DAC											98
Total as at December 31, 2024		449									5,985

(1) Data for the last year and the three years preceding it that were added to each underwriting year also include data for the outstanding claims and claims paid of Shirbit, from the date of the acquisition of its activity on December 1, 2021

* The above amounts are presented in inflation-adjusted values to allow the development to be reviewed on the basis of real values

** The estimate of aggregate claims at the end of the first year includes the reserve for unearned premium net of deferred acquisition costs

*** The difference between the estimate of aggregate claims in the first year and the estimate of aggregate claims at the reporting date

Note 18 - Liabilities for insurance policies included in the non-life insurance segment (contd.)

C. Analysis of the development of estimated liabilities for insurance contracts, net of deferred acquisition costs (contd.)

3. Gross in compulsory motor branches

	As at December 31, 2023										
	Underwriting year										
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Total
	In NIS million adjusted to CPI*										
Claims paid (in aggregate) at end of year (1)											
After one year	7	10	10	12	12	8	5	9	7	7	
After two years	49	57	62	72	67	43	54	44	50		
After three years	154	152	169	195	187	158	177	243			
After four years	252	259	288	344	345	256	424				
After five years	330	345	388	472	443	415					
After six years	408	423	479	547	618						
After seven years	460	489	528	694							
After eight years	569	551	633								
After nine years	590	634									
After ten years	648										
Estimate of accrued claims (including payments) at end of year **(1)											
After one year	517	561	646	740	706	603	915	799	589	658	
After two years	552	574	632	694	638	679	760	767	614		
After three years	586	606	625	703	802	639	777	825			
After four years	605	610	654	880	838	631	857				
After five years	602	621	769	855	824	660					
After six years	601	726	744	832	859						
After seven years	647	693	720	827							
After eight years	685	697	727								
After nine years	675	717									
After ten years	690										
Surplus (deficiency) relative to first year ***	(173)	(156)	(81)	(87)	(153)	(57)	58	(26)	(25)		(700)
Rate of deviation relative to first year, in percent	33.46%	27.81%	12.54%	11.76%	21.67%	9.45%	(6.34%)	3.25%	4.24%		11.52%
Cost of accrued claims as at December 31, 2024	690	717	727	827	859	660	857	825	614	658	7,434
Aggregate payments up to December 31, 2024	648	634	633	694	618	415	424	243	50	7	4,366
Balance of outstanding claims	42	83	94	133	241	245	433	582	564	651	3,068
Outstanding claims for years up to and including 2014 underwriting year											93
											3,161
Total liabilities for insurance contracts in compulsory motor branches											3,207
Net of DAC											46
Total as at December 31, 2024											3,161

(1) Data for the last three years and the year preceding it that were added to each underwriting year also include data for the outstanding claims and claims paid of Shirbit, from the date of the acquisition of its activity on December 1, 2021

* The above amounts are presented in inflation-adjusted values to allow development to be reviewed on the basis of real values

** The estimate of aggregate claims at the end of the first year includes the reserve for unearned premium net of deferred acquisition costs

*** The difference between the estimate of aggregate claims in the first year and the estimate of aggregate claims at the report date

Note 18 - Liabilities for insurance contracts included in the non-life insurance segment (contd.)

C. Analysis of the development of estimated liabilities for insurance contracts, net of deferred acquisition costs (contd.)

4. In self-retention in compulsory motor branches

	As at December 31, 2024										
	Underwriting year										
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Total
	In NIS million adjusted to CPI*										
Claims paid (in aggregate) at end of year (1)											
After one year	6	10	10	12	12	8	5	9	7	7	
After two years	45	57	62	72	67	42	47	40	50		
After three years	139	152	169	195	186	140	164	220			
After four years	228	259	288	343	317	237	374				
After five years	298	345	387	454	424	377					
After six years	369	421	466	534	576						
After seven years	416	479	514	669							
After eight years	516	536	607								
After nine years	534	604									
After ten years	588										
Estimate of accrued claims (including payments) at end of year **(1)											
After one year	466	561	646	740	706	602	739	679	589	658	
After two years	499	574	632	694	638	588	630	657	614		
After three years	530	604	625	700	706	544	652	693			
After four years	546	603	654	813	725	550	714				
After five years	544	611	709	787	736	569					
After six years	544	665	690	779	751						
After seven years	589	641	678	783							
After eight years	624	647	688								
After nine years	612	661									
After ten years	627										
Surplus (deficiency) relative to first year ***	(161)	(100)	(42)	(43)	(45)	33	25	(14)	(25)		(372)
Rate of deviation relative to first year, in percent	34.55%	17.83%	6.50%	5.81%	6.37%	(5.48%)	(3.38%)	2.06%	4.24%		6.49%
Cost of accrued claims as at December 31, 2024	627	661	688	783	751	569	714	693	614	658	6,758
Aggregate payments up to December 31, 2024	588	604	607	669	576	377	374	220	50	7	4,072
Balance of outstanding claims	39	57	81	114	175	192	340	473	564	651	2,686
Outstanding claims for years up to and including 2014 underwriting year											72
											2,758
Total liabilities for insurance contracts in compulsory motor branches											2,804
Net of DAC											46
Total as at December 31, 2024											758,2

(1) Data for the last year and the three years preceding it that were added to each underwriting year also include data for the outstanding claims and claims paid of Shirbit, from the date of the acquisition of its activity on December 1, 2021
* The above amounts are presented in inflation-adjusted values to allow development to be reviewed based on real values
** The estimate of aggregate claims at the end of the first year includes the reserve for unearned premium net of deferred acquisition costs
*** The difference between the estimate of aggregate claims in the first year and the estimate of aggregate claims at the report date

Note 18 - Liabilities for insurance contracts included in the non-life insurance segment (contd.)

C. Analysis of the development of estimated liabilities for insurance contracts, net of deferred acquisition costs (contd.)

5. Information about underwriting years in compulsory motor branch

	Underwriting year						
	2024	2023	2022	2021	2020	2019	2018
	NIS million						
For the year ended December 31:							
Gross premiums	**778**	**726**	**837**	**643**	**554**	**631**	**652**
Comprehensive income (loss) in retention for underwriting year, in aggregate	**(2)**	**10**	**(49)**	**(62)**	**6**	**(61)**	**(30)**
Cumulative effect of investment revenues on accrued comprehensive income in retention for underwriting year	**30**	**61**	**76**	**90**	**97**	**120**	**133**

6. Information about underwriting years in other liabilities insurance branches

	Underwriting year						
	2024	2023	2022	2021	2020	2019	2018
	NIS million						
For the year ended December 31:							
Gross premiums	**953**	**1,057**	**1,101**	**990**	**909**	**985**	**970**
Comprehensive income in retention for underwriting year, in aggregate	**73**	**116**	**108**	**110**	**43**	**101**	**83**
Cumulative effect of investment revenues on accrued profit in retention for underwriting year	**20**	**45**	**64**	**86**	**105**	**150**	**161**

Note 18 - Liabilities for insurance contracts included in the non-life insurance segment (contd.)

C. Analysis of the development of estimated liabilities for insurance contracts, net of deferred acquisition costs (contd.)

7. Composition of comprehensive income (loss) in compulsory motor branch

	Comprehensive income (loss) for current underwriting year	Comprehensive income (loss) for previous underwriting years	Comprehensive income (loss) for current underwriting year	Comprehensive income (loss) for previous underwriting years
	Gross		Retention	
	NIS million			
For the year ended December 31				
2024	**1**	**(196)**	**(2)**	**(119)**
2023	30	(108)	25	(73)
2022	(55)	24	(46)	15

8. Composition of comprehensive income (loss) in other liabilities branches

	Comprehensive income (loss) for current underwriting year	Comprehensive income (loss) for previous underwriting years	Comprehensive income (loss) for current underwriting year	Comprehensive income for previous underwriting years
	Gross		Retention	
	NIS million			
For the year ended December 31				
2024	**99**	**171**	**73**	**230**
2023	138	(27)	71	69
2022	91	188	31	133

Note 18 - Liabilities for insurance contracts included in the non-life insurance segment (contd.)

D. Analysis of the development of estimated liabilities for insurance contracts

1. Gross in property and other branches (including motor property)

	As at December 31										
	Loss Year										
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Total
	NIS million, adjusted to CPI November 2023 *										
Claims paid (in aggregate) at end of year**:											
After first year	842	750	695	764	755	898	945	920	1,076	1,033	
After second year	1,180	1,014	894	1,068	1,043	1,183	1,300	1,335	1,435		
After three years	1,238	1,074	954	1,109	1,088	1,235	1,377	1,408			
After four years	1,263	1,087	981	1,116	1,130	1,265	1,404				
After five years	1,265	1,093	991	1,138	1,150	1,274					
After six years	1,265	1,094	993	1,156	1,153						
After seven years	1,267	1,093	997	1,161							
After eight years	1,272	1,093	998								
After nine years	1,279	1,098									
After ten years	1,323										
Accrued claims (including payments) at end of year**:											
After first year	1,286	1,152	1,054	1,194	1,147	1,274	1,378	1,374	1,586	1,567	
After second year	1,341	1,165	1,047	1,235	1,176	1,311	1,455	1,518	1,623		
After three years	1,365	1,164	1,037	1,204	1,165	1,313	1,454	1,519			
After four years	1,370	1,141	1,020	1,185	1,174	1,307	1,450				
After five years	1,340	1,134	1,006	1,188	1,186	1,301					
After six years	1,331	1,113	1,005	1,177	1,178						
After seven years	1,324	1,126	1,006	1,169							
After eight years	1,327	1,128	1,004								
After nine years	1,331	1,135									
After ten years	1,325										
Estimate of accrued costs, as at December 31, 2024	1,325	1,135	1,004	1,169	1,178	1,301	1,450	1,519	1,623	1,567	13,271
Aggregate payments up to December 31, 2024	1,323	1,098	998	1,161	1,153	1,274	1,404	1,408	1,435	1,033	12,287
Balance of outstanding claims	2	37	6	8	25	27	46	111	188	534	984
Outstanding claims for years up to and including 2014 underwriting											9
Total as at December 31, 2024											993

* The estimate of claims for each year was calculated by loss years. The above amounts are presented in values adjusted for inflation to allow for a review of the development based on real values

** Data for the last year and the three years preceding it that were added to each loss year also include data for the outstanding claims and claims paid of Shirbit, from the date of acquisition of its activity on December 1, 2021

Note 18 - Liabilities for insurance contracts included in the non-life insurance segment (contd.)

D. Analysis of the development of estimated liabilities for insurance contracts (contd.)

2. In self-retention in property and other branches (including motor property)

	As at December 31										
	Loss year										
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Total
	NIS million, adjusted to CPI November 2022 *										
Claims paid (in aggregate) at end of year**:											
After first year	578	507	511	519	553	603	706	705	824	821	
After second year	732	634	623	655	701	732	907	960	1,039		
After three years	734	651	634	669	713	744	936	999			
After four years	736	656	638	670	717	751	946				
After five years	736	659	640	672	721	753					
After six years	735	658	641	674	722						
After seven years	735	659	642	674							
After eight years	736	658	642								
After nine years	737	660									
After ten years	739										
Accrued claims (including payments) at end of year**:											
After first year	778	696	705	722	720	764	946	969	1,125	1,147	
After second year	787	697	694	713	723	760	961	1,040	1,126		
After three years	772	690	671	694	724	761	959	1,038			
After four years	764	673	655	686	729	765	961				
After five years	748	672	648	687	728	762					
After six years	745	664	646	681	729						
After seven years	741	663	646	679							
After eight years	739	665	644								
After nine years	740	666									
After ten years	740										
Estimate of accrued costs, as at December 31, 2024	740	666	644	679	729	762	961	1,038	1,126	1,147	8,492
Aggregate payments up to December 31, 2024	739	660	642	674	722	753	946	999	1,039	821	7,995
Balance of outstanding claims	1	6	2	5	7	9	15	39	87	326	497
Outstanding claims for years up to and including 2014 underwriting											8
Total as at December 31, 2024											505

* The estimate of claims for each year was calculated by loss years. The above amounts are presented in values adjusted to inflation to allow for a review of the development based on real values

** Data for the last year and the three years preceding it that were added to each loss year also include data for the outstanding claims and claims paid of Shirbit, from the date of acquisition of its activity on December 1, 2021

Note 19 - Additional information about the life insurance and long-term savings segment

A. Liabilities for insurance contracts and investment contracts by exposure

1. Data as at December 31, 2024

	Policies which include a savings component (incl. riders) by date of policy issue				Policies with no savings component		
			From 2004		Risk that was sold as a stand-alone policy		
	Up to 1990*	Up to 2003	Non yield-dependent	Yield dependent	Personal lines	Group	Total
	NIS million						
By insurance exposure							
Liabilities for insurance contracts							
Annuity without guaranteed annuity options	11	171	-	6,533	-	-	6,715
Annuity with guaranteed annuity options:							
Up to May 2001	5,001	17,567	-	-	-	-	22,568
From June 2001	-	3,288	15	14,306	-	-	17,609
Annuity in payment	3,131	3,352	1,084	3,814	-	-	11,381
Equity (excl. option for annuity)	1,010	3,262	-	4,054	-	-	8,326
Supplementary reserve for annuity**	472	626	-	9	-	-	1,107
Other risk components	29	414	-	639	1,758	193	3,033
Total for insurance contracts	9,654	28,680	1,099	29,355	1,758	193	70,739
Liabilities for investment contracts	-	-	108	21,284	-	-	21,392
Total	9,654	28,680	1,207	50,639	1,758	193	92,131
By financial exposure							
Yield-dependent	184	28,559	-	50,385	532	38	79,698
Non yield-dependent ***	9,470	121	1,207	254	1,226	155	12,433
Total	9,654	28,680	1,207	50,639	1,758	193	92,131

* The products issued through 1990 (including increases in respect of these products) are mostly yield guaranteed and are backed mainly by earmarked bonds

** In addition to a supplementary reserve for annuity which is included in the liabilities for insurance contracts, there is a future liability of NIS 1,018 million which will be recognized in profit or loss over the remaining life of the policy until the age of retirement. For additional information, see Note 36

*** Liabilities which form an exposure for the Company in respect of a minimum guaranteed yield

Note 19 - Additional information about the life insurance and long-term savings segment

A. Liabilities for insurance contracts and investment contracts by exposure (contd.)

1. Data as at December 31, 2023

	Policies which include a savings component (incl. riders) by date of policy issue				Policies with no savings component		
			From 2004		Risk that was sold as a stand-alone policy		
	Up to 1990*	Up to 2003	Non yield-dependent	Yield dependent	Personal lines	Group	Total
	NIS million						
By insurance exposure							
Liabilities for insurance contracts							
Annuity without guaranteed annuity options	13	160	1	6,439	-	-	6,613
Annuity with guaranteed annuity options:							
Up to May 2001	4,943	16,078	-	-	-	-	21,021
From June 2001	-	3,185	14	13,635	-	-	16,834
Annuity in payment	2,882	2,808	1,159	3,447	-	-	10,296
Equity (excl. option for annuity)	1,061	3,310	-	4,084	-	-	8,455
Supplementary reserve for annuity**	595	636	-	1	-	-	1,232
Other risk components	38	429	-	652	1,679	190	2,988
Total for insurance contracts	9,532	26,606	1,174	28,258	1,679	190	67,439
Liabilities for investment contracts	-	-	143	19,122	-	-	19,265
Total	9,532	26,606	1,317	47,380	1,679	190	86,704
By financial exposure							
Yield-dependent	175	26,474	-	47,098	504	39	74,290
Non yield-dependent ***	9,357	132	1,317	282	1,175	151	12,414
Total	9,532	26,606	1,317	47,380	1,679	190	86,704

* The products issued through 1990 (including increases in respect of these products) are mostly yield guaranteed and are backed mainly by earmarked bonds

** In addition to a supplementary reserve for annuity which is included in the liabilities for insurance contracts, there is a future liability of NIS 839 million which will be recognized in profit or loss over the remaining life of the policy until the age of retirement. For additional information, see Note 36

*** Liabilities which form an exposure for the Company in respect of a minimum guaranteed yield

Note 19 - Additional information about the life insurance and long-term savings segment (contd.)

B. Results by policy category

Data for the year ended December 31, 2024	Policies which include a savings component (incl. riders) by date of policy issue				Policies with no savings component		
			From 2004		Risk sold as a stand-alone policy		
	Up to 1990 (1)	Up to 2003	Non yield-dependent	Yield dependent	Personal lines	Group	Total
	NIS million						
Gross premiums:							
Masorti/Meurav	6	13	-	-	-	-	19
Savings component	44	609	-	2,572	-	-	3,225
Other	11	184	-	195	1,849	106	2,345
Total	61	806	-	2,767	1,849	106	5,589
Premiums for amounts deposited in a consolidated company as part of a defined benefit plan for the Group's employees							(4)
Total							5,585
Financial margin including management fees - in terms of comprehensive income (2)	(53)	172	(14)	357	-	-	462
Payments and changes in liabilities for insurance contracts, gross	584	3,812	14	5,787	966	99	11,262
Payments and change in liabilities for investment contracts (3)	-	-	(1)	2,033	-	-	2,032
Profit (loss) from life insurance business	62	82	42	(8)	84	(5)	257
Other comprehensive income (loss) from life insurance business	78	2	(10)	6	19	1	96
Total comprehensive income (loss) from life insurance business	140	84	32	(2)	103	(4)	353
Profit from pension and provident							145
Other comprehensive income from pension and provident							2
Total comprehensive income from life insurance and long-term savings	-	-	-	-	-	-	500
Amounts received for insurance contracts recognized directly in insurance reserves	-	-	-	4,216	-	-	4,216
Annualized premium for insurance contracts - new business (4)	-	-	-	22	254	-	276
Single premium for insurance contracts	-	1	-	1,391	-	-	1,392
Annualized premium for investment contracts - new business (4)	-	-	-	85	-	-	85
Single premium for investment contracts	-	-	-	3,917	-	-	3,917
Transfers to Company for insurance contracts and investment contracts (5)	-	-	-	568	-	-	568
Transfers from Company for insurance contracts and investment contracts (5)	23	931	-	3,094	-	-	4,048

Note 19 - Additional information about the life insurance and long-term savings segment (contd.)

B. Results by policy category (contd.)

Data for the year ended December 31, 2024 (contd.)

1. The products issued through 1990 (including increases in respect thereof) are mainly guaranteed yield and are mostly backed by earmarked bonds
2. The financial margin does not include the Company's other revenues which are collected as a percentage of the premium and it is calculated before deducting expenses for management of the investments. The financial margin in policies with a guaranteed yield is based on actual revenues from investments in the reporting year, net of a factor of the guaranteed yield percentage multiplied by the average reserve. The financial margin for non-yield dependent policies that were issued from 2004 onwards also includes the effect of the change in the discounting rates used for calculating the insurance liabilities. In this instance, investment revenues also include the change in the fair value of available-for-sale financial assets which is recognized in the statement of comprehensive income. In yield-dependent contracts, the financial margin is the total fixed and variable management fees which are calculated based on the yield and the average balance of the insurance reserves
3. The line "payments and changes in liabilities for investment contracts" only includes the amount of profits (losses) from investments for investment contracts
4. Increases in existing policies are not included as part of the premium paid for new business, but as part of the performance of the original policy
5. Not including internal movement

Note 19 - Additional information about the life insurance and long-term savings segment (contd.)

B. Results by policy category (contd.)

Data for the year ended December 31, 2023

	Policies which include a savings component (incl. riders) by date of policy issue				Policies with no savings component		
			From 2004		Risk sold as a stand-alone policy		
	Up to 1990 (1)	Up to 2003	Non yield-dependent	Yield dependent	Personal lines	Group	Total
	NIS million						
Gross premiums:							
Masorti/Meurav	7	15	-	-	-	-	22
Savings component	48	636	-	3,410	-	-	4,094
Other	12	192	-	204	1,657	113	2,178
Total	67	843	-	3,614	1,657	113	6,294
Premiums for amounts deposited in a consolidated company as part of a defined benefit plan for the Group's employees							(8)
Total							6,286
Financial margin including management fees - in terms of comprehensive income (2)	(208)	159	(58)	343	-	-	236
Payments and changes in liabilities for insurance contracts, gross	656	2,889	(12)	5,536	708	100	9,877
Payments and change in liabilities for investment contracts (3)	-	-	(1)	1,231	-	-	1,230
Profit (loss) from life insurance business	(106)	(4)	52	10	207	(3)	156
Other comprehensive income (loss) from life insurance business	(3)	-	(31)	1	1	-	(32)
Total comprehensive income (loss) from life insurance business	(109)	(4)	21	11	208	(3)	124
Profit from pension and provident							110
Other comprehensive income from pension and provident							3
Total comprehensive income from life insurance and long-term savings	-	-	-	-	-	-	237
Amounts received for insurance contracts recognized directly in insurance reserves	-	-	-	2,865	-	-	2,865
Annualized premium for insurance contracts - new business (4)	-	-	-	51	253	-	304
Single premium for insurance contracts	-	3	-	2,000	-	-	2,003
Annualized premium for investment contracts - new business (4)	-	-	-	51	-	-	51
Single premium for investment contracts	-	-	-	2,601	-	-	2,601
Transfers to Company for insurance contracts and investment contracts (5)	-	-	-	1,171	-	-	1,171
Transfers from Company for insurance contracts and investment contracts (5)	26	657	1	2,142	-	-	2,826

1. The products issued through 1990 (including increases in respect thereof) are mainly guaranteed yield and are mostly backed by earmarked bonds
2. The financial margin does not include the Company's other revenues which are collected as a percentage of the premium and it is calculated before deducting expenses for management of the investments. The financial margin in policies with a guaranteed yield is based on actual revenues from investments in the reporting year, net of a factor of the guaranteed yield percentage multiplied by the average reserve. The financial margin for non-yield dependent policies that were issued from 2004 onwards also includes the effect of the change in the discounting rates used for calculating the insurance liabilities. In this instance, investment revenues also include the change in the fair value of available-for-sale financial assets which is recognized in the statement of comprehensive income. In yield-dependent contracts, the financial margin is the total fixed and variable management fees which are calculated based on the yield and the average balance of the insurance reserves
3. The line "payments and changes in liabilities for investment contracts" only includes the amount of profits (losses) from investments for investment contracts
4. Increases in existing policies are not included as part of the premium paid for new business, but as part of the performance of the original policy
5. Not including internal movement

Note 19 - Additional information about the life insurance and long-term savings segment (contd.)

B. Results by policy category (contd.)

Data for the year ended December 31, 2022	Policies which include a savings component (incl. riders) by date of policy issue				Policies with no savings component		
			From 2004		Risk sold as a stand-alone policy		
	Until 1990 (1)	Up to 2003	Non yield-dependent	Yield dependent	Personal lines	Group	Total
	NIS million						
Gross premiums:							
Masorti/Meurav	9	17	-	-	-	-	26
Savings component	50	649	-	3,781	-	-	4,480
Other	14	200	-	210	1,476	108	2,008
Total	73	866	-	3,991	1,476	108	6,514
Premiums for amounts deposited in a consolidated company as part of a defined benefit plan for the Group's employees							(10)
Total							6,504
Financial margin including management fees - in terms of comprehensive income (2)	(393)	159	(190)	353	-	-	(71)
Payments and changes in liabilities for insurance contracts, gross	933	(887)	74	1,837	787	82	2,826
Payments and change in liabilities for investment contracts (3)	-	-	(2)	(1,442)	-	-	(1,444)
Profit (loss) from life insurance business	(327)	(65)	44	(19)	(51)	5	(413)
Other comprehensive loss from life insurance business	(120)	(1)	(232	(4)	(21)	(2)	(380)
Total comprehensive income (loss) from life insurance business	(447)	(66)	(188)	(23)	(72)	3	(793)
Profit from pension and provident							121
Other comprehensive loss from pension and provident							(18)
Total comprehensive loss from life insurance and long-term savings	-	-	-	-	-	-	(690)
Amounts received for insurance contracts recognized directly in insurance reserves	-	-	-	3,936	-	-	3,936
Annualized premium for insurance contracts - new business (4)	-	-	-	121	245	-	366
Single premium for insurance contracts	-	3	-	2,228	-	-	2,231
Annualized premium for investment contracts - new business (4)	-	-	-	45	-	-	45
Single premium for investment contracts	-	-	-	3,674	-	-	3,674
Transfers to Company for insurance contracts and investment contracts (5)	-	-	-	1,111	-	-	1,111
Transfers from Company for insurance contracts and investment contracts (5)	25	496	-	1,548	-	-	2,069

1. The products issued through 1990 (including increases in respect thereof) are mainly guaranteed yield and are mostly backed by earmarked bonds
2. The financial margin does not include the Company's other revenues which are collected as a percentage of the premium and it is calculated before deducting expenses for management of the investments. The financial margin in policies with a guaranteed yield is based on actual revenues from investments in the reporting year, net of a factor of the guaranteed yield percentage multiplied by the average reserve. The financial margin for non-yield dependent policies that were issued from 2004 onwards also includes the effect of the change in the discounting rates used for calculating the insurance liabilities. In this instance, investment revenues also include the change in the fair value of available-for-sale financial assets which is recognized in the statement of comprehensive income. In yield-dependent contracts, the financial margin is the total fixed and variable management fees which are calculated based on the yield and the average balance of the insurance reserves
3. The line "payments and changes in liabilities for investment contracts" only includes the amount of profits (losses) from investments for investment contract.
4. Increases in existing policies are not included as part of the premium paid for new business, but as part of the performance of the original policy
5. Not including internal movement

Note 20 - Insurance liabilities in the health insurance segment

A. Insurance liabilities by financial exposure

Data as at December 31, 2024

	Long-term care (LTC)		Other		
	Personal lines	Group	Long-term	Short-term	Total
	NIS million	NIS million	NIS million	NIS million	NIS million
Yield-dependent	**620**	**2,956**	**-**	**-**	**3,576**
Other	**5,888**	**717**	**1,861**	**178**	**8,644**
Total	**6,508**	**3,673**	**1,861**	**178**	**12,220**

Data as at December 31, 2023

	Long-term care (LTC)		Other		
	Personal lines	Group	long-term	short-term	Total
	NIS million	NIS million	NIS million	NIS million	NIS million
Yield-dependent	574	4,793	-	-	5,367
Other	5,224	1,215	1,792	158	8,389
Total	5,798	6,008	1,792	158	13,756

B. Insurance liabilities by insurance exposure

Data as at December 31, 2024

	Long-term care (LTC)		Other		
	Personal lines	Group	Long-term	Short-term	Total
	NIS million	NIS million	NIS million	NIS million	NIS million
Annuity in payment	**1,552**	**3,613**	**-**	**-**	**5,165**
Other risk components	**4,956**	**60**	**1,861**	**178**	**7,055**
Total	**6,508**	**3,673**	**1,861**	**178**	**12,220**

Data as at December 31, 2023

	Long-term care (LTC)		Other		
	Personal lines	Group	Long-term	Short-term	Total
	NIS million	NIS million	NIS million	NIS million	NIS million
Annuity in payment	1,433	5,894	-	-	7,327
Other risk components	4,365	114	1,792	158	6,429
Total	5,798	6,008	1,792	158	13,756

Note 20 - Insurance liabilities in the health insurance segment (contd.)

B. Insurance liabilities by insurance exposure (contd.)

The principal coverages included in other short-term health insurance are foreign workers, overseas travel, and personal accidents up to 12 months.

The principal coverages included in other long-term health insurance are medical expenses, personal accidents over 12 months, critical illness, and dental treatment.

C. Results by policy category

Data for the year ended December 31, 2024

	Long-term care (LTC)		Other**		
	Personal lines	Group*	Long-term***	Short-term***	Total
	NIS million	NIS million	NIS million	NIS million	NIS million
Gross premiums	**826**	**241**	**3,333**	**514**	**4,914**
Payments and changes in liabilities for insurance contracts, gross	**1,094**	**358**	**2,044**	**329**	**3,825**
Profit (loss) from health insurance business	**(63)**	**26**	**389**	**47**	**399**
Other comprehensive income from health insurance business	**46**	**2**	**25**	**1**	**74**
Total comprehensive income (loss) from health insurance business	**(17)**	**28**	**414**	**48**	**473**
Annualized personal lines premium - new business	**-**	**-**	**155**	**-**	**155**

* The results in the group long-term care segment reflect the termination of the agreement with the members of Clalit Health Services and the implementation of the new outline, according to which the fund bears the full insurance risk. Accordingly, the results in 2024 reflect the net operating income for the new outline. For further information about the Commissioner's permit for an agreed outline regarding this policy for a 12-month period (from January 1, 2024, through December 31, 2024) see Note 39E1

** Of this, personal lines premiums in the amount of NIS 2,429 million and group premiums in the amount of NIS 1,418 million

*** The most significant cover included in other long-term health is medical expenses, and in other short-term health is travel insurance

Data for the year ended December 31, 2023

	Long-term care (LTC)		Other**		
	Personal lines	Group*	Long-term	Short-term	Total
	NIS million	NIS million	NIS million	NIS million	NIS million
Gross premiums	818	2,023	3,098	522	6,461
Payments and changes in liabilities for insurance contracts, gross	1,065	2,420	1,990	337	5,812
Profit (loss) from health insurance business	(23)	(52)	208	50	183
Other comprehensive income (loss) from health insurance business	(72)	(12)	29	1	(54)
Total comprehensive income (loss) from health insurance business	(95)	(64)	237	51	129
Annualized personal lines premium - new business	-	-	153	-	153

* Of this, personal lines premiums in the amount of NIS 2,268 million and group premiums in the amount of NIS 1,352 million

** The most significant cover included in other long-term health is medical expenses, and in other short-term health is travel insurance

Note 20 - Insurance liabilities in the health insurance segment (contd.)

C. Results by policy category (contd.)

Data for the year ended December 31, 2022

	Long-term care (LTC)		Other*		
	Personal lines	Group*	long-term**	short-term**	Total
	NIS million	NIS million	NIS million	NIS million	NIS million
Gross premiums	786	1,756	2,846	534	5,922
Payments and changes in liabilities for insurance contracts, gross	(318)	1,510	1,905	343	3,440
Profit (loss) from health insurance business	1,161	(66)	63	52	1,210
Other comprehensive income (loss) from health insurance business	(364)	(56)	(4)	1	(423)
Total comprehensive income (loss) from health insurance business	797	(122)	59	53	787
Annualized personal lines premium - new business	-	-	128	-	128

* Of this, personal lines premiums in the amount of NIS 2,142 million and group premiums in the amount of NIS 1,238 million

** The most significant cover included in other long-term health is medical expenses, and in other short-term health is travel insurance

Note 21 - Changes in liabilities for yield-dependent and non-yield-dependent insurance contracts, investment contracts and health insurance

	Life insurance and long-term savings			
	Insurance contracts	Investment contracts	Total	Health insurance
	NIS millions	NIS millions	NIS millions	NIS millions
Balance as at January 1, 2023	64,462	19,294	83,756	12,659
Interest, linkage differences and investment profit (1)	4,656	1,268	5,924	711
Increase for premiums recognized in liabilities (2)	4,741	2,858	7,599	(608)
Decrease for management fees from accrual	(355)	(147)	(502)	-
Decrease for claims, redemptions and end of period	(4,693)	(4,008)	(8,701)	-
Changes on account of change in assumptions (4) (5)	(90)	-	(90)	130
Other changes (3)	(1,053)	-	(1,053)	864
Balance as at December 31, 2023	**67,668**	**19,265**	**86,933**	**13,756**
Interest, linkage differences and investment profit (1)	**6,747**	**2,033**	**8,780**	**789**
Increase for premiums recognized in liabilities (2)	**2,745**	**4,206**	**6,951**	**223**
Decrease for management fees from accrual	**(373)**	**(156)**	**(529)**	**-**
Decrease for claims, redemptions and end of period	**(4,782)**	**(3,956)**	**(8,738)**	**-**
Changes on account of change in assumptions (4) (5)	**(199)**	**-**	**(199)**	**36**
Other changes (3)	**(950)**	**-**	**(950)**	**(2,584)**
Balance as at December 31, 2024	**70,856**	**21,392**	**92,248**	**12,220**

(1) This item includes interest, linkage differences and investment profit (loss) for the balance at the beginning of the year, plus interest, linkage differences and investment profit (loss) in respect of premiums for saving only which were recorded in 2024.

(2) This premium does not include the premium recorded as an income for the Group. The premium includes the premium for saving and part of the premium on products with a fixed premium, net of management fees collected as a percentage of the premium. In the health segment, the premium includes the premium recognized in the reserve, net of the cost of the risk.

(3) This item includes changes in the reserve for outstanding claims, reserve for time-based claims, IBNR, and annuity in payment (based on the assumptions used at the end of the previous year. This item also includes the effect of interest, linkage differences and investment profit that was not included under "interest, linkage differences and investment profit" such as: interest, linkage differences, and investment profit on claims payments and premiums that are not saving, and reducing future profitability attributed to insurance liabilities in respect of the acquisition of the Eliahu insurance portfolio.

(4) The changes in the life insurance and long-term savings sector in 2024 were affected by the implementation of an insurance circular on the “Amendment of the Provisions of the Consolidated Circular concerning the measurement of liability - revised demographic assumptions in life insurance and for pension funds”, which led to an increase of the insurance liabilities amounting to NIS 106 million before tax. Additionally, the changes were affected by the revised actuarial assumptions to reflect the Company's experience regarding the option for annuity, in accordance with different annuity tracks. The effect of the foregoing led to a reduction in the supplementary reserve for annuity of NIS 305 million before tax.

The changes in 2023 were affected by an update of assumptions following the Company’s study on the morbidity rate in the critical illness sector, which resulted in a decrease in insurance liabilities by NIS 90 million before tax.

(5) Health segment - the changes in 2024 were affected by the following factors:

(6) <u>Personal lines health sector:</u> Revised assumptions following studies conducted by the Company regarding morbidity assumptions in the coverage for surgery, medication, and ambulatory services, and regarding cancellation rates for medical expense policies resulted in an increase in insurance liabilities in the amount of NIS 43 million before tax. In addition, the changes were affected by the implementation of an insurance circular on the “Amendment of the Provisions of the Consolidated Circular concerning the measurement of liability - revised demographic assumptions in life insurance and for pension funds”, which led to an increase of the insurance liabilities amounting to NIS 5 million before tax. Additionally, the revised VAT rate led to an increase in insurance liabilities of NIS 4 million before tax.

<u>Personal lines long-term care sector:</u> The revision of the assumptions following studies conducted by the Company in connection with the cancellation rates resulted in a decrease of NIS 21 million before tax in insurance liabilities. Additionally, the revised VAT rate led to an increase in insurance liabilities of NIS 5 million before tax.

The changes in 2023 were affected by the following factors:

<u>Personal lines health sector:</u> The revised assumptions based on studies conducted by the Company regarding morbidity assumptions applied in calculating the active reserve in ambulatory cover. The effect of the foregoing led to an increase in insurance liabilities of NIS 24 million before tax.

<u>Personal lines long-term care sector:</u> The revised assumptions following studies conducted by the Company in connection with the morbidity assumptions. The effect of the foregoing led to an increase in insurance liabilities of NIS 105 million before tax.

Note 22 - Assets and liabilities for employee benefits

A. Defined contribution plans

Expenses incurred in respect of these defined contribution plans in 2024, 2023, and 2022 amounted to NIS 57 million, NIS 55 million, and NIS 51 million, respectively, and were included within general and administrative expenses.

B. Composition of liabilities for employee benefits, net

	As at December 31	
	2024	2023
	NIS millions	NIS millions
Liability for funded defined benefit plan	**318**	345
Liabilities for non-funded defined benefit plan - see section C below	**29**	27
Net of fair value of plan's assets	**208**	109
Total liabilities, net, for defined benefit plans	**139**	263

C. Information about defined benefit plans

1. Changes in the present value of the liability and the fair value of the assets for a defined benefit plan

	Liability for a defined benefit plan		Fair value of plans' assets		Total liability (asset), net recognized for a defined benefit plan	
	2024	2023	2024	2023	2024	2023
	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million
Balance as at January 1	**372**	376	**109**	112	**263**	264
Expenses (income) recognized in profit or loss						
Cost of interest	**20**	15	**5**	4	**15**	11
Cost of ongoing service	**16**	18	**(1)**	-	**17**	18
Movement in wage tax	**-***	1	**-**	-	**-***	1
Expenses (income) recognized in other comprehensive income						
Actuarial loss (profit), attributed to changes in financial assumptions	**(8)**	(4)	**-***	(1)	**(8)**	(3)
Other actuarial profit	**(5)**	(4)	**1**	-*	**(6)**	(4)
Actual yield net of interest income	**1**	(4)	**12**	(1)	**(11)**	(3)
Additional movements						
Benefits paid	**(31)**	(27)	**(17)**	(7)	**(14)**	(20)
Employer's contributions to plan	**-**	-	**8**	3	**(8)**	(3)
Transfers	**-***	1	**(1)**	(1)	**1**	2
Classification of plan assets	**-**	-	**113**	-	**(113)**	-
Other	**-***	-*	**(1)**	-	**1**	-*
Deconsolidation - Dikla	**(18)**	-	**(20)**	-	**2**	-
Balance as at December 31	**347**	372	**208**	109	**139**	263

* Less than NIS 1 million

Note 22 - Assets and liabilities for employee benefits (contd.)

C. Information about defined benefit plans (contd.)

2. Possible, reasonable changes at the report date for one of the actuarial assumptions, assuming that the other assumptions remain unchanged, affect the liability for a defined benefit as follows:

	As at December 31, 2024	
	One-percent increase	One-percent decrease
	NIS million	NIS million
Rate of future wage increases	**4**	**(4)**
Departure rates	**1**	**(1)**
Discount rate	**(5)**	**6**

	As at December 31, 2023	
	One-percent increase	One-percent decrease
	NIS million	NIS million
Rate of future wage increases	7	(6)
Departure rates	(2)	3
Discount rate	(6)	8

3. Key actuarial assumptions used to determine liability for the defined benefit plan

	2024	2023	2022
	%	%	%
Nominal discount rate	**5.57**	5.43	4.95
Expected rate of salary increases (weighted average)	**2.60**	4.93	4.91

4. Additional information

a. Actual return on the plan's assets in 2024 is 8.57% (in 2023, 3.55% and in 2022, 2.23%).

b. The Group's estimate of the expected deposits in 2025 in a funded, defined benefit plan is NIS 6 million.

c. The Group's estimate of the plan's duration at the end of the Reporting Period is 8.5 years and for 2023 is 5.41 years.

D. Liability for a non-funded defined benefit plan

	As at December 31	
	2024	2023
	NIS million	NIS million
Liability for early retirement	**8**	8
Liability for adjustment period	**21**	19
	29	27

Note 23 - Trade and other payables

	As at December 31	
	2024	2023
	NIS million	NIS million
Employees and other liabilities for wages and salaries	**148**	136
Payable expenses	**344**	236
Dividend due	**250**	-
Suppliers and service providers	**134**	218
Government authorities and institutions	**415**	94
Related parties	**-**	9
Reinsurer's share of DAC	**123**	122
Lease liabilities	**91**	76
	1,505	891
Insurance companies and brokers:		
Reinsurers' deposits	**2,289**	2,550
Other accounts	**447**	537
Total insurance companies and brokers	**2,736**	3,087
Insurance agents	**550**	443
Policyholders and members	**317**	464
Profit sharing for policyholders	**32**	32
Prepaid premiums	**262**	212
Interest and principal due - subordinated liability notes	**4**	3
Liabilities for investment in securities	**515**	366
Other	**259**	205
	1,939	1,725
Total other payables	**6,180**	5,703

For information about the assets and liabilities allocated by linkage bases, see Note 36.

Note 24 - Financial liabilities

This note provides information on the contractual terms of financial liabilities. Additional information regarding the Group's exposure to interest, foreign currency, and liquidity risks is presented in Note 36 - Risk management.

A. Financial liabilities

	Carrying amount		Fair value	
	As at December 31		As at December 31	
	2024	2023	2024	2023
	NIS million	NIS million	NIS million	NIS million
Financial liabilities measured at amortized cost and financial guarantees				
Bank loans	**917**	621	**882**	578
Non-bank loans	**200**	-	**200**	-
Loans from related parties	**166**	67	**166**	66
Short-term credit from banks and others	**2,362**	446	**2,362**	446
Bonds *	**14,610**	9,705	**14,336**	9,370
Commercial security	**100**	-	**100**	-
Financial guarantee s	**39**	39	**33**	37
Other	**20**	-	**20**	-
	18,414	10,878	**18,099**	10,497
Financial liabilities measured at fair value through profit or loss				
Derivatives (1)	**879**	330	**879**	330
Short selling (2)	**7,038**	5,838	**7,038**	5,838
	7,917	6,168	**7,917**	6,168
Total financial liabilities	**26,331**	17,046	**26,016**	16,665
* Including subordinated liability notes issued for the purpose of compliance with the capital requirements	**5,475**	5,236		

(1) Derivative instruments held to cover insurance liabilities as part of the Group's asset liability policy ("ALM"). Of the above, NIS 350 million and NIS 97 million at December 31, 2024 and 2023, respectively, are included within non-yield-dependent liabilities, and the balance is included in the Group's yield-dependent liabilities. Most of the amount stems from the management of exposure to foreign currency and the CPI by means of derivatives. Against these liabilities, the financial institutions deposited collateral under conditions prescribed in the contract. The Group's financial institutions have approved credit facilities for their derivative activity. Accordingly, the Group's financial institutions deposited NIS 1,010 million and NIS 287 million at December 31, 2024 and 2023, respectively, as collateral to cover its liabilities arising from this activity.

(2) Harel Finance, a subsidiary of the Company, operates through subsidiaries involved in the short sale of government bonds (Israeli and foreign) and places the proceeds of the sales in deposit until the bond maturity date. In 2024, these companies posted short sales of NIS 4.5 billion as part of this activity. The outstanding backing as at December 31, 2024 amounts to NIS 6.7 billion.

B. The interest rates used to determine the fair value

	As at December 31	
	2024	2023
In percent		
Loans	**5.74**	5.77*
Bonds	**4.63**	4.89
Financial guarantee	**3.03**	2.31*

* Restated

Note 24 - Financial liabilities (contd.)

C. Financial liabilities and financial guarantees measured at amortized cost – additional information

Category of liability	Category of capital	Date of issue	Par value on issue date (NIS M)	Borrower	Rating company	Rating	Terms of linkage	Marketable / non-marketable	Type of interest	% interest	Carrying amount as at December 31, 2024 (NIS M)	Fair value as at December 31, 2024 (NIS M)	Dates of principal payments	Dates of interest payments	Final maturity date	Right to early redemption	Compliance with financial covenants
Bank loans																-	See also Note 25H4(a)
Loan	-	September 5, 2021	375	Bank	-	-	NIS	Non-marketable	Fixed	2.37%	294	-	Semi-annual	Semi-annual	September 5, 2035	-	-
Loan	-	June 15, 2022	30	Bank	-	-	NIS	Non-marketable	Variable	Bank of Israel interest + 2.67%	30	-	Annual	Quarterly	June 15, 2026	-	-
Loan	-	June 23, 2022	30	Bank	-	-	NIS	Non-marketable	Variable	Bank of Israel interest + 2.67%	30	-	Annual	Quarterly	June 23, 2025	-	-
Loan	-	July 6, 2022	33	Bank	-	-	NIS	Non-marketable	Variable	Bank of Israel interest + 2.67%	33	-	Annual	Quarterly	July 6, 2025	-	-
Loan	-	August 8, 2022	30	Bank	-	-	NIS	Non-marketable	Variable	Bank of Israel interest + 2.67%	30	-	Annual	Quarterly	August 8, 2025	-	-
Loan	-	October 3, 2022	25	Bank	-	-	NIS	Non-marketable	Variable	Bank of Israel interest + 2.67%	25	-	Annual	Quarterly	October 3, 2025	-	-
Loan	-	December 18, 2022	25	Bank	-	-	NIS	Non-marketable	Variable	Bank of Israel interest + 2.67%	25	-	Annual	Quarterly	December 18, 2025	-	-
Loan	-	May 3, 2023	300	Bank	Maalot	AA-	NIS	Non-marketable	Fixed	0.89%	300	-	Annual	Semi-annual	January 1, 2026	-	-
Loan	-	March 10, 2024	100	Bank			NIS	Non-marketable	Variable	Bank of Israel interest + 2.6%	50	-	Annual	Quarterly	March 10, 2026	-	-
Loan	-	December 31, 2024	100	Bank	Maalot	AA-	NIS	Non-marketable	Fixed	1.00%	100	-	Annual	Semi-annual	January 1, 2027	-	See also Note 24H15
Total loans from banks											917	882					
Short-term credit from banks and others																	
On-call loan	-	February 28, 2022	1,738	Bank	-	-	NIS	Non-marketable	Variable	0.70%	1,737	1,737	On-call	On-call	-	-	-
Loan	-	December 2, 2022	294	Bank	-	-	NIS	Non-marketable	Variable	Prime + 0.26%	294	294	Monthly	Monthly	-	-	See also Note 25H4(c)
Loan	-	December 30, 2022	290	Bank	-	-	NIS	Non-marketable	Variable	Prime + 0.26%	290	290	Monthly	Monthly	-	-	See also Note 25H4(c)
Loan	-	December 30, 2024	15	Bank	-	-	NIS	Non-marketable	Variable	7.00%	15	15	On-call	On-call	-	-	-
Loan	-	December 30, 2024	22	Bank	-	-	NIS	Non-marketable	Variable	6.95%	22	22	On-call	On-call	-	-	-
Loan	-	December 29, 2024	4	Bank	-	-	NIS	Non-marketable	Variable	6.92%	4	4	On-call	On-call	-	-	-
Total loans from banks											2,362	2,362					
Non-bank loans																	
Loan	-	December 31, 2024	200	Institutional investor	-	NR	NIS	Non-marketable	Variable	6.50%	200	200	-	-	December 31, 2025	-	-
Total non-bank loans											-	200				-	-
Loans from related parties															-		
Loan	-	August 1, 2022	240	Interested party	-	NR	NIS	Non-marketable	Variable	6.95%	54	54	Annual	Annual	-	-	-

Note 24 - Financial liabilities (contd.)

C. Financial liabilities and financial guarantees measured at amortized cost – additional information

Category of liability	Category of capital	Date of issue	Par value on issue date (NIS M)	Borrower	Rating company	Rating	Terms of linkage	Marketable / non-marketable	Type of interest	% interest	Carrying amount as at December 31, 2024 (NIS M)	Fair value as at December 31, 2024 (NIS M)	Dates of principal payments	Dates of interest payments	Final maturity date	Right to early redemption	Compliance with financial covenants
Loan	-	December 29, 2024	100	Interested party	-	AA	NIS	Non-marketable	Variable	Interest 3J	-	-	Annual	Annual	January 1, 2027	-	-
Harel Alternative Credit Co-invest Fund LP joint loan		2023-2024	70	Interested party	-	NR	NIS/foreign currency	Non-marketable	Variable	4.5%-8.75%	63	63	Monthly/quarterly/semi-annual/annual	Monthly/quarterly/semi-annual/annual	2025-2031	-	-
Harel Alternative Credit Co-invest Fund LP joint loan		2022-2024	98	Interested party	-	NR	NIS/NIS linked/foreign currency	Non-marketable	Fixed	0.25%-8.35%	49	49	Monthly/semi-annual/annual	Monthly/semi-annual/annual	2025-2031	-	-
Total loans from related parties											**166**	**166**					
Series 9 bonds	Hybrid Tier-2	January 7, 2015 January 19, 2017	295	Harel Finance & Issues	S&P Maalot	AA-	Shekel linked	Marketable	Fixed	2.40%	336	340	On maturity date	Semi-annual	December 31, 2028	June 30, 2025 December 31, 2025	-
Series 10 bonds	Hybrid Tier-2	January 7, 2015 January 19, 2017	295	Harel Finance & Issues	S&P Maalot	AA-	Shekel linked	Marketable	Fixed	2.40%	333	341	On maturity date	Semi-annual	December 31, 2029	June 30, 2025 December 31, 2026	-
Series 11 bonds	Hybrid Tier-2	September 2, 2015 September 21, 2015	300	Harel Finance & Issues	S&P Maalot	AA-	NIS	Marketable	Fixed	4.36%	299	299	On maturity date	Semi-annual	December 31, 2030	June 30, 2025 December 31, 2027	-
Series 12 bonds	Hybrid Tier-2	April 3, 2016 July 25, 2016	240	Harel Finance & Issues	S&P Maalot	AA-	NIS	Marketable	Fixed	3.95%	237	234	On maturity date	Semi-annual	December 31, 2031	June 30, 2025 December 31, 2028	-
Series 13 bonds	Hybrid Tier-2	April 3, 2016 July 25, 2016	240	Harel Finance & Issues	S&P Maalot	AA-	NIS	Marketable	Fixed	3.95%	237	233	On maturity date	Semi-annual	December 31, 2032	June 30, 2025 December 31, 2029	-
Series 14 bonds	Tier-2	January 25, 2018 December 5, 2018 December 2, 2019	729	Harel Finance & Issues	S&P Maalot	AA-	NIS	Marketable	Fixed	3.05%	728	661	On maturity date	Semi-annual	December 31, 2033	June 30, 2025 December 31, 2030	-
Series 15 bonds	Tier-2	January 25, 2018 December 5, 2018 December 13, 202(	683	Harel Finance & Issues	S&P Maalot	AA-	NIS	Marketable	Fixed	3.05%	681	603	On maturity date	Semi-annual	December 31, 2034	June 30, 2025 December 31, 2031	-
Series 16 bonds	Tier-2	April 18, 2019	600	Harel Finance & Issues	S&P Maalot	AA-	NIS	Marketable	Fixed	2.91%	599	584	On maturity date	Semi-annual	June 30, 2029	June 30, 2025 June 30, 2026	-
Series 17 bonds	Tier-2	December 2, 2019	350	Harel Finance & Issues	S&P Maalot	AA-	NIS	Marketable	Fixed	1.79%	348	322	On maturity date	Semi-annual	December 31, 2030	December 31, 2025 December 31, 2027	-
Series 18 bonds	Tier-2	December 14, 202	694	Harel Finance & Issues	S&P Maalot	AA-	NIS	Marketable	Fixed	2.63%	687	576	On maturity date	Semi-annual	December 31, 2035	December 31, 2030 December 31, 2032	-
Series 19 bonds	Tier-2	January 22, 2023	500	Harel Finance & Issues	S&P Maalot	AA-	NIS	Marketable	Fixed	4.38%	496	490	On maturity date	Semi-annual	December 31, 2032	December 31, 2027 December 31, 2029	-
Series 20 bonds	Tier-2	June 30, 2024	500	Harel Finance & Issues	S&P Maalot	AA-	NIS	Marketable	Fixed	6.02%	494	527	Annual	Semi-annual	December 31, 2033	December 31, 2033 December 31, 2028	-
Harel Deposit Series 2 bonds	-	January 23, 2020	110	Harel Exchange Traded Deposit Ltd.	Midroog	NR	NIS	Marketable	Fixed	1.20%	117	108	On maturity date	On maturity date	January 24, 2027	-	-
Harel Deposit Series 3 bonds	-	December 1, 2022 May 24, 2023 October 29, 2023 June 27, 2024	2,689	Harel Exchange Traded Deposit Ltd.	Midroog	AAA	NIS	Marketable	Variable	Bank of Israel + 0.15%	2,953	2,958	On maturity date	On maturity date	December 1, 2028	At any given moment with 37 days advance notice	-

Note 24 - Financial liabilities (contd.)

C. Financial liabilities and financial guarantees measured at amortized cost – additional information

Category of liability	Category of capital	Date of issue	Par value on issue date (NIS M)	Borrower	Rating company	Rating	Terms of linkage	Marketable / non-marketable	Type of interest	% interest	Carrying amount as at December 31, 2024 (NIS M)	Fair value as at December 31, 2024 (NIS M)	Dates of principal payments	Dates of interest payments	Final maturity date	Right to early redemption	Compliance with financial covenants
Harel Deposit Series 4 bonds	-	July 22, 2024 August 15, 2024 September 11, 2024	3,675	Harel Exchange Traded Deposit	Midroog	AAA	NIS	Marketable	Variable	Bank of Israel + 0.12%	3,745	3,747	On maturity date	On maturity date	July 21, 2032	At any given moment with 60 days advance notice	-
Harel Interest and Deposits Bonds Series 1	-	July 22, 2024 August 15, 2024 September 11, 2024	1,448	Harel Interest and Deposits	Midroog	AAA	NIS	Marketable	Variable	Bank of Israel + 0.15%	1,451	1,453	On maturity date	On maturity date	December 2, 2034	At any given moment with 63 days advance notice	-
Harel Investments Bonds 1	-	July 26, 2021 June 4, 2023	1,094	Harel Investments	Midroog	AA	NIS	Marketable	Fixed	1.95%	869	860	On maturity date	Semi-annual	December 31, 2035	June 30, 2025	-
Total bonds											**14,610**	**14,336**					
Commercial security																	
Commercial security	-	December 18, 2024	100	Hamazpen Shutaphim Laderech Ltd.	-	NR	NIS	Non-marketable	Variable	5.2%	100	100	Monthly	Monthly	December 18, 2025	-	-
Total commercial security											**100**	**100**					
Financial guarantee																	
Financial guarantee 1	-	April 1, 2022		International reinsurer	-	-	NIS	Non-marketable	Variable	-	8	7	-	-	April 1, 2037	April 1, 2030	-
Financial guarantee 2	-	July 1, 2022		International reinsurer	-	-	NIS	Non-marketable	Variable	-	10	8	-	-	July 1, 2037	July 1, 2030	-
Financial guarantee 3	-	October 1, 2022		International reinsurer	-	-	NIS	Non-marketable	Variable	-	7	6	-	-	End of portfolio life	When the portfolio reaches a balance of 12%	-
Financial guarantee 4	-	January 1, 2023		International reinsurer	-	-	NIS	Non-marketable	Variable	-	7	6	-	-	End of portfolio life	When the portfolio reaches a balance of 12%	-
Financial guarantee 5	-	July 1, 2023		International reinsurer	-	-	NIS	Non-marketable	Variable	-	7	6	-	-	End of portfolio life	When the portfolio reaches a balance of 15%	-
Total financial guarantee											**39**	**33**					
Other																	
Loan	-	November 6, 2022	20	Interested party	-	NR	NIS	Non-marketable	Variable	5.18%	20	20	Annual	Annual	July 1, 2029	-	-
Total other											**20**	**20**					
Total											**18,414**	**18,099**					

The bonds include a condition whereby Harel Finance & Issues may make early repayment of the bonds, or part thereof. The exercising of this right is subject to meeting one of the following conditions: (a) obtaining the Commissioner's approval; or (b) Harel Insurance must have surplus capital so that the recognized capital after the repayment is 120% of the required capital; or (c) concurrent with the early repayment, Harel Finance & Issues will issue a capital instrument of the same or superior quality.

Note 24 - Financial liabilities (contd.)

C. Financial liabilities and financial guarantees measured at amortized cost – additional information

Category of liability	Category of capital	Date of issue	Par value on date of issue (NIS M)	Borrower	Rating company	Rating	Terms of linkage	Marketable / non-marketable	Type of interest	% interest	Carrying amount as at December 31, 2023 (NIS M)	Fair value as at December 31, 2023 (NIS M)	Dates of principal payments	Dates of interest payments	Final maturity date	Right to early redemption
Bank loans																
Loan	-	September 5, 2021	375	Bank	-	-	NIS	Non-marketable	Fixed	2.37%	321	278	Semi-annual	Semi-annual	September 5, 2035	-
Loan	-	May 3, 2023	300	Bank	Maalot	AA-	NIS	Non-marketable	Fixed	5.57%	300	300	Annual	Semi-annual	January 1, 2026	-
Total loans from banks											**621**	**578**				
Short-term credit from banks and others																
Loan	-	December 2, 2022	199	Bank	-	-	NIS	Non-marketable	Variable	Prime + 0.26%	199	198	Monthly	Monthly	January 30, 2023	-
Loan	-	December 30, 2022	130	Bank	-	-	NIS	Non-marketable	Variable	Prime + 0.26%	130	130	Monthly	Monthly	January 30, 2023	-
On-call loan	-	February 28, 2022	117	Bank	-	-	NIS	Non-marketable	Variable	0.7%	117	117	On-call	On-call	January 27, 2023	-
Total short-term credit from banks and others											**446**	**445**				
Loans from related parties																
Harel Alternative Credit Co-invest Fund LP joint loan	-	2023	33	Interested party	Internal/Midroog	NR	NIS	Non-marketable	Variable	6.9%-8.45%	33	33	Monthly/quarterly/annual	Monthly/quarterly/semi-annual	2024-2028	-
Harel Alternative Credit Co-invest Fund LP joint loan	-	2023	60	Interested party	Internal/Maalot	NR	NIS/NIS linked	Non-marketable	Fixed	8.35%-0.32%	34	34	Quarterly/annual	Monthly/quarterly/semi-annual	2025-2028	-
Total loans from related parties											**67**	**67**				
Bonds																
Series 7 bonds	Hybrid Tier-3	Apr 4, 2012 Jan 1, 2013 July 20, 2013 Jan 29, 2014 June 5, 2014	250	Harel Finance & Issues	Maalot	AA-	Shekel linked	Marketable	Fixed	3.85%	288	288	On maturity date	Semi-annual	May 31, 2026	May 31, 2024
Series 9 bonds	Hybrid Tier-2	January 7, 2015 January 19, 2017	295	Harel Finance & Issues	Maalot	AA-	Shekel linked	Marketable	Fixed	2.40%	321	334	On maturity date	Semi-annual	December 31, 2028	June 30, 2024 December 31, 2025
Series 10 bonds	Hybrid Tier-2	January 7, 2015 January 19, 2017	295	Harel Finance & Issues	Maalot	AA-	Shekel linked	Marketable	Fixed	2.40%	319	334	On maturity date	Semi-annual	December 31, 2029	June 30, 2024 December 31, 2026
Series 11 bonds	Hybrid Tier-2	September 2, 2015 September 21, 2015	300	Harel Finance & Issues	Maalot	AA-	NIS	Marketable	Fixed	4.36%	298	301	On maturity date	Semi-annual	December 31, 2030	June 30, 2024 December 31, 2027
Series 12 bonds	Hybrid Tier-2	April 3, 2016 July 25, 2016	240	Harel Finance & Issues	Maalot	AA-	NIS	Marketable	Fixed	3.95%	237	234	On maturity date	Semi-annual	December 31, 2031	June 30, 2024 December 31, 2028
Series 13 bonds	Hybrid Tier-2	April 3, 2016 July 25, 2016	240	Harel Finance & Issues	Maalot	AA-	NIS	Marketable	Fixed	3.95%	236	232	On maturity date	Semi-annual	December 31, 2032	June 30, 2024 December 31, 2029

Note 24 - Financial liabilities (contd.)

C. Financial liabilities and financial guarantees measured at amortized cost – additional information

Category of liability	Category of capital	Date of issue	Par value on date of issue (NIS M)	Borrower	Rating company	Rating	Terms of linkage	Marketable / non-marketable	Type of interest	% interest	Carrying amount as at December 31, 2023 (NIS M)	Fair value as at December 31, 2023 (NIS M)	Dates of principal payments	Dates of interest payments	Final maturity date	Right to early redemption
Series 14 bonds	Tier-2	January 25, 2018 December 5, 2018 December 2, 2019	729	Harel Finance & Issues	Maalot	AA-	NIS	Marketable	Fixed	3.05%	728	646	On maturity date	Semi-annual	December 31, 2033	June 30, 2024 December 31, 2030
Series 15 bonds	Tier-2	January 25, 2018 December 5, 2018 December 13. 2020	683	Harel Finance & Issues	Maalot	AA-	NIS	Marketable	Fixed	3.05%	681	591	On maturity date	Semi-annual	December 31, 2034	June 30, 2024 December 31, 2031
Series 16 bonds	Tier-2	April 18, 2019	600	Harel Finance & Issues	Maalot	AA-	NIS	Marketable	Fixed	2.91%	598	582	On maturity date	Semi-annual	June 30, 2029	June 30, 2024 June 30, 2026
Series 17 bonds	Tier-2	December 2, 2019	350	Harel Finance & Issues	Maalot	AA-	NIS	Marketable	Fixed	1.79%	348	316	On maturity date	Semi-annual	December 31, 2030	December 31, 2025 December 31, 2027
Series 18 bonds	Tier-2	December 14. 2021	694	Harel Finance & Issues	Maalot	AA-	NIS	Marketable	Fixed	2.63%	686	568	On maturity date	Semi-annual	December 31, 2035	December 31, 2030 December 31, 2032
Series 19 bonds	Tier-2	January 22, 2023	500	Harel Finance & Issues	Maalot	AA-	NIS	Marketable	Fixed	4.38%	496	490	On maturity date	Semi-annual	December 31, 2032	December 31, 2027 December 31, 2029
*Harel Deposit Series 1 bonds	-	August 5, 2018 September 11, 2019 November 7, 2019 February 10, 2020 February 7. 2021 March 9, 2022	1,754	Harel Exchange Traded Deposit Ltd.	Midroog	AAA	NIS	Marketable	Variable	Bank of Israel interest + 0.24% = 4.99%	772	772	On maturity date	Annual	August 4, 2024	At any given moment with 37 days advance notice
Harel Deposit Series 2 bonds	-	January 23, 2020	110	Harel Exchange Traded Deposit Ltd.	Midroog	AAA	NIS	Marketable	Fixed	1.20%	115	105	On maturity date	Annual	January 24, 2027	-
Harel Deposit Series 3 bonds	-	December 1, 2022	2526	Harel Exchange Traded Deposit Ltd.	Midroog	AAA	NIS	Marketable	Variable	Bank of Israel interest + 0.15% = 4.9%	2,645	2,649	On maturity date	Annual	December 1, 2028	At any given moment with 37 days advance notice
Harel Investments Bonds 1	-	July 26, 2021	1094	Harel Investments	Midroog	AA	NIS	Marketable	Fixed	1.95%	937	928	On maturity date	Semi-annual	December 31, 2035	June 30, 2024
Total bonds											**9,705**	**9,370**				

Note 24 - Financial liabilities (contd.)

D. Financial liabilities measured at fair value hierarchy for disclosure purposes only

	As at December 31, 2024		
	Level 1	Level 2	Total
	NIS million	NIS million	NIS million
Bonds	**14,336**	**-**	**14,336**
Loans from related parties	**-**	**166**	**166**
Short-term credit from banks and others	**-**	**2,362**	**2,362**
Bank loans	**-**	**882**	**882**
Non-bank loans	**-**	**200**	**200**
Commercial security	**-**	**100**	**100**
Financial guarantees	**-**	**33**	**33**
Other	**-**	**20**	**20**
Total	**14,336**	**3,763**	**18,099**

	As at December 31, 2023		
	Level 1	Level 2	Total
	NIS million	NIS million	NIS million
Bonds	9,370	-	9,370
Loans from related parties	-	66	66
Short-term credit from banks and others	-	446	446
Bank loans	-	578	578
Financial guarantees	-	37	37
Total	9,370	1,127	10,497

E. Financial liabilities presented at amortized cost – information about linkage and interest

	Effective interest	
	As at December 31	
	2024	2023
Linkage bases		
CPI-linked	**3.2%**	3.4%
NIS	**4.4%**	3.7%

Note 24 - Financial liabilities (contd.)

F. Fair value hierarchy of financial liabilities measured at fair value via profit or loss

The table below presents financial liabilities measured at fair value. The different levels have been defined as follows:

Level 1: quoted prices (unadjusted) in active markets for identical instruments.

Level 2: inputs other than quoted prices included within Level 1 that are observable, either directly or indirectly.

Level 3: inputs that are not based on observable market data (unobservable inputs).

	As at December 31, 2024		
	Level 1	Level 2	Total
	NIS million	NIS million	NIS million
Derivatives	**411**	**468**	**879**
Short selling	**4,584**	**2,454**	**7,038**
Total financial liabilities stated at fair value through profit or loss	**4,995**	**2,922**	**7,917**

	As at December 31, 2023		
	Level 1	Level 2	Total
	NIS million	NIS million	NIS million
Derivatives	76	254	330
Short selling	4,895	943	5,838
Total financial liabilities stated at fair value through profit or loss	4,971	1,197	6,168

G. Financial liabilities measured at fair value – interest rates used to determine the fair value

The fair value of the derivatives is measured using assessment techniques which include a method for discounting future cash flows determined by a company that provides interest rate quotes.

H. Additional information

1. Midroog rating

a) On February 8, 2024, Midroog announced a financial strength rating for Harel Insurance of Aa1.il, with stable outlook, and ratings of Aa2.il(hyb) for subordinated liability notes (hybrid tier-3 capital), Series 7 bonds issued by Harel Finance & Issues, and ratings of Aa3.il(hyb) for subordinated liability notes (secondary capital and tier-2 capital) that were issued by Harel Finance & Issues as part of Series 9-18 bonds, with stable outlook.

b) On March 13, 2024, Midroog announced affirmation of the Company’s rating of Aa2.il with stable outlook and affirmation of the Aa2.il rating for Series 1 bonds issued by the Company.

c) On February 16, 2025, after the Reporting Period, Midroog announced a financial strength rating for Harel Insurance of Aa1.il, with stable outlook, and ratings of Aa3.il(hyb) for subordinated liability notes (secondary capital and tier-2 capital) that were issued by Harel Finance & Issues as part of Series 9 - 18 bonds, with stable outlook.

d) On March 23, 2025, after the Reporting Period, Midroog announced affirmation of the Company's Aa2.il credit rating with stable outlook and the Aa2.il credit rating for Series 1 bonds issued by the company.

Note 24 - Financial liabilities (contd.)

H. Additional Information (contd.)

2. On December 2, 2024, Maalot announced affirmation of the ilAA+/stable rating for Harel Insurance. The rating announcement included affirmation of the -ilAA rating for tier-2 capital issued by Harel Finance & Issuing as part of Series 9-20 bonds. The rating outlook remained stable.

3. Issue of Series 20 bonds of Harel Finance & Issues

   In June 2024, Harel Finance & Issues raised NIS 500 million as part of a public offering of a new series of bonds (Series 20 bonds) in accordance with a shelf offering report of Harel Finance & Issues dated June 26, 2024, which was published according to a shelf prospectus of Harel Finance & Issues bearing the date February 27, 2023 (“the Shelf Offering Report” and “Shelf Prospectus”, respectively). Under the conditions set out in the Shelf Prospectus and the Shelf-Offering Report, the amount raised was deposited with Harel Insurance, to be used at its discretion and for which it is responsible, and Harel Insurance has an undertaking towards the trustee for the bonds to comply with the payment conditions of the bonds. Additionally, the issued bonds were recognized by the Commissioner of the Capital Market, Insurance and Savings Authority as a tier-2 capital instrument held by Harel Insurance, all as detailed in the Shelf Prospectus and in the Shelf Offering Report. For the purpose of this issue, S&P Maalot announced a rating of ‘ilAA-’ for the Series 20 bonds.

4. Financial covenants

   (a) On September 5, 2021, the Company took a bank loan in the amount of NIS 375 million with a carrying amount of NIS 295 million. As part of the aforementioned loan agreement, the Company undertook to comply with the following financial covenants: (1) an undertaking not to pledge material assets; (2) not to transfer control in material companies; (3) the ratio of net financial debt to investment in investee companies will not be more than 0.35; (4) the ratio of net financial debt to equity will not be more than 0.5; (5) cash balances, investments in Makam (short-term), shekel and/or government funds and government bonds must be maintained in the amount of NIS 100 million; if the Company falls below this amount, it undertakes to deposit within seven business days from the date of breach of this undertaking, shekel deposits the principal of which is not less at any time than the amount equal to the limit of the current maturities (principal and interest) for the 12 months following the date of the breach. At December 31, 2024 and at the date of publication of the financial statements, the Company is in compliance with the prescribed financial covenants.

   (b) As part of the deed of trust of the Company’s Series 1 bonds, the Company undertook that as long as the Series 1 bonds have not been fully repaid, it will not create a floating charge on all its assets, unless it received, in advance, the consent of the bond holders or, alternatively, at that date the Company creates such a lien for the Series 1 bond holders as well, of the same ranking. Additionally, regarding the Series 1 bonds, the Company undertook limitations pertaining to the distribution of a dividend, expansion of the Series 1 bond series and it also undertook to meet financial covenants in which the Company’s equity, according to the audited annual separate financial statements, will not be less than NIS 3 billion and that the Company’s net debt to asset ratio according to its audited annual separate financial statements will not be more than 50%. At December 31, 2024 and the publication date of the financial statements, the Company is in compliance with the prescribed financial covenants

   (c) In December 2024, a second-tier subsidiary of the Company took short-term loans from a bank in the total amount of NIS 265 million bearing variable interest and a short-term loan from a bank of NIS 264 million, renewable every month and bearing variable interest. Within the framework of these loans, the second-tier subsidiary undertook to comply with certain financial covenants, as follows: (1) the second-tier subsidiary’s tangible equity, according to its definition in the loan agreement, shall not, at any time, be less than NIS 25 million; (2) the percentage of the second-tier subsidiary’s tangible equity, according to its definition in the loan agreement, shall not, at any time, fall below 15%; (3) provision for credit losses shall not at any time be more than 2.5%; (4) the rate of the second-tier subsidiary’s financial debt to the bank from the second-tier subsidiary’s financial debt, according to its definition in the loan agreement, shall not, at any time be more than 40%. At December 31, 2024 and at the date of publication of the financial statements, the second-tier subsidiary is in compliance with the prescribed financial covenants.

Note 24 - Financial liabilities (contd.)

H. Additional Information (contd.)

4. Financial covenants (contd.)

   (d) In February 2022, Harel Finance, a wholly owned subsidiary of the Company, entered into an agreement with a bank for a credit facility in the amount of up to NIS 50 million at variable interest. In 2024, the amount of the credit facility was updated to NIS 80 million. Under the credit facility agreement, Harel Finance undertook to comply with the following financial covenants: (1) the equity of Harel Finance will not fall below NIS 450 million; (2) the amount of income from management fees for mutual funds and investment portfolios as presented in the Consolidated Financial Statements of Harel Finance will not fall below NIS 150 million; (3) the ratio between the net financial debt of Harel Finance as presented in its separate financial statements and the net profit of Harel Mutual Funds Ltd., is a wholly owned subsidiary of Harel Finance, will not exceed 5 at any time. As at December 31, 2024, Harel Finance utilized an amount of NIS 77 million from the credit facility. At December 31, 2024, and at the date of publication of the financial statements, the Harel Finance is in compliance with the prescribed financial covenants.

   (e) As part of the loans and credit facilities provided by a number of banks and institutional entities (including Harel Insurance) to Gamla Harel Residential Real Estate Ltd., ("Gamla"), a second-tier subsidiary of the Company, Gamla undertook to meet the following financial covenants: (1) the equity to total balance sheet ratio will not fall below 18%; (2) total equity, including shareholder loans, will not fall below NIS 150 million; (3) the total amount of loans provided by Gamla for each project will not exceed, at any time, the lower of: a) 7% of the potential portfolio, as defined in the agreement; or b) NIS 70 million. However, if the amount representing 7% of the potential portfolio is less than NIS 70 million, Gamla will be permitted an exception, which allows, at any time, for one specific project out of all projects, the total amount of loans provided for that specific project to reach up to a maximum of NIS 70 million. As at December 31, 2024, and at the date of publication of the financial statements, Gamla is in compliance with the prescribed financial covenants.

5. In December 2024, a company in the Group took a short-term bank loan in the amount of NIS 25 million, at fixed interest.

6. In December 2024, a second-tier subsidiary of the Company issued a commercial paper for a period of up to five years at variable interest.

7. Full, early redemption of Series 7 bonds of Harel Finance & Issues

   On May 31, 2024, Harel Finance & Issues, a wholly owned subsidiary of Harel Insurance, at its own initiative, made full, early redemption of the Series 7 bonds it had issued.

8. Partial redemption of Series 1 bonds of the Company

   In 2024, the Company made partial redemption of a total of 91,165,790 Series 1 bonds of the Company, in accordance with the terms of these bonds.

9. Partial repayments of a loan to the Company from Bank Hapoalim

   On March 5, 2024 and September 5, 2024, the Company made partial redemption of in the total amount of NIS 27 million of a loan to the Company from Bank Hapoalim, in accordance with the loan schedule.

10. Expansion of Series 3 bonds of Harel Exchange Traded Deposit Ltd.

    On June 26, 2024, Harel Exchange Traded Deposit Ltd., a second-tier subsidiary wholly owned by Harel Finance, expanded the Series 3 bonds by NIS 163 million par value by means of a shelf offering report under a prospectus dated August 17, 2022. The proceeds of the bond issue amounted to NIS 175 million.

11. Expansion of Series 4 bonds by Harel Exchange Traded Deposit Ltd.

    On July 21, 2024, Harel Exchange Traded Deposit Ltd., a second-tier subsidiary wholly owned by Harel Finance, issued NIS 1,300 million par value Series 4 bonds to the public, by means of the shelf offering report in accordance with a prospectus dated August 17, 2022. The proceeds of the bond issue amounted to NIS 1,300 million.

Note 24 - Financial liabilities (contd.)

H. Additional Information (contd.)

12. Repayment of Series 1 bonds of Harel Exchange Traded Deposit Ltd.

    On August 5, 2024, the Series 1 bonds of Harel Exchange Traded Deposit Ltd, a subsidiary wholly owned by the Company, were repaid in full.

13. Expansion of Series 4 bonds of Harel Exchange Traded Deposit Ltd. (a subsidiary of Harel Finance, a wholly owned subsidiary of the Company).

    (a) On August 15, 2024, Harel Exchange Traded Deposit Ltd. expanded the Series 4 bonds by NIS 1,670 million par value by means of a shelf offering report in accordance with a prospectus dated August 17, 2022. The proceeds from the bond issue amounted to NIS 1,674 million.

    (b) On September 11, 2024, Harel Exchange Traded Deposit Ltd. expanded the Series 4 bonds by NIS 705 million par value by means of a shelf offering report in accordance with a prospectus dated August 17, 2022. The proceeds from the bond issue amounted to NIS 708 million.

14. Expansion of bonds (Series 1) by Harel Interest and Deposit Ltd.

    On December 2, 2024, Harel Interest and Deposit Ltd. (a second-tier subsidiary wholly owned by Harel Finance) issued NIS 1,448 million par value Series 1 bonds to the public, through a shelf prospectus dated November 27, 2024. The proceeds from the issuance amounted to NIS 1,447 million.

15. Bank credit taken by a subsidiary, Harel Pension and Provident Ltd. (“Harel Pension & Provident")

    On December 31, 2024, Harel Pension & Provident took a bank loan in the amount of NIS 100 million. The loan bears variable interest which is paid twice a year. The loan is due for repayment on January 1, 2027. The balance of the loan as at December 31, 2024, is NIS 100 million.

    <u>Compliance with financial covenants</u>

    To secure repayment of the loan, Harel Pension & Provident undertook to maintain certain financial ratios. Among other things, Harel Pension & Provident undertook that the ratio of its financial debt to EBITDA during the four consecutive quarters preceding the end of the quarter will not exceed 3 and that the value of the assets managed by the funds that it manages will not fall below NIS 150 billion. As at December 31, 2024 and as at the publication date of the financial statements, Harel Pension & Provident is in compliance with the prescribed covenants.

16. Principal approval for the issue of bonds (Series 21) by means of a second-tier subsidiary - Harel Finance & Issues

    On March 20, 2025, after the reporting period, the board of directors of Harel Issuances and the board of directors of Harel Insurance approved, in principle, a public issuance of a new bonds series by Harel Issuances. The proceeds will be classified as an additional Tier 1 capital instrument for Harel Insurance. The scope of the issuance, the terms of the bonds and the interest and/or linkage they may bear, if applicable, will be determined in the shelf offering report under which the bonds will be issued, if issued.

I. Unamortized issuance expenses

The outstanding liability notes at December 31, 2024 and 2023, are net of issuance and discounting expenses, for which the outstanding amounts are NIS 184 million and NIS 204 million, respectively (issuance and discounting expenses are amortized according to the effective interest method).

Note 24 - Financial liabilities (contd.)

J. Maturity dates

	As at December 31	
	2024	**2023**
	NIS million	
First year	**2,491**	1,555
Second year	**1,464**	455
Third year	**725**	713
Fourth year	**779**	541
Fifth year and thereafter	**12,955**	7,614
Total	**18,414**	10,878

On the maturity dates of non-capitalized financial liabilities, see Note 36.

Note 25 - Earned premiums

	For the year ended December 31, 2024		
	Gross	Reinsurance	Retention
	NIS million	NIS million	NIS million
Premiums in life insurance	**5,585**	**306**	**5,279**
Premiums in health insurance	**4,914**	**164**	**4,750**
Premiums in non-life insurance	**4,930**	**1,640**	**3,290**
Premiums in foreign insurance	**729**	**157**	**572**
Inter-segment adjustments and offsets	**(5)**	**(5)**	**-**
Total premiums	**16,153**	**2,262**	**13,891**
Net of - change in outstanding unearned premiums	**(227)**	**(39)**	**(188)**
Total earned premiums	**15,926**	**2,223**	**13,703**

	For the year ended December 31, 2023		
	Gross	Reinsurance	Retention
	NIS million	NIS million	NIS million
Premiums in life insurance	6,286	283	6,003
Premiums in health insurance	6,461	375	6,086
Premiums in non-life insurance	4,648	1,614	3,034
Premiums in foreign insurance	657	131	526
Inter-segment adjustments and offsets	(4)	(4)	-
Total premiums	18,048	2,399	15,649
Net of - change in outstanding unearned premiums	(276)	(22)	(254)
Total earned premiums	17,772	2,377	15,395

	For the year ended December 31, 2022		
	Gross	Reinsurance	Retention
	NIS million	NIS million	NIS million
Premiums in life insurance	6,504	213	6,291
Premiums in health insurance	5,922	352	5,570
Premiums in non-life insurance	4,403	1,616	2,787
Premiums in foreign insurance	559	123	436
Inter-segment adjustments and offsets	(4)	(3)	(1)
Total premiums	17,384	2,301	15,083
Net of - change in outstanding unearned premiums	(263)	(51)	(212)
Total earned premiums	17,121	2,250	14,871

Note 26 - Net profit (loss) from investments, and financing income

	For the year ended December 31		
	2024	**2023**	**2022**
	NIS million	**NIS million**	**NIS million**
Profits (losses) from assets held to cover yield-dependent insurance liabilities			
Investment property	**156**	128	203
Financial investments:			
Marketable debt assets	**1,076**	984	(694)
Non-marketable debt assets	**682**	758	(148)
Shares	**2,479**	196	(1,484)
Other	**3,903**	3,301	(3,934)
Cash and cash equivalents	**275**	347	282
Total profits (losses) from assets held to cover yield-dependent liabilities, net	**8,571**	5,714	(5,775)
Profits (losses) from assets held to cover liabilities that are not yield-dependent, capital and other			
Income from investment property:			
Revaluation of investment property	**15**	118	123
Current revenues for investment property	**119**	101	133
Total income from investment property	**134**	219	256
Profits (losses) from financial investments, other than interest and linkage differences, exchange rate differences and dividends for:			
Available-for-sale assets (A)	**154**	(152)	123
Assets presented at fair value through profit or loss (B)	**188**	(27)	(28)
Assets presented as loans and receivables (C)	**(23)**	(52)	7
Total profits (losses) from financial investments, excluding interest and linkage differences, exchange rate differences and dividends	**319**	(231)	102
Income from interest [1] and linkage differences from financial assets that are not measured at fair value through profit or loss	**1,907**	1,804	1,653
Income from interest and linkage difference from financial assets measured at fair value through profit or loss	**115**	26	-
Profit (loss) from exchange rate differences *	**34**	(167)	(354)
Income from dividends	**1**	51	66
Total profits (losses) from investments, net, and financing income	**11,081**	7,416	(4,052)
(1) The aforementioned revenues include interest for financial assets that are not presented at fair value through profit or loss whose value was impaired	**(18)**	4	1

* On exchange rate differences in respect of financial liabilities, see Note 33

Note 26 - Net profit (loss) from investments, and financing income (contd.)

A. Net profit (loss) from investments for available for sale assets

	For the year ended December 31		
	2024	**2023**	**2022**
	NIS million	**NIS million**	**NIS million**
Net profit (losses) from securities sold	**159**	(82)	221
Impairment recognized in profit or loss	**(5)**	(70)	(98)
Total profit (losses) from investments for available-for-sale assets	**154**	(152)	123

B. Profit (loss) from investments in respect of assets presented at fair value through profit or loss

	For the year ended December 31		
	2024	**2023**	**2022**
	NIS million	**NIS million**	**NIS million**
Changes in fair value, net, including profit from sale:			
for assets designated upon initial recognition	**(59)**	(36)	(43)
for assets held for trade	**247**	9	15
Total profits (losses) from investments for assets presented at fair value through profit or loss	**188**	(27)	(28)

C. Profit (loss) from investments for assets presented as loans and receivables

	For the year ended December 31		
	2024	**2023**	**2022**
	NIS million	**NIS million**	**NIS million**
Net increases in value (impairments) recognized in profit or loss	**(23)**	(52)	7
Total profits (losses) from investments for assets presented as loans and receivables	**(23)**	(52)	7

D. Movements in the capital reserve in respect of available-for-sale assets

	For the year ended December 31		
	2024	**2023**	**2022**
	NIS million	**NIS million**	**NIS million**
Opening balance	**287**	222	1,347
Effect of initial application of IFRS 9	**-**	18	-
Balance as at January 1, 2023 subsequent to initial application of IFRS 9	**287**	240	1,347
Unrealized profits (losses)	**252**	(195)	(1,657)
Profit, net, from sale of securities	**(56)**	189	(132)
Impairment losses (profits) recognized in profit or loss	**59**	84	85
Effect of tax	**(89)**	(31)	579
Closing balance	**453**	287	222

Note 27 - Income from management fees

	For the year ended December 31		
	2024	2023	2022
	NIS million	NIS million	NIS million
Management fees in provident branch	**351**	308	283
Management fees in pension branch	**515**	463	430
Mutual fund management fees	**252**	189	182
Fixed management fees for life insurance contracts	**369**	355	361
Variable management fees for life insurance contracts*	**4**	-	-
Management fees for investment contracts	**156**	147	152
Total management fees from members and policyholders	**1,647**	1,462	1,408
Other management fees	**148**	67	58
Total income from management fees	**1,795**	1,529	1,466

* Under the mechanism for collecting management fees set out in the legislative arrangement, insurance companies will not collect variable management fees in respect of profit-sharing policies that were sold between 1991 and 2003, until sufficient investment profits are attained in respect of assets held to cover yield-dependent liabilities, to cover the accrued investment losses. At December 31, 2024, the estimate for management fees that will not be collected due to the cumulative real negative yield until a cumulative positive yield is attained, is NIS 25 million. In 2024, variable management fees amounting to NIS 4 million were collected for profit sharing policies sold between 1991-2003, for which the cumulative real return is positive. For additional information see Note 3L(2)

Note 28 - Income from commissions

	For the year ended December 31		
	2024	2023	2022
	NIS million	NIS million	NIS million
Reinsurance commission, net of the change in DAC, in respect of reinsurance	**430**	401	375
Insurance agencies' commission	**38**	37	37
Other commissions	**4**	4	5
Total income from commissions	**472**	442	417

Note 29 - Other income (expenses)

	For the year ended December 31		
	2024	2023	2022
	NIS millions	NIS millions	NIS millions
Other income			
Income from operating services	**29**	29	29
Income from financial guarantee transactions	**28**	28	10
Income from veterinary services of a subsidiary	**43**	32	13
Capital gain from the sale of a subsidiary (see Note 39E2)	**7**	-	-
Other	**3**	3	1
Total other revenue	**110**	92	53
Other expenses			
Amortization of intangible assets	**47**	44	35
Expenses for veterinary services of a subsidiary	**25**	18	8
Capital loss from disposal of intangible assets	**4**	-	-
Other	**4**	4	2
Total other expenses	**80**	66	45

Note 30 - Payments and changes in liabilities for insurance and investment contracts in retention

	For the year ended December 31		
	2024	**2023**	**2022**
	NIS million	**NIS million**	**NIS million**
For life insurance contracts			
Claims paid and outstanding, cases of death, disability and other	**1,626**	1,454	1,394
Net of reinsurance	**193**	126	137
	1,433	1,328	1,257
Policies redeemed	**5,040**	3,965	3,006
Policies ended	**212**	206	201
Annuity	**807**	754	668
Total claims and other payments	**7,492**	6,253	5,132
Increase (decrease) in liabilities for life insurance contracts (excluding change in outstanding) in retention	**3,710**	3,595	(2,271)
Increase (decrease) in liabilities for investment contracts due to yield component and related expenses	**1,877**	1,083	(1,595)
Total change in liabilities and payments for insurance contracts and investment contracts in retention	**13,079**	10,931	1,266
Total payments and change in liabilities for non-life insurance policies			
Gross	**3,535**	3,193	2,964
Reinsurance	**959**	949	915
Retention	**2,576**	2,244	2,049
Total payments and change in liabilities for health insurance contracts			
Gross	**3,825**	5,812	3,440
Reinsurance	**123**	675	526
Retention	**3,702**	5,137	2,914
Total payments and change in liabilities for insurance contracts abroad			
Gross	**447**	545	346
Reinsurance	**28**	225	49
Retention	**419**	320	297
Total payments and change in liabilities for insurance contracts and investment contracts in retention	**19,776**	18,632	6,526

Note 31 - Commissions, marketing, and other acquisition costs

	For the year ended December 31		
	2024	**2023**	**2022**
	NIS million	**NIS million**	**NIS million**
Acquisition commissions	**1,397**	1,274	1,139
Other acquisition expenses	**776**	803	765
Change in DAC	**(259)**	(198)	(249)
Total acquisition costs	**1,914**	1,879	1,655
Other current commissions	**1,428**	1,277	1,226
Other marketing expenses	**216**	203	182
Total commissions, marketing expenses and other acquisition costs	**3,558**	3,359	3,063

Note 32 - General and administrative expenses

	For the year ended December 31		
	2024	**2023**	**2022**
	NIS million	**NIS million**	**NIS million**
Payroll and related expenses	**1,680**	1,645	1,557
Computerization expenses	**167**	173	174
Maintenance of buildings and equipment	**102**	99	103
Depreciation and amortization	**403**	384	350
Office operation expenses	**33**	29	32
Advertising and marketing	**90**	84	93
Professional and legal advice	**253**	159	111
Operating expenses	**2**	2	2
Stock exchange and distribution commissions	**81**	64	50
Bank expenses	**65**	55	53
Operating expenses for group policy	**3**	57	58
Other	**156**	155	127
Total general and administrative expenses	**3,035**	2,906	2,710
Net of:			
Amounts classified under Change in liabilities and payments for insurance contracts	**290**	308	302
Amounts classified under Commissions, marketing expenses and other acquisition costs	**992**	1,006	947
Total general and administrative expenses	**1,753**	1,592	1,461
General and administrative expenses include expenses for automation in the amount of:	**512**	505	495

Note 33 - Financing expenses

	For the year ended December 31		
	2024	**2023**	**2022**
	NIS million	**NIS million**	**NIS million**
Interest and linkage difference expenses for subordinated liability notes and liabilities to banks	**528**	371	258
Interest and linkage difference expenses for reinsurers	**115**	90	109
Net exchange rate differences for liabilities *	**5**	18	67
Interest expenses on lease liabilities	**4**	3	2
Other commissions and financing expenses	**2**	(7)	(9)
Total financing expenses, net	**654**	475	427

*On exchange rate differences in respect of financial investments, see Note 26

Note 34 - Taxes on income

A. Tax laws applicable to Group companies

General

Harel Insurance, Dikla, EMI and the pension fund management companies, provident fund management companies and other companies in the group are "financial institutions" according to the definition of that term in the Value Added Tax Law, 1975 ("the VAT Law").

Taxes on income applicable to financial institutions include corporate tax and profit tax, as defined in the Value Added Tax Law.

Revenues earned by the company and the other investee companies are subject to corporate tax, according to its definition in the Income Tax Ordinance.

Special tax arrangements for the insurance sector

1. Agreement with the tax authorities

On February 21, 2024, the Israel Insurance Association and the Tax Authority signed sector-based agreements for 2020-2022 (“the Sector-based Agreements"). There are no changes to the Sector-based Agreements compared with agreements from previous years, other than the issue of the reserve for extraordinary risks in life insurance, as set out below:

The Sector-based Agreement for 2006 stipulated that cancellation of the outstanding reserve for extraordinary risks in life insurance as at March 31, 2007 ("the Reserve"), and its reclassification as equity held to cover the provision of a capital requirement in respect thereof as defined in the agreement "the Old Capital Requirement"), was tax-exempt, under a temporary provision. It was further stipulated that should the capital requirement be abolished or reduced, the parties will discuss the resulting tax implications, if there are any. On June 1, 2017, the Capital Market Authority published Insurance Circular 2017-1-9 concerning “Application of an Economic Solvency Ratio based on Solvency II” which entered into force on June 30, 2017 (“the New Capital Requirements”), and abolished the Old Capital Requirement regarding the Reserve. Regarding the tax implication arising from cancellation of the Old Capital Requirement from 2007 and its replacement with the New Capital Regulations from 2017, it was agreed that in 2020, income will be recorded due to a reduction of 0.01% of the amount at risk in the New Capital Regulations compared with the Old Capital Requirement. It was further agreed that if the New Capital Regulations are canceled or reduced compared with the components referring to special risks in life insurance, the parties will discuss the resulting tax consequences, if any. These Sector-based Agreements did not affect and are not expected to have a significant effect on the Group’s financial results.

2. On the approval of the VAT Order, see section B below.

3. Application of IFRS 17 and IFRS 9

Further to Notes 2 and 41, beginning on January 1, 2025, the Company will apply IFRS 17 and IFRS 9 for the first time. As at the publication date of the financial statements, the method for accounting for tax reports for insurance companies following application of the reporting standards has not yet been finalized.

International tax reform of the OECD ("Pillar Two")

The provisions of Pillar Two apply to multinational groups with consolidated revenue of the parent company amounting to €750 million or more in at least two of the last four years preceding the reviewed tax year. Accordingly, the Group is assessing the effects of international tax reform on its financial statements.

The Company’s entities operating in Israel: The Company has not yet applied the temporary exemption for the year ended December 31, 2024 since Pillar Two rules have not yet been legislated or finalized.

The Company’s entities outside Israel: There is uncertainty regarding whether Pillar Two rules create additional temporary differences that require deferred taxes and the appropriate tax rates for measuring the deferred taxes. In response to this uncertainty, in May 2023 the IASB amended IAS 12, Income Taxes, which provides a mandatory temporary exemption from applying the Standard's provisions for recognition and disclosure of deferred tax assets and liabilities arising from the adoption of Pillar Two rules. The Group implements the temporary exemption, therefore deferred tax assets and liabilities arising from the adoption of Pillar Two rules were neither disclosed nor recognized in the financial statements as at December 31, 2024.

Note 34 - Taxes on income (contd.)

B. Tax rates applicable to revenues of the Group companies

Current taxes for the reported period are calculated in accordance with the tax rates below.

On April 14, 2024, the Value Added Tax Order (Tax Rate on NPOs and Financial Institutions) (Amendment), 2024, was published in the Official Gazette. Under the Order, from January 1, 2025, the rate of salary tax and capital gains tax due on activities of a financial institution in Israel will be 18% of the salary it paid and the gains it generated, instead of the rate of 17% that was in effect up to December 31, 2024.Following the change in the VAT rate, an increase in deferred tax liabilities in the amount of NIS 13 million was recorded in 2024. Of this amount, NIS 6 million was attributed to profit or loss and NIS 7 million was attributed to other comprehensive income.

The statutory tax rates applicable to financial institutions, including the subsidiaries which are financial institutions, are as follows:

Year	Rate of companies tax	Rate of capital gains tax	Rate of tax in financial institutions
2018-2024	23%	17%	34.19%
2025 onwards	23%	18%	34.75%

C. Final tax assessments

Final tax assessments up to and including the 2019 tax year were issued for the Company and additional consolidated subsidiaries.

D. Carry-forward losses for tax purposes

As at December 31, 2024 and 2023, the subsidiaries have carry-forward business losses for tax purposes amounting to NIS 54 million and NIS 133 million, respectively, For these balances, deferred taxes amounting to NIS 14 million were recorded in the financial statements for 2024. As at December 31, 2024, the Company and the subsidiaries have carry-forward capital losses for tax purposes amounting to NIS 99 million. For these balances, deferred taxes amounting to NIS 8 million were recorded in the financial statements for 2024.

E. Composition of income tax expenses (income)

	For the year ended December 31		
	2024	2023	2022
	NIS millions	NIS millions	NIS millions
Current taxes	**408**	201	375
Deferred taxes relating to the creation and reversal of temporary differences (see also section H below)	**10**	(34)	30
Taxes for previous years	**(29)**	(21)	(7)
Adjustment of deferred tax balances following a change in tax rates	**6**	-	-
	395	146	398

F. Change in structure of Hamazpen Shutaphim Laderech Ltd.

On August 29, 2024, Harel Insurance Investments and Financial Services Ltd. transferred 70% of the share capital of Hamazpen Shutaphim Laderech Ltd. ("Hamazpen") to the subsidiary Harel Credit Holdings Ltd. As a result, instead of a direct holding of 70% in Hamazpen by the Company, Hamazpen is now held through a wholly owned subsidiary of the Company, Harel Credit Holdings Ltd. Hamazpen shares were transferred to Harel Credit Holdings Ltd. in consideration for a share allocation, in accordance with the provisions of Section 104A of the Income Tax Ordinance.

G. For information about the acquisition of Gamla Harel Residential Real Estate Ltd. see Note 39E.

Note 34 - Taxes on income (contd.)

H. Deferred taxes

1. Composition and movement of deferred taxes

	Deferred acquisition costs	Employee benefits	Financial instruments	Intangible assets	Losses for tax purposes	Carry forward capital losses	Other property	Total
	NIS millions							
Outstanding deferred tax asset (liability) as at January 1, 2023	(129)	29	(34)	(219)	29	-	(579)	(903)
Changes recognized in profit or loss	-	5	40	5	(4)	9	(21)	34
Changes recognized in other comprehensive income	-	(3)	(31)	-	-	-	(24)	(58)
Outstanding deferred tax asset (liability) as at December 31, 2023	**(129)**	**31**	**(25)**	**(214)**	**25**	**9**	**(624)**	**(927)**
Changes recognized in profit or loss	**(5)**	**4**	**(6)**	**(3)**	**(16)**	**(1)**	**17**	**(10)**
Changes recognized in other comprehensive income	**-**	**(3)**	**(89)**	**-**	**-**	**-**	**(4)**	**(96)**
Acquisition in a business combination	**-**	**-**	**-**	**(2)**	**-**	**-**	**6**	**4**
Changes recognized due to a decrease in tax rates – profit or loss.	**(2)**	**(2)**	**2**	**(3)**	**-**	**-**	**(1)**	**(6)**
Changes recognized due to a decrease in tax rates – other comprehensive income.	**-**	**(3)**	**(4)**	**-**	**-**	**-**	**-**	**(7)**
Outstanding deferred tax asset (liability) as at December 31, 2024	**(136)**	**27**	**(122)**	**(222)**	**9**	**8**	**(606)**	**(1,042)**

Note 34 - Taxes on Income (contd.)

H. Deferred taxes (contd.)

2. Deferred taxes are presented in the statement of financial position as follows:

	As at December 31	
	2024	**2023**
	NIS million	**NIS million**
Deferred tax assets	**41**	20
Deferred tax liabilities	**1,083**	947
	(1,042)	(927)

I. Reconciliation between the theoretical tax on the pre-tax profit and tax expenses

The reconciliation between the tax that would have been applicable had all income and expenses, profit or loss in the income statement been tax liable at the statutory rates applicable to financial institutions, and taxes on income recognized in the income statement:

	For the year ended December 31		
	2024	**2023**	**2022**
	NIS million	**NIS million**	**NIS million**
Profit before taxes on income	**1,355**	642	1,311
Total statutory tax rate applicable to financial institutions	**34.19%**	34.19%	34.19%
Tax computed according to statutory tax rate	**463**	219	448
Write-down for non-application of profit tax on companies that are not a financial institution	**(23)**	(27)	(18)
	440	192	430
Increase (decrease) in taxes on income attributable to the following:			
Expenses that cannot be deducted for tax purposes	**22**	21	25
Group's share of profits of associates	**(5)**	36	(27)
Taxes for partnerships and foreign companies	**(15)**	(53)	22
Differences in basis of measurement	**(18)**	(29)	(45)
Update of deferred tax balances following changes in tax rates	**6**	-	-
Decrease in losses for tax purposes for which deferred taxes were not recognized in the past	**(3)**	(1)	(1)
Taxes for previous years	**(29)**	(21)	(7)
Other	**(3)**	1	1
Taxes on income	**395**	146	398
Average effective tax rate	**29.15%**	22.74%	30.36%

Note 35 - Profit per share

A. Basic profit per share

The calculation of basic and diluted earnings per share for the years ended December 31, 2024, 2023, and 2022, was based on the profit attributable to the Company's ordinary shareholders in the amount of NIS 946 million, NIS 485 million, and NIS 906 million, respectively, divided by a weighted average of the number of ordinary shares in circulation in each of the years, as follows:

Weighted average of the number of ordinary shares

	For the year ended December 31		
	2024	**2023**	**2022**
	Number of shares in thousands		
Balance as at January 1	**210,113**	212,107	214,114
Effect of repurchase of shares, net	**(3,093)**	(1,994)	(2,007)
Weighted average of the number of ordinary shares used for calculating basic earnings per share	**207,020**	210,113	212,107

B. Diluted profit per share

Weighted average of the number of ordinary shares (diluted)

	For the year ended December 31		
	2024	**2023**	**2022**
	Number of shares in thousands		
Weighted average of number of ordinary shares used to calculate basic earnings per share	**207,020**	210,113	212,107
Effect of options on shares	**840**	-	-
Weighted average of number of ordinary shares used to calculate diluted earnings per share	**207,860**	210,113	212,107

Note 36 - Risk management

General

The Group's activity exposes it to a range of risks, the most important of which are:

- Macro risks, including the state of the economy and rate of employment;
- Market risks, including ALM;
- Liquidity risks;
- Credit and counterparty risks;
- Insurance risks, including pricing and underwriting risks, demographic risks, and climate and environmental risks;
- Operational risks, including cyber risks, information system risks, supplier and outsourcing risks, and embezzlement and fraud risks;
- Legal risks, including legal precedents and class actions;
- Regulation and compliance risks;
- Reputational risk;
- Business and strategic risks, including competition risks, a change in public tastes and portfolio retention level, and changes in the Company's business environment.

Catastrophe events, such as an earthquake, pandemic, and war, have lateral consequences on the various risks. The Group is also exposed to developing risks, for which there is greater uncertainty regarding the timing of their materialization for all the occurrences that have a material effect on the Group, such as ESG risks arising from climate and environmental risks.

This Note includes a concise description of the risk-management policy, work processes for identifying, measuring, and managing the risks and the existing controls in connection with the risks to which the Group is exposed.

A. Risk management policy and processes

The Group's risk management policy is based on an enterprise risk management concept, which ensures the existence of processes to identify, evaluate and measure, control and reduce, monitor, and report the risks, proactively and planned, to protect the Group from unexpected losses and to ensure controlled exposure to these risks, while complying with regulatory requirements and maintaining the Group's business goals, reputation, and financial robustness.

The Group's risk management policy is based on:

- Corporate governance, which is built on three lines of defense: management of the business segments, control and risk management entities, and internal controls;
- A risk management culture that reflects the continuous review of material decision-making processes by control and risk management factors;
- Determining limitations and exposure limits to risks;
- Defining an equity management plan, including a safety net over and above the capital requirements;
- Implementation of a risk management framework which includes activity to identify, measure, estimate and monitor risks and new points of risk;
- Maintaining a reasonable internal control environment which is written into clear procedures and arrangement of oversight and risk control, allowing for the distribution, offsetting, and/or transfer of risks to another entity, and limiting them to a pre-defined level.

Note 36 - Risk management (contd.)

A. Risk management policy and processes (contd.)

Harel manages its risks taking a group view and the risk manager is responsible for the risk management of Harel Insurance and the financial institutions it controls as well as the risk management of Harel Finance. The risk manager works independently of the business units, taking an objective view of the risks, and works in conjunction with other support units.

The functions of the risk manager include responsibility to ensure that work processes are in place to identify, evaluate, measure and report the risks, and to address the risks that are inherent in the operating segments and new products and in significant transactions

The Board of Directors and the boards of the subsidiaries supervise the business activities that involve risk-taking and the Company's risk management procedures by establishing risk management policy and strategy. Risk management includes risk-management procedures and limits to exposure to risks, as well as the manner of compliance with defined procedures and exposure limitations.

The Board of Directors regularly receives reports, and examines information associated with risk management in the various sectors. This information includes risk studies and controls, and the degree of exposure to the various risks vis-à-vis limitations and significant changes in the Company's risk profile. In addition, the Board of Directors receives reports on quantitative indices of the risks and estimates their potential effect on the Company's future financial position and the equity it is required to hold against these risks. These effects are calculated using internal models, extreme tests, and sensitivity analyses.

The Group has separate risk management board committees for insurance and for pension and provident, which discuss risk management and capital management issues and submit recommendations to the Board of Directors. The committees operate in compliance with the provisions in Article K of Financial Institutions Circular 2018-9-31 regarding "Board of Directors of a Financial Institution".

The Group's financial institutions hold a quarterly reporting procedure in which officers in the various areas of activity report on material changes in the Group's risk profile to the risk manager and she in turn reports to management and the Board of Directors. The methods and work procedures employed in relation to risk management are regularly examined and revised, taking into account the Group's risk-management policy, changes in the business environment in Israel and worldwide, and the instructions and requirements of the regulator.

Capital requirements apply to the Group's insurance companies by virtue of the Solvency II-based economic solvency regime. In the context of the rules governing the distribution of a dividend, the Board of Directors established a capital buffer over and above the regulatory capital requirements, to enable the companies to absorb unforeseen losses that might occur in equity and in the capital requirements, due to changes in the key risk factors to which the Company is exposed. The safety net was created, taking into account the nature of the activity of Harel Insurance, the experience accumulated in periods of crisis and also taking into account various loss scenarios.

The Own Risk and Solvency Assessment process ("the ORSA Process") is based on the requirement of the Commissioner of the Capital Market, Insurance, and Savings Authority, as published in two circulars on January 5, 2021. The ORSA Process is an integral part of the Company's enterprise risk management and includes five key components: risk profile; risk appetite; adequacy of the standard formula for calculating required capital; forward-looking solvency ratio forecast; and scenarios and sensitivity analyses. The thought process behind ORSA is carried out with a consistent approach, allowing connections between the Company's business strategy, risk profile, risk appetite, and capital requirements.

The Group makes efforts to improve the tools it uses to monitor the different forms of risk and many of the Group's work procedures are regulated by means of detailed procedures. Furthermore, the Group invests considerable resources in the training and allocation of manpower, computerization and work procedures associated with risk management, in compliance with published, binding regulations, and by implementing the Group's risk management goals and objectives.

The following describes policy and work procedures relating to the identification, measurement and assessment, control and amortization, monitoring and reporting of the different risks to which the Group is exposed.

Note 36 - Risk management (contd.)

A. Risk management policy and processes (contd.)

Market and liquidity risks

The Company's investments are in compliance with the provisions of the law and the investment policy defined by the Board of Directors. The financial risks are managed by distributing them between investment channels, lines of business, issuers and among assets in Israel and foreign assets, reviewing and analyzing the assets before an investment decision is made and during the life of the investment, and by meeting the exposure limitations.

Various limitations to the exposure to market risks, which are designed to limit the loss which may be caused as a result of unforeseeable changes in markets, relate, among other things, to the maximum amounts to be invested in shares, real-estate funds, to maximum exposure to corporate bonds consistent with their rating, to maximum exposure to an individual investment, exposure to linkage sectors and interest exposure. Market risk management policy is subject to the Investment Regulations.

Market risks were quantified and assessed using an automated system in the risk management department. The calculations relate to market risks in members' portfolios and in the Nostro investment portfolios of the Group's financial institutions from the accounting and economic perspective. The main instrument used for measuring market risk is various extreme scenarios that provide an indication of possible loss in the Nostro investment portfolios and in members' portfolios. These scenarios are based on historical or hypothetical events and their underlying assumptions are periodically revised in line with changes in the economic environment, the risk factors and characteristics of the portfolios.
In members' portfolios, the different investment portfolios are assessed against benchmark portfolios, by means of various risk indices.

In the Nostro portfolio, exposure stemming from the characteristics of assets is addressed separately from those of liabilities (ALM). The review and management of the correlation between the assets and liabilities include an analysis of sensitivity to different market scenarios.

Reports concerning the risk and exposure indices as against the set limitations are presented to the investment committees and support the decision-making and investment management processes.

The liquidity risk is managed at investment portfolio level by means of limitations that are consistent with the type and size of the portfolio and liquidity indices that include warning thresholds.

The assessment of liquidity risk exposure is based on a review of liquidity sources compared with liquidity requirements in different scenarios.

Moreover, the audit unit and investment division conduct ongoing audits regarding compliance with the investment regulations and investment policy of the different investment portfolios.

The investment policy and restrictions concerning the Nostro investments of companies in the capital market and financial services wing that manage the Nostro portfolios, is determined by the relevant boards of directors and supervised by the various control entities. Furthermore, regarding companies in the capital market and financial services wing, the investment policy is set taking into account, among other things, the needs of the customers, regulation, and prospectus-related commitments.

For information about sensitivity to market risks, see section C below.

For information about sensitivity to liquidity risks, see section D below.

Note 36 - Risk management (contd.)

A. Risk management policy and processes (contd.)

Credit risks

Credit risks in investment activity

The Company's policy for the management of credit risk is based on distributing and diversifying the credit portfolio and controlled management of the risks, with the purpose of attaining an appropriate return for the risk taken, based on defined limitations, while at the same time understanding the Company's risk management profile and detailing the areas of responsibility of the entities involved in the process of identifying, measuring, monitoring and controlling the credit risk. The framework for providing and management credit also includes procedures and methodologies, which must be followed.

The credit activity performed by the investment division is subject to the Investment Regulations and Commissioner's circulars on credit risk management and based on policy defined by the boards of directors of the Group's financial institutions. The Investment Regulations prescribe exposure limits to a single borrower and group of borrowers, as well as the providing of credit according to categories of collateral. The Commissioner's circulars on credit risk management provide a framework for procedural, professional, and operating support and their purpose is to ensure that control and oversight mechanisms are in place for management of the credit risks to which the financial institution is exposed.

A specific credit risk assessment for non-marketable debt is conducted within the credit system of the investment division, using expert-driven rating models based on methodologies similar to those used by e rating companies. The model has been approved by the Ministry of Finance.

In accordance with the amendment to the requirements of the Consolidated Circular - Part 4, Chapter 5 - Management of Investment Assets dated November 26, 2020, an institutional entity that fulfills the conditions set out in the directive will have its rating model recognized as an internally approved rating model by the Commissioner, except for certain types of credit for which an internal rating model will not be recognized. The directive requires the board of directors, or a designated committee authorized by the board of directors, to approve the internal rating model and oversee its application. The validity of approval for an internal rating model granted by the Commissioner prior to publication of the circular expired on December 31, 2022, however, institutional entities may continue to rate credit beyond this date until full repayment of the credit, provided the credit conditions remain unchanged, meaning the credit amount is not increased and the repayment period is not extended. During the course of 2022, an external validation process was completed which affirmed the main points of the model for rating companies with several improvements and adjustments, alongside four additional credit-rating models (for infrastructure projects, power stations, property development finance and for a property development company). The different models were tested for compliance with the requirements of the Consolidated Circular - Part 4, Section 5 - Management of Investment Assets, Finance Ministry Circular, and were approved by the credit committee, which was authorized for this purpose by the Board of Directors.

The risk management division assesses and verifies the rating of new loans in the investment division.

At the level of the overall portfolio, the Risk Management Department quantifies the credit risks inherent in the investment assets by reviewing the average rating of the non-governmental debt in these portfolios, and estimating and presenting the Expected Loss (EL) and the Unexpected Loss (UL) in respect of the non-marketable credit risks. At individual transaction level - an expert risk management opinion is received for new areas of activity and significant large or complex transactions, based on the defined parameters.

In the investment division, the non-marketable credit management unit that undertakes the risk is segregated from the independent unit that controls the activity. The process of monitoring borrowers' solvency and the quality of collateral is carried out as part of the work processes for approving credit approved by the boards of directors. Regarding marketable credit, solvency, the quality of the collateral and problematic debts are monitored.

Note 36 - Risk management (contd.)

A. Risk management policy and processes (contd.)

Credit risks (contd.)

Reinsurer counterparty risks

Regarding reinsurer credit risks, the exposure policy for reinsurers is approved every year by the boards of directors of the Group's insurance companies in accordance with the Commissioner's circular in this matter. The policy includes limits to ensure adequate distribution between reinsurers based on their rating.

The risk management division gives an opinion on new reinsurers, based on the criteria determined by the Board of Directors.

For information about the exposure to credit risks, see section G below

Insurance risks

Insurance risks are managed in accordance with the risk management policy determined by the Board of Directors. Insurance risks are dispersed, reduced, or limited, among other things, through underwriting procedures, pricing and business rules, and through reinsurance arrangements.

The insurance risk management processes include: actuarial pricing and assessment of insurance liabilities, pricing of new products and collective agreements, underwriting procedures and limits in the various business units, claims handling procedures, determining and managing reinsurance, and monitoring the profitability of the policy coverages. New and existing actuarial risks are identified and controlled through risk surveys and periodic reports from the appointed actuaries.

In addition, comprehensive periodic studies and tests are performed to assess the Group's exposure to risks, such as earthquake in the non-life insurance sector, and past experience studies for risks such as mortality, morbidity, and cancellations in life and health insurance.

A quantitative assessment of the insurance risks is performed by assessing scenarios for key risk factors to which the Company is exposed.

The Group's exposure to earthquake risk in Israel is assessed through an international model and the insurance company hedges risk based on this assessment. The risk management department assesses significant insurance transactions and new insurance products before they are approved.

For further information about the exposure to insurance risks, see section E below.

Operating risks

Operating risk is an integral part of all activities, products, systems and work processes carried out in the Company. Awareness and management of the operating risk at all levels is therefore important.

The boards of directors in the Group defined individual policies for various operational risk categories, including embezzlement and fraud, cyber risks, business continuity, outsourcing, and compliance. The policy documents take into consideration the relevant regulatory guidelines.

Managers at the Company's different management echelons are responsible for the ongoing management of operating risk and taking action to minimize the risk. The managers receive professional support from the risk management. Some of the operating risks are managed by other control entities, for example the SOX, compliance, and enforcement department; technology and cyber protection department; the business continuity branch. Additionally, the internal auditor conducts audits in various operating segments, which are exposed to operational risks, and assesses the quality and effectiveness of the applied controls.

The Company routinely assesses its exposure to operating risks and takes measures to reduce them. The risk management department conducts an independent assessment of operating risks, with particular emphasis on fraud and embezzlement risks, IT and cyber risks, and business continuity risks.

An information system for the management of operating risk supports all the risk management processes: management of the process of reporting and investigating events, conducting risk studies based on a risk assessment methodology, ongoing update of risk maps, management of amortization and control plans by means of reports.

Note 36 - Risk management (contd.)

A. Risk management policy and processes (contd.)

Operating risks (contd.)

In addition to the ongoing control activity of work procedures, the Group has designated control units which test compliance with procedures by different entities, with the limits defined and provisions of law, and which assist the operations managers to meet their operating risks responsibilities.

There are also automated controls in the operating systems aimed at limiting exposure to operating risk.

The nature of the activity, organizational structure and hierarchy of powers that set the Company apart, as well as the volume of funds that it manages, also expose it to the possibility of fraud and embezzlement by entities within and outside the Company. Regarding the management of fraud and embezzlement risks, the Company operates in accordance with the provisions of Section 5, Part 3, Chapter 1 of the Consolidated Circular concerning fraud and embezzlement. The Company has defined a policy that includes a methodical work framework to prevent, detect, report and respond to fraud and embezzlement that mitigates losses from such events. The key policies are reflected in the Company's work processes, actual work procedures and ethical code, the purpose of which is to guide the Company's employees regarding conduct, discipline and ethics in the workplace. Expanding the use of digital may result in increased exposure to insurance fraud risks. The Group invests considerable resources in identifying and mitigating these risks in routine activities and targeted monitoring.

Regarding legal risks, including compliance risks, the Company's Corporate Counsel is responsible for managing the legal risk, and where necessary she takes legal advice from outside sources and provides support and answers for all the legal aspects of the Company's activity. In this context, ongoing management of the legal risk is reflected mainly in providing ongoing legal advice to the Company's competent organs on the different subjects entailed in its operations, in preparing agreements and insurance policies, in managing the Company's legal knowledge, including updating the relevant entities of changes in the various statutory provisions and regulations that may affect the work of the Company, in adapting agreements and procedures to these changes, and routinely revising the agreements and documents that the Company uses, and in coordinating class actions against the Company and supervising the professional entities that handle these actions on the Company's behalf.

In order to satisfy the Company's responsibility for compliance with the requirements of the Law, the Company has appointed a Compliance and Enforcement Officer who assists Company employees in fulfilling their responsibility to comply with the provisions relevant to them. The Company defined a compliance plan \ and it appointed entities to be responsible for implementing and overseeing implementation of the plan.

Pursuant to the provisions of the Prohibition on Money Laundering Order and Financial Institutions Circular on the subject of the management of money laundering risks, the Company established a risk management policy on the subject and appointed an official to take responsibility for fulfilling obligations, based on the regulatory requirements, so as to ensure that an appropriate organizational infrastructure and measures to mitigate the risk are in place. The Company also formulated procedures for the implementation of a policy to manage money laundering and terror financing risks, and it updated relevant procedures to ensure that they address, among other things, the KYC process, classification of accounts that are high-risk for money laundering and terror financing, ensure that ongoing controls are in place and that records and reports are kept properly. Additionally, the Company adopted a risk-based approach so as to identify, estimate and effectively deal with money laundering and terror financing risks, in which context a survey was conducted to identify and assess the money laundering and terror financing risks in its different activities.

The IT system is a key component of the Company's proper management and operation. The Company's Board of Directors approved a policy document on the subject of IT management.

IT risks are routinely assessed both in relation to the management of significant IT processes and to the information and infrastructure systems. Risks arising from significant IT processes are handled as part of the control approach applied by Harel Hamishmar Computers, pursuant to Financial Institutions Circular on "Management of Information Technologies by Financial Institutions". The risk management department, together with Harel Hamishmar Computers, perform periodic studies to assess the potential impact of IT risks on the Company's core processes.

Note 36 - Risk management (contd.)

A. Risk management policy and processes (contd.)

Operating risks (contd.)

The Company's activity is exposed to cyber risks that could arise from unauthorized users, disruption of activity as a result of tampering with network activity or the shutdown of services, damage to systems, theft of digital assets, penetration of malicious codes or malware, penetration of the system or the divulging of information. The Company's approach to the management of cyber risks and data security consists of three layers: technology protection, the handling of events, and a layer of regulation, organization and methods (O&M). In addition to operating deployment, the Company has purchased insurance cover against loss from cyber events. The Company operates in accordance with the provisions of a financial institutions circular on "Management of Cyber Risks by Financial Institutions" that defines principles for the management of cyber risks by financial institutions and mandates the management of such risks.

The regulations address the following, among others: corporate governance - positions and areas of responsibility, risk assessment, cyber protection, detection and control, system security, communications and operation, user and password management, outsourcing, cloud computer services, physical and environmental security, security of channels of communication with customers and outside entities.

Regarding information security and cyber risks, and consistent with the circular on "Management of Cyber Risks by Financial Institutions", the boards of directors of the Group's financial institutions adopted and approved a policy on the management of cyber risks. The risk management department, together with Harel Hamishmar Computers, performs a periodic study of the Company's exposure to cyber risks.

Pursuant to a Financial Institutions Circular on the subject of outsourcing, the Company established a policy and formulated work processes which, among other things, include guidelines and criteria for defining activity as significant, principles for entering into outsourcing agreements and mechanisms to effectively oversee, monitor and control significant activities that are outsourced.

The Group's deployment for further DRP activity and business continuity takes place at two levels: deployment for a failure of the computer systems, deployment for a catastrophe at head office and deployment for a situation involving the unavailability of employees. Furthermore, the Group drills potential catastrophe events in which selected logistic and businesses processes are tested and key systems and software programs are run from the alternative site.

The Company has automation and operation ability to facilitate extensive business continuity and work from home.

Business and other risks

The insurance industry operates in a highly competitive environment, which requires dynamic management and an appropriate business strategy. The Company is exposed to intense competition in all operating segments, including due to structural changes in the market and the entry of new competitors - manufacturers as well as distribution channels. Growing competition is also affected by changes in regulation and the lowering of entry barriers. These changes may impair the Company's profitability, both due to their direct effect on the profitability of the Group's products and services and due to the increase in operating, marketing, and distribution costs. Harel's business strategy aims to address business risks as well.

The Company operates in a complex and multidisciplinary regulatory environment. Regulatory risk refers to the risk that changes in regulation may affect the Company's income, expenses, capital, areas of operation, or business environment. Substantial and ongoing regulatory changes in diverse fields require the Company to prepare and adapt continuously.

Strategic business risk arises from erroneous business decisions, inadequate implementation, or inadequate adaptation to changes in the business environment. The Company addresses these changes, among other things, by adjusting work processes, including by increasing investments in technology to maintain its leading position.

Note 36 - Risk management (contd.)

A. Risk management policy and processes (contd.)

Business and other risks (contd.)

Reputation risk involves potential harm to the trust of various interested parties, due to the actions, inaction, or conduct of the Company, its officers, employees, or other parties. Reputation risk management supports a broad, coordinated approach across the organization, ensuring alignment with different groups of interested parties. The Company's public relations unit continuously monitors media discourse and collaborates with all departments to manage communication effectively during events with the potential to negatively affect the Company's reputation.

ESG factors in general, and specifically climate risks, are a developing risk for insurance companies, due to the growing expectation of substantial changes in the preferences and expectations of interested parties, including customers, investors, and supervisory authorities. The Group attributes importance to the promotion of risk activity and management in this context and has adopted an ESG investment policy for management of all investment portfolios, in compliance with the Supervisor's requirements. In addition, the insurance company assessed its exposure to ESG risks in insurance activity. The Group monitors developing ESG risks and regulatory developments on the subject and revises risk management accordingly.

B. Regulatory requirements

Management of the Group's insurance and financial risks is guided by regulatory requirements which have been published in recent years, and include, among others:

- Provisions of the Consolidated Circular, Chapter 10 - Risk Management;
- Provisions of a financial institutions circular regarding the board of directors of a financial institution which includes a requirement to establish a policy on exposure to risks, exposure limits, procedures and instruments for the measurement and control of risks;
- Provisions of the Consolidated Circular on credit risk management and on the management of exposure to reinsurers;
- Provisions of the Solvency II based economic solvency regime in Israel;
- The Commissioner's circular concerning the principles for implementing an Own Risk and Solvency Assessment (ORSA);
- Provisions concerning the handling of specific categories of operating risks: embezzlement and fraud, management of cyber risks and IT risks, business continuity management, compliance risks, money laundering, outsourcing, and control over financial reporting (SOX);
- Asset investment regulations and rules;
- Various instructions included in the TASE Regulations.

C. Market risks

Market risk is the risk that the fair value or future cash flows of financial assets, financial liabilities, or insurance liabilities will change as a result of changes in market prices. Market risks include risks relating to interest rates, share price, credit margins, real estate prices, changes in the CPI and foreign currency.

Note 36 - Risk management (contd.)

C. Market risks (contd.)

1. Yield-dependent contracts

Yield-dependent liabilities are liabilities for contracts where the insurance benefits to which the beneficiary is entitled are dependent on the yield generated by certain investments made by the Company, net of management fees, as follows:

- Regarding policies issued until 2004 - fixed management fees and variable management fees of 15% on the real yield after deduction of fixed management fees.
- Regarding policies issued in or after 2004 - fixed management fees.

Regarding the assets and liabilities in respect of these products, the insurance companies do not have direct exposure for changes in the interest rate, in the fair value of investments or the CPI, other than a possible effect on the K factor in profit-sharing policies. This exposure was included in the table in section 2 below. The effect of the financial results on the insurance company's profit is limited to the exposure derived from variable management fees which change according to fluctuations in yields credited to the policyholders (for policies issued until 2004), and the overall volume of liabilities, from which the fixed management fees of the insurer regarding all yield dependent products are derived.

In view of the foregoing, the sensitivity tests and repayment dates of the liabilities specified in the following sections do not include yield-dependent contracts.

Any 1% change in the real return on the investments which are part of the yield-dependent contracts issued until 2004, for which the volume of liabilities at December 31, 2024 is NIS 25 billion, affects management fees by NIS 37 million. The effect of this change on policies issued in or after 2004 is insignificant.

2. Sensitivity tests associated with market risks

The following is a sensitivity analysis in relation to the effect of changes in these variables on profit (loss) for the period, and equity. The sensitivity analysis is based on the carrying amount and not on the economic value.

The sensitivity analysis is conducted with respect to financial assets, financial liabilities, and insurance and investment contract liabilities for the relevant risk variable, at each reporting date, assuming that all other variables remain constant. Thus, for example, a change in interest assumes that all other parameters are unchanged. The sensitivity analysis does not include the effect of yield dependent contracts as noted above. In addition, said changes do not reflect any significant or a lasting impairment in value of assets presented at amortized cost or of available-for-sale assets, and accordingly impairment loss were not included in respect of these assets.

The sensitivity test reflects only direct effects, without any secondary effects.

Notably, the sensitivities are not linear, such that changes which are greater or smaller than those described below are not necessarily a simple extrapolation of the effect of those changes.

It should be noted that application of the New Standards (IFRS 17 and IFRS 9) starting in 2025 is expected to change the results of the sensitivity tests.

Note 36 - Risk management (contd.)

C. Market risks (contd.)

2. Sensitivity tests associated with market risks (contd.)

	As at December 31, 2024							
	Interest rates (1,2,3)		Investments in capital instruments (4,7)		% change in CPI (8)		% change in exchange rate (6)	
	+1%	-1%	+10%	-10%	+1%	-1%	+10%	-10%
	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions
Profit or loss	**624**	**(1,994)**	**1**	**(1)**	**(47)**	**47**	**(241)**	**241**
Comprehensive income (equity) (5)	**11**	**(1,263)**	**541**	**(541)**	**(47)**	**47**	**52**	**(52)**

	As at December 31, 2023(*)							
	Interest rates (1,2,3)		Investments in capital instruments (4,7)		% change in CPI (8)		% change in exchange rate (6)(*)	
	+1%	-1%	+10%	-10%	+1%	-1%	+10%	-10%
	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions
Profit or loss	535	(1,507)	21	(21)	(52)	52	(214)	214
Comprehensive income (equity) (5)	(59)	(818)	503	(503)	(52)	52	51	(51)

(*) Restated

(1) The sensitivity analysis with respect to changes in the interest rate also refers to instruments at fixed interest and instruments with variable interest. Regarding fixed-interest instruments, the sensitivity analyses are in relation to the carrying amount of the instruments, and regarding the instruments with variable interest, the sensitivity analyses refer to the effect on performance during the current year

(2) According to the instruction in the circular on testing the adequacy of the reserve (LAT), the interest rate curves applied in calculating sensitivity are based on a risk-free interest rate curve at the report date. This curve is based on yields to redemption for marketable government bonds which are published by Mirvah Hogen, which was awarded the tender for price quotes. The interest rate curves are the same as those published by that company, up to the LLP point in the 25th year. Beyond this point, interest rate curves are determined by extrapolation based on the Smith-Wilson method as far as the last Ultimate Forward Rate (UFR), which was determined at 60 years. From this point on, the forward rate is fixed

(3) The analysis of sensitivity to interest rates also included the possible effect on the insurance liabilities. The effect of a 1% decrease in the interest rate on profit and comprehensive income for insurance liabilities that are included in the sensitivity test is estimated at NIS 1,970 million (NIS 1,482 million at December 31, 2023). The effect of a 1% increase in the interest rate on profit and comprehensive income for insurance liabilities that are included in the sensitivity test is estimated at NIS 599 million (NIS 510 million at December 31, 2023)
As part of the calculation of the insurance liabilities, from time to time the Group tests the interest rates used for calculating the insurance liabilities, in relation to the characteristics of the liability, the relevant average duration, and the appropriate interest rate for each category of liability. Additionally, there is exposure to changes in the discounting interest rates due to a test of the adequacy of the reserves which is included in the calculation of the insurance liabilities in life and health insurance and application of the best practice in calculating the insurance liabilities in non-life insurance
An analysis of the sensitivity to interest rate changes included the effects of changes in the said discounting interest rates. The sensitivity analysis also included fixed and variable interest marketable bonds, non-marketable debt assets and variable interest financial liabilities, derivative instruments and structured products. The note on direct risk below includes cash, debt assets, liabilities for insurance policies and other investment contracts and financial liabilities
The percentage of assets out of all assets that are not yield dependent to which a sensitivity test was applied is 28.5%

(4) Investments in instruments which have no fixed cash flow, or alternatively where the Company has no information on cash flow (based on the definitions in IFRS 7, do not include investments in associates)

(5) Sensitivity analyses in relation to equity also give expression to the effect on profit or loss for the period

(6) The main foreign currency is the US dollar, as noted in the linkage balance in section I below

(7) In view of the Finance Ministry's instructions in Insurance Circular 2011-1-1, mutual funds that invest in debt assets were included in the sensitivity to investments in capital instruments

(8) Pursuant to the Finance Ministry's instructions in Insurance Circular 2011-1-1, the test of sensitivity to the CPI does not include the reserve for unearned premium

Note 36 - Risk management (contd.)

C. Market risk (contd.)

3. Direct interest rate risk

Direct interest risk is the risk that a change in the market interest rate will cause a change in the fair value or cash flows from the asset or liability. This risk refers to assets that are settled in cash. The addition of the word "direct" emphasizes the fact that a change in the interest rate can also affect other types of assets, but not directly, such as the effect of a change in the interest rate on share prices.

Following is a list of the assets and liabilities by exposure to interest rate risks:

	As at December 31, 2024		
	Non-yield-dependent (1)	Yield dependent	Total
	NIS millions	NIS millions	NIS millions
Assets with direct interest rate risk			
Marketable debt assets	**9,936**	**23,862**	**33,798**
Non-marketable debt assets:			
Hetz bonds	**5,285**	**117**	**5,402**
Other	**25,946**	**9,966**	**35,912**
Other financial investments	**414**	**568**	**982**
Cash and cash equivalents	**2,470**	**7,388**	**9,858**
Reinsurance assets	**5,201**	**168**	**5,369**
Total assets with direct interest rate risk	**49,252**	**42,069**	**91,321**
Assets without direct interest rate risk (2)	**25,049**	**42,292**	**67,341**
Total assets	**74,301**	**84,361**	**158,662**
Liabilities with direct interest rate risk			
Financial liabilities	**25,797**	**529**	**26,326**
Liabilities for insurance contracts and investment contracts (3)	**32,425**	**83,274**	**115,699**
Others	**139**	**-**	**139**
Total liabilities with direct interest rate risk	**58,361**	**83,803**	**142,164**
Liabilities without direct interest rate risk (4)	**6,824**	**470**	**7,294**
Equity	**9,204**	**-**	**9,204**
Total equity and liabilities	**74,389**	**84,273**	**158,662**
Total assets net of liabilities and equity	**(88)**	**88**	**-**
Off-balance sheet risk	**2,222**	**1,740**	**3,962**

(1) In life insurance which is not yield dependent, most of the liability is for yield-guaranteed policies which are partially backed by Hetz designated bonds issued by the Bank of Israel throughout the policy period. The Company therefore has overlapping financial cover for part of the liabilities with respect to interest and linkage over the life of the policies. At December 31, 2024, the designated bonds cover approximately 55.9% of all the non-yield-dependent liabilities in life insurance that were issued until 1990.
For the Company's other investments in life insurance business, there is exposure to the interest rates that may apply when refinancing the investments whose duration might be less than the average lifespan of the insurance liabilities. For these products and for ongoing claims in payment in work disability insurance, calculation of the insurance liability is based on the tariff interest rate.

(2) Assets with no direct interest rate risk include shares, funds, fixed assets and land for rent, deferred acquisition costs and other property as well as balance sheet groups of financial assets for which the interest rate risks is relatively low (premiums due, current balances of insurance companies, and trade and other receivables)

(3) The method of determining the discounting interest rate applied in calculating the insurance liabilities in life insurance and non-life insurance is detailed in subsection E in this Note in the section relating to key assumptions made for the purpose of the actuarial assessment

(4) Liabilities without direct interest rate risk include reserves for tax and various debit and credit balances

Note 36 - Risk management (contd.)

C. Market risk (contd.)

3. Direct interest rate risk (contd.)

	As at December 31, 2023		
	Not yield-dependent (1)	Yield dependent	Total
	NIS million	NIS million	NIS million
Assets with direct interest risk			
Marketable debt assets	8,520	23,014	31,534
Non-marketable debt assets			
Hetz bonds	5,232	108	5,340
Other	18,641	11,224	29,865
Other financial investments	365	621	986
Cash and cash equivalents	5,733	6,733	12,466
Reinsurance assets	5,455	150	5,605
Total assets with direct interest risk	43,946	41,850	85,796
Assets without direct interest risk (2)	20,252	38,758	59,010
Total assets	64,198	80,608	144,806
Liabilities with direct interest risk			
Financial liabilities	16,290	232	16,522
Liabilities for insurance contracts and investment contracts (3)	32,206	79,657	111,863
Other	263	-	263
Total liabilities with direct interest risk	48,759	79,889	128,648
Liabilities without direct interest risk (4)	6,644	561	7,205
Equity	8,953	-	8,953
Total equity and liabilities	64,356	80,450	144,806
Total assets net of liabilities and equity	(158)	158	-
Off-balance sheet risk	2,136	1,814	3,950

(1) In life insurance which is not yield dependent, most of the liability is for yield-guaranteed policies which are partially backed by Hetz designated bonds issued by the Bank of Israel throughout the policy period. The Company therefore has overlapping financial cover for part of the liabilities with respect to interest and linkage over the life of the policies. At December 31, 2023, the designated bonds cover 56.1% of all the non-yield-dependent liabilities in life insurance that were issued until 1990

For the Company's other investments in life insurance business, there is exposure to the interest rates that may apply when refinancing the investments whose duration might be less than the average lifespan of the insurance liabilities. For these products and for ongoing claims in payment in work disability insurance, calculation of the insurance liability is based on the tariff interest rate

(2) Assets with no direct interest rate risk include shares, funds, fixed assets and land for rent, deferred acquisition costs and other property as well as balance sheet groups of financial assets for which the interest rate risks is relatively low (premiums due, current balances of insurance companies, and trade and other receivables)

(3) The method of determining the discounting interest rate applied in calculating the insurance liabilities in life insurance and non-life insurance is detailed in subsection E in this Note in the section relating to key assumptions made for the purpose of the actuarial assessment

(4) Liabilities without direct interest rate risk include reserves for tax and various debit and credit balances

Note 36 - Risk management (contd.)

D. Liquidity risks

Liquidity risk is the risk that the Company may be forced to dispose of its assets at an inferior price in order to meet its obligations.

The Group is exposed to risks associated with uncertainty regarding the date on which it will be required to pay claims and other benefits to its policyholders relative to the volume of money available for this purpose at that time. However, a significant part of its insurance liabilities in the life insurance segment is not exposed to liquidity risks because of the nature of the insurance policies, as described below. It should be noted, however, that the possible need to raise funds unexpectedly and within a short period, may require rapid disposal of significant assets at sale prices which do not necessarily reflect their market values.

Yield dependent policies - life insurance – according to the conditions of the contracts, their owners are entitled to receive the value of said investments and nothing more. Accordingly, if the value of the investments decreased for any reason whatsoever, there will be a similar decrease in the Company's liabilities. Accordingly, the Group is not exposed to any liquidity risks.

Contracts which are not yield-dependent – in life insurance – 11.9% of the life insurance portfolio is policies which are not yield dependent but guarantee an agreed yield. These policies are backed partially by earmarked bonds issued by the Bank of Israel. The Company may sell these bonds when redemption of these policies is required.

The Group's liquidity risk is therefore mainly attributable to outstanding assets that are not earmarked bonds and are not assets against yield-dependent contracts. At the report date, these assets account for 26.1% (NIS 42 billion) of all Group assets. Of these asset balances, NIS 6.3 billion are marketable securities available for immediate disposal.

1. Management of assets and liabilities

The Group manages its assets and liabilities in accordance with the Insurance Supervision Law and subsequent regulations.

The following tables summarize the maturity dates of undiscounted insurance and financial liabilities of the Group since the amounts are not discounted, they are not consistent with the balance of insurance and financial liabilities in the Statement of Financial Position.

The maturity dates of life insurance and health liabilities are included in the tables as follows:

- Savings money based on their contractual maturity dates, namely - retirement age, excluding cancellation discounts, assuming that the entire saving will be withdrawn as lump sum and not as an annuity;
- Liabilities for annuities in payment, work disability in payment, long-term care in payment and healthcare based on the projected payment dates according to the actuarial estimate;
- The liability in respect of outstanding claims and the risk reserves in respect of life insurance and health insurance contracts are reported in the column "no defined repayment date";
- Maturity dates of non-life insurance liabilities were included in the tables in accordance with projected maturity dates, based on the Group's actuarial estimates;
- Insurance liabilities in grouped property branches and in branches not signed by the actuary are included in the column with a repayment date of "up to 3 years";
- Maturity dates of financial and investment contract liabilities were included on the basis of their contractual maturity dates. If the counter-parties to these contracts are entitled to choose the timing of the settlement, the liability is included on the basis of the earliest date when the Group may be required to settle its liability.

Note 36 - Risk management (contd.)

D. Liquidity risks (contd.)

2. Liabilities for life* and health insurance contracts

	Up to one year	1-5 years	5-10 years	10-15 years	More than 15 years	No set maturity date	Total
	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions
As at December 31, 2024	**4,347**	**5,239**	**3,166**	**1,453**	**904**	**7,587**	**22,696**
As at December 31, 2023	4,323	5,117	3,072	1,436	964	6,967	21,879

* Not including cash flows for yield-dependent contracts

3. Liabilities for non-life insurance contracts

	Up to 3 years	3-5 years	More than 5 years	No set maturity date	Total
	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions
As at December 31, 2024	**6,732**	**2,005**	**2,666**	**108**	**11,511**
As at December 31, 2023	6,957	2,023	2,468	133	11,581

4. Financial liabilities and liabilities for investment contracts

	Up to one year	1-5 years	5-10 years	10-15 years	More than 15 years	Total
	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions
As at December 31, 2024						
Financial liabilities	**11,695**	**4,853**	**3,471**	**-**	**-**	**20,019**
Liabilities for investment contracts*	**21,392**	**-**	**-**	**-**	**-**	**21,392**
As at December 31, 2023						
Financial liabilities	6,636	3,883	3,717	86	-	14,322
Liabilities for investment contracts*	19,267	-	-	-	-	19,267

* Liabilities of up to one year include liabilities for yield-dependent investment contracts. At December 31, 2024 and 2023, these outstanding liabilities amounted to NIS 21,284 million and NIS 19,122 million, respectively, and are due for repayment upon request (on-call). These liabilities were classified as repayable up to a year, despite the fact that in practice their actual repayment dates could be many years later

5. Liabilities for lease contracts

	Average effective interest rate	Up to one year	1-5 years	More than 5 years	Total
	%	NIS millions	NIS millions	NIS millions	NIS millions
As at December 31, 2024					
Lease liabilities	**1.4%-6.07%**	**31**	**53**	**-**	**84**
As at December 31, 2023					
Lease liabilities	1.4%-6.07%	29	44	4	77

Note 36 - Risk management (contd.)

E. Insurance risks

The insurance risk includes:

Underwriting risks:	The risk of incorrect pricing because of deficiencies in the underwriting process, and the gap between the risk when pricing and determining the premium, and actual occurrence, such that the premiums collected are not sufficient to cover future claims and expenses. These differences may result from random changes in business results and changes in the average cost of claims and/or claim frequencies, as a result of various factors.
Reserve risks:	The risk of incorrect evaluation of insurance liabilities, which may lead to a situation where the actuarial reserves are inadequate to cover all liabilities and claims. The actuarial models are used by the Group to evaluate its insurance liabilities, are based on the assumptions that patterns of conduct and past claims are an indication of future events. The Company's exposure consists of the following risks: 1. Model risk - the risk of choosing an incorrect model for pricing and/or evaluating insurance liabilities. 2. Parameter risk - the risk of using incorrect parameters, including a risk that the amount that will be paid for settlement of the company's insurance liabilities, or that the date of settlement of the insurance liability, will be different than expected.
Catastrophe risk:	Exposure to an isolated event of great significance (catastrophe) such as natural perils and disasters, war, terror or earthquake that will result in accumulated loss on a large scale. The most significant catastrophe to which the Group is exposed to an earthquake in Israel.

At the date of the report, the maximum anticipated loss in non-life insurance business as a result of exposure to single large loss or accumulative loss for a particularly large event, under a maximum probable loss (MPL) of 2.1% is NIS 16, 957 million gross and NIS 176 million in self-retention. In accordance with the Company's risk management policy, the Company acquires more extensive reinsurance cover to cover a particularly large loss with the probability of maximum loss and accordingly, the actual cover is higher than the maximum loss noted above.

For information about the various insurance products for which the insurer has exposure to insurance risk, see details of insurance liabilities, by insurance risk, in Note 3C - Additional information about the non-life insurance sector.

1. Insurance risk in life insurance and health insurance policies

a. General

The following is a description of the various insurance products and assumptions that are used for calculating the liabilities, by product type.

As a rule, and in accordance with the Commissioner's provisions, insurance liabilities are calculated by the actuary, using accepted actuarial methods and consistent with previous years. These liabilities are calculated in accordance with relevant coverage data such as age and sex of the insured party, policy period, commencement date of the insurance, type of insurance, periodic premium, and the sum insured.

Note 36- Risk management (contd.)

E. Insurance risks (contd.)

b. Actuarial methods for calculating insurance liabilities

1. "Adif" and "Investment Track" plans.

   These policies have an identified savings' component. The basic and principal reserve is the amount of accumulated savings accrued plus yield in accordance based on the policy conditions, as follows:

   - Fund linked to the return on the investment portfolio (yield dependent contracts).
   - Fund linked to the CPI plus a guaranteed fixed interest or entitlement to a guaranteed yield, against matching assets (guaranteed yield policies).

   With respect to other insurance components attached to these policies (such as disability, death, and long-term care) - the insurance liability is calculated separately as stated below.

2. "Meurav" polices and the like (plans of the "Traditional" type)

   "Meurav" and similar policies combine a savings component in the event that the insured party is still alive at the end of the policy term, with a risk component for death over the policy term. The insurance liability for these products is calculated for all coverage, using discounted cash flows for expected claims, including payment at the end of the term, less expected future premiums. This calculation is based on the assumptions used in pricing the products and/or assumptions based on claims experience, including interest rates ("tariff interest") and mortality or morbidity tables, (see also second-tier section e.2 below). The calculation was made using the "Net Premium Reserve" method which does not include under expected receipts, the component that was included in the premium tariff to cover commissions and expenses, and on the other hand, does not deduct expected expenses and commissions. The reserve for yield-dependent traditional products is calculated in accordance with returns actually earned less management fees.

3. Liabilities for annuities in payment out are calculated pursuant to life expectancy, based on updated mortality tables which were prepared after considering the group's experience, with the help of data published by the Ministry of Finance actuary in a circular issued by the Commissioner. For additional information, see Note 3C above

4. Liabilities for whole-life annuities in respect of policies in force (in payment and paid up) that have not yet reached the exercising of the annuity stage, or have reached the age of retirement but payment has not yet commenced, is calculated in accordance with the probability of withdrawal of the annuity for the anticipated life expectancy, on the basis of updated mortality tables. When updating the mortality tables, there is a gradual increase of the liability for annuity taking into account expected profit from the policies, until the insureds reach retirement age, in accordance with circulars issued by the Commissioner. The lower the guaranteed annuity coefficients in the policies, the greater the required increase. For additional information, see Note 3C above.

5. Other life insurance policies and health policies insurance include pure risk products (such as work disability, death, long-term care, critical illness, and incapacity) which are sold as stand-alone policies or are attached to basic policies such as "Adif," Investment Track or "Masorti". Liabilities for these policies are calculated using actuarial methods. For some of these policies, the calculation is made using the Gross Premium Reserve in which the expected flow of receipts includes all premium components less expected commissions and expenses. Regarding on-going claims, in work disability insurance, the insurance liability is calculated based on the anticipated duration of the payment period, discounted using the tariff interest.

6. The insurance liability in the long-term care policies purchased as part of the transaction to acquire the operations of Eliahu is calculated using the Net Premium Reserve Method, in view of the different specifications of this policy, relative to Harel's existing plans.

Note 36- Risk management (contd.)

E. Insurance risks (contd.)

1. Insurance risk in life insurance and health insurance policies (contd.)

b. Actuarial methods for calculating insurance liabilities (contd.)

7. Liabilities for ongoing claims in payment in long-term care (LTC) and work disability (P.H.I.) insurance are calculated are calculated on the basis of individual assessments for each claim, based on the following parameters: amount of monthly compensation, the maximum period for payment of the claim, seniority of the claim and status of the claim. A reserve for IBNR is added to this amount, which is calculated statistically on the basis of past experience.
8. Insurance liabilities for group insurance include a reserve for IBNR (claims incurred but not yet reported), a provision for continuity and a provision for future loss, as necessary.
9. Liabilities for outstanding claims in health insurance are calculated based on the Company's experience.
10. Liabilities for outstanding life-insurance claims consist principally of provisions for outstanding claims for death, based on the sum at risk.
11. The liabilities for outstanding claims in respect of IBNR claims in life insurance and health insurance are usually calculated based on the Company's experience.
12. Special provision is recorded if the Liability Adequacy Test, described in Note 3C shows that it is necessary.

c. Key assumptions used for calculating insurance liabilities

1. Discounting rate

   For Meurav and similar insurance policies ("Traditional") (see 1B above) and pure risk products with fixed premiums, the interest rate that serves for discounting is as follows:

   - For insurance policies backed partially by earmarked bonds, tariff interest of between 3% and 5%, CPI-linked;
   - For yield-dependent products, issued from 1991 onwards, tariff interest of 2.5%, linked. In accordance with terms of the policies, changes in interest rates will be charged to the insured parties;
   - For the active life reserve in personal lines long-term health and LTC products – a tariff interest rate of 2.5% for health, 3% for LTC, linked.

   The discounting interest rate may change due to significant changes in the interest rate in the economy for the long term.

   On the updated discounting interest rates and their effect on the financial statements, see section E2.

2. Mortality and morbidity rates

   a. The mortality rates used in the calculation of insurance liabilities for death of policyholders before they reach retirement age (i.e. not including the death of insureds who receive annuities and monthly compensation for work disability or long-term care) are generally the same as the rates used in determining the tariff.

   b. The liability for whole-life annuity payments for insureds who are already receiving an annuity is calculated in accordance with revised mortality tables published by the actuary in the Finance Ministry. These tables are also used for the mortality calculations for insureds who have not yet begun to receive an annuity from the expected date for receiving the annuity. Up to the anticipated date for receiving the annuity, a revised mortality table is used which is calculated on the basis of the Company's experience.

   c. The mortality tables published by the Finance Ministry's actuary are also used when conducting a Liability Adequacy Test, described in Note 3C.

Note 36- Risk management (contd.)

E. Insurance risks (contd.)

1. Insurance risk in life insurance and health insurance policies (contd.)

c. Key assumptions used for calculating insurance liabilities (contd.)

d. An increase in the assumption of mortality rates, due to an increase in the actual mortality rate, to a level that exceeds the existing assumption, will lead to a reduction in the insurance liabilities for all-life annuity payments. It should be noted that the last few decades have seen an opposite trend of increases in longevity and decreases in mortality. The mortality assumption which is used to calculate annuity liabilities takes into account a discount for future increases in longevity.

e. Morbidity rates consider the frequency of claims for critical illness, work disability, long-term care, operations and hospitalization, incapacity because of accident, among other things. These rates were set on the basis of the Company's experience.

f. An increase in the assumptions for morbidity rates will result in an increase in the insurance liability for incidence from critical illness, disability, long-term care, operations, hospitalization and incapacity due to accidents.

3. Annuity take-up rates

Life insurance contracts, which include a savings component, were managed, for money deposited up to 2008, in two tracks: a capital track and an annuity track. From 2008, all policies are annuity based. In some policies, the insured party may choose the track upon retirement. As the amount of insurance liability is different in each of the two tracks, the Company must determine the percentage of insurance plans in which the policyholders choose the annuity track. This rate is set in accordance with the instructions of the Capital Market, Insurance and Savings Authority, with adjustments for the Company's experience.

From time to time, Harel Insurance carries out a study regarding the age of retirement and annuity take-up rate integrated with the age-dependent model. For additional information see section E2 below.

4. K factor

The supplementary reserve for annuity is accumulated gradually for money accrued in policies up to the end of the Reporting Period, taking into account the expected profits from the policies until the insureds reach retirement age.

The gradual provision is made using the K factor which is derived from the rate of future income. The higher the K factor, the lower the liability for supplementing the reserve for annuity that will be recognized in the financial statements and the amount to be deferred and recorded in the future will be higher.

As instructed by the Commissioner, the actuary of Harel Insurance determines two separate K values, one for the liability for the yield-dependent savings component and the other for the liability for the yield-guaranteed savings component.

The Company's policy is for the K value to be fixed and it will only be reduced if it cannot be justified. At December 31, 2024 and December 31, 2023, the K value for yield-guaranteed policies is 0% and for the profit-sharing policies it is 0.935%. The outstanding reserve for the annuity supplement included in the financial statements at December 31, 2024 and December 31, 2023, was NIS 1,106 million and NIS 1,233 million, respectively. The reserve expected to be recognized in the financial statements by applying the K factor at December 31, 2024, and December 31, 2023, was NIS 1,018 million and NIS 839 million, respectively.

5. Cancellation rates

The rate of cancellation affects the insurance liabilities, in respect of some health insurance contracts and all-life annuity contracts during the period before payments begin. Cancellation of insurance policies could result from cancellation initiated by the Company because the payment of premiums has ceased, or due to surrender by the policyholders. The assumptions regarding cancellation rates are based on the Company's experience, the type of product, the lifespan of the product and sales trends.

Note 36- Risk management (contd.)

E. Insurance risks (contd.)

2. Effect of changes in the key assumptions (other than the interest effect) applied in calculating the insurance liabilities in the life insurance and health insurance sectors

	2024	2023	2022
	NIS million	NIS million	NIS million
<u>**Life insurance**</u>			
Revised actuarial assumptions following a study (a)	**305**	90	-
Revised study of the retirement rate and annuity	**-**	-	(51)
Update relating to the development of expenses in the actuarial model	**-**	-	(23)
Application of a circular on revised demographic assumptions (b)	**(106)**	-	(279)
Total effect of changes in the key assumptions in the life insurance segment	**199**	90	(353)
<u>**Health insurance**</u>			
Personal lines health			
Revised assumptions following research and revised VAT rate (c)	**(47)**	(24)	28
Update relating to the development of expenses in the actuarial model	**-**	-	58
Application of a circular on revised demographic assumptions (b)	**(5)**	-	(12)
	(52)	(24)	74
Long-term care			
Revised assumptions following research and revised VAT rate (d)	**12**	(50)	(358)
Update relating to development of expenses in the actuarial model	**-**	-	120
	12	(50)	(238)
Total effect of changes in the key assumptions in the health insurance segment	**(40)**	(74)	(164)
Total effect of changes in the key assumptions in the life and health insurance segment before tax	**159**	16	(517)
Total effect of changes in the key assumptions in the life and health insurance segment after tax	**105**	11	(340)

<u>Changes in 2024</u>

a. The results for 2024 were affected by the revised actuarial assumptions (Q3) to reflect the Company's experience regarding the option for annuity, in accordance with different annuity tracks. The effect of the foregoing led to a reduction in the supplementary reserve for annuity of NIS 305 million before tax.

b. The results for 2024 were affected by the implementation of an insurance circular (in the second quarter) on “Amendment of the Provisions of the Consolidated Circular on the Measurement of Liability - Revised demographic assumptions in life insurance and pension funds” (“the Circular). The Circular includes an update of the default assumptions used to calculate the liabilities and coefficients in life insurance policies and pension funds. Application of the amendment in the Circular resulted in an increase of NIS 106 million before tax in insurance liabilities in the life insurance sector. Additionally, application of the Circular resulted in an increase of NIS 5 million before tax in insurance liabilities in the health sector.

c. The results in 2024 were affected by revised assumptions following studies conducted by the Company (Q4) regarding morbidity assumptions in the coverage for surgery, medication, and ambulatory services, and regarding cancellation rates for medical expense policies. This resulted in an increase in insurance liabilities in the amount of NIS 43 million before tax. Additionally, the revised VAT rate led to an increase in insurance liabilities of NIS 4 million before tax.

d. The results in 2024 were affected by revised assumptions following studies conducted by the Company (Q4) regarding with the cancellation rates in the personal lines long-term care health sector. The effect of the foregoing led to a reduction in insurance liabilities of NIS 17 million before tax. Additionally, the revised VAT rate led to an increase in insurance liabilities of NIS 5 million before tax.

Note 36- Risk management (contd.)

E. Insurance risks (contd.)

3. Sensitivity tests in life insurance and health insurance

The sensitivity tests refer to the assumptions underlying the calculation of the insurance liabilities in the financial statements.

	As at December 31, 2024							
	Cancellation rates (redemptions, settlements, reductions)		Morbidity rate		Mortality rate		Annuity take-up rate*	
	+10%	-10%	+10%	-10%	+10%	-10%	+5%	-5%
	NIS million							
Profit (loss)	65	(77)	(476)	435	871	(1,161)	(68)	72

	As at December 31, 2023							
	Cancellation rates (redemptions, settlements, reductions)		Morbidity rate		Mortality rate		Annuity take-up rate*	
	+10%	-10%	+10%	-10%	+10%	-10%	+5%	-5%
	NIS million							
Profit (loss)	64	(73)	(368)	327	838	(991)	(75)	74

* For the amount of the supplementary reserve for annuity, see Note 19A

4. Insurance risk in non-life insurance policies

The following is a description of various insurance products, methods and assumptions used in calculating liabilities in accordance with product type.

The Group has insurance contracts in the field of non-life insurance, mainly in the compulsory motor sectors, liabilities, motor property (CASCO), and property insurance.

Compulsory motor insurance policies cover the policyholder and the driver for all liabilities that they may incur under the Compensation for Road Accident Victims Law, 1975, due to physical injury as a result of the use of the motor vehicle, to the driver, to passengers of the vehicle, or to pedestrians injured by the vehicle. Compulsory motor vehicle claims are "long tail", that is – a long time lag from the date of the event until final settlement of the claim.

Liability insurance is geared to cover debts of an insured party for damage that he may cause to a third party. The main types of insurance include - third party, employers' liability, professional liability, product liability, and directors and officers (D&O) liabilities. The timing of submitting the claim and settlement is affected by a number of factors such as type of coverage, policy terms, legislation, and legal precedents. Generally, liability claims are long tail.

Note 36 - Risk management (contd.)

E. Insurance risks (contd.)

4. Insurance risk in non-life insurance policies (contd.)

Policies that insure against motor vehicle damage and third party motor property damage grant the insured party coverage for property damage. The coverage is generally limited to the value of the vehicle that was damaged. The premium for motor vehicle property insurance requires approval, as does the policy in general, by the Commissioner, and is an actuarial and partially differential rate (which is not uniform for all insured parties and is adjusted for risk). Said tariff is based on a number of parameters, those related to the vehicle of the insured policyholder (such as type of vehicle and year of manufacture), and those related to the specifications of the insured party (such as age of the driver and claims experience). The underwriting process is performed partially by means of the actual tariff and through a set of procedures designed to check the insured's claims experience, which include presentation of proof of "no-claims" from the previous insurer for the last three years, proof of updated protection, which are integrated automatically during the issue of the policies.

In most cases, motor vehicle insurance policies are issued for a period of one year. In addition, in most cases, claims against these policies are settled close to the date of the insurance event.

Property insurance is intended to grant the insured party coverage against physical damage to his property and loss of profit following damage to his property.

The main risks that are covered by the policies are - risk of fire, explosions, burglary, earthquakes and natural perils. Property insurance sometimes includes cover for loss of profit following physical damage to the property. Property insurance is an important part of residential, business, engineering, and cargo (maritime, land, air) insurance policies. In most cases, claims against these policies are settled close to the date of the insurance event.

a. Principles for calculating the actuarial estimate in non-life insurance

General

(a) Liabilities for non-life insurance contracts include the following key components:
- provision for unearned premiums;
- premium deficiency;
- outstanding claims;
- and net of - deferred acquisition costs.

The provision for unearned premiums and deferred acquisition costs is calculated independent of any assumptions, and accordingly is not exposed to any reserve risk. Regarding the manner of calculating the provisions, see Note 3.

(b) In accordance with the Commissioner's instructions, in the grouped and non-grouped branches, outstanding claims are calculated by the actuary responsible for non-life insurance, using accepted actuarial methods consistent with the previous year. The actuary has the discretion to choose the appropriate actuarial method for all insurance branches, and for each event year/underwriting year, based on the extent to which the method is appropriate for the branch. Sometimes a combination of methods is used. The evaluations are based primarily on experience with developments in claims payments and/or developments in the amount payments and individual evaluations. The evaluations include assumptions regarding the cost of an average claim, claim handling costs, and frequency of claims. Additional assumptions may relate to changes in interest rates, timing of payments, payments of claims including direct and indirect costs to settle claims, less subrogation and deductibles.

(c) The use of actuarial methods based on claim development is appropriate mainly when there is stable and adequate information on claims payments and/or individual evaluations in order to evaluate the total estimated cost of the claim. If information on actual claims experience is not sufficient, the actuary, occasionally, makes use of a weighted calculation, taking into account known estimates (in the company and/or the branch) and actual claims development. A greater weight is given to an estimation based on experience gained over time and additional information on claims.

Note 36 - Risk management (contd.)

E. Insurance risks (contd.)

4. Insurance risk in non-life insurance policies (contd.)

a. Principles for calculating the actuarial estimate in non-life insurance (contd).

General (contd.)

(d) Qualitative evaluations and discretion are also used regarding the possibility that past trends will not continue in the future. For example - following a non-recurring event, internal changes such as a change in the portfolio mix, in underwriting policy, and procedures on handling claims, and for the effect of external factors such as legal decisions, and legislation. When these changes are not fully reflected in past experience, the actuary updates the models and/or makes specific provisions on the basis of statistical and/or legal evaluations, as relevant.

(e) In other branches where an actuarial model is not applied, the provision is based (gross and on retention) on professional opinions prepared by company experts, and on recommendations of legal counsel.

(f) The re-insurers' share of outstanding claims is estimated taking into account the type of treaty (proportionate/not proportionate), actual claims experience and the premium that was transferred to the reinsurer.

(g) The estimate of outstanding claims for the Company's share of the Pool, in incoming business and co-insurance received from other insurance companies (leading insurers) was based on a calculation made by the Pool or by the other insurers.

b. Actuarial methods used in the key insurance sectors

Actuarial estimates are based mainly on information in respect of claims paid and individual estimates that also include direct expenses for claims settlement, net of subrogation and deductibles. Notably, in accordance with instructions of the Commissioner of Insurance, the provisions must also include indirect costs for claims settlement for all underwriting years.

(a) Property loss sector (excluding insurance for the work of building contractors, natural perils and terror damages) and comprehensive household (including mortgage banks) branches

The models used by the group include - a payments development model, outstanding claims development model, a quantitative claims model (with use of the following methods - "Link Ratios", "Chain Ladder") and averages for a development period up to two and a half years, plus a tail for any subsequent development period. For old, open claims, (with a loss year before two and half years ago), the Group takes the contingent claims as they were valued by the claims department in non-life insurance. Extraordinary events are treated separately.

In the comprehensive homeowners sector (including mortgage banks), a stochastic model is used to estimate the reserve (Bootstrap model) for the purpose of compliance with the Commissioner's position on the best practice for calculating non-life insurance reserves.

(b) Motor property sector

1. Accidents

The models used by the group include - a payments development model, outstanding claims development model, a quantitative claims model (using the following methods - "Link Ratios", "Chain Ladder") and averages for development terms up to two and a half years, plus a tail for any subsequent development period.

In respect of old and open claims (where damage was more than two and a half years ago), the group accepts the outstanding claims as evaluated by the non-life insurance claims division.

Extraordinary events are accounted for separately.

Note 36 - Risk management (contd.)

E. Insurance risks (contd.)

4. Insurance risk in non-life insurance policies (contd.)

b. Actuarial methods used in the key insurance sectors (contd.)

(b) Motor property sector (contd.)

2. Total loss/theft

In respect of known claims, the outstanding claims are as they were estimated by the non-life claims department.

Regarding unreported claims, the number of claims not yet reported is determined using the Link Ratios and Chain Ladder methods. The cost of claims is determined by the averages method. The calculation is made on a gross basis, before the reinsurer’s share. The reinsurer's share in proportional contracts is calculated in accordance with the reinsurance treaties.

In the motor property sector, a stochastic model is used to estimate the reserve (Bootstrap model) for the purpose of compliance with the Commissioner’s position on the best practice for calculating non-life insurance reserves.

(c) Compulsory motor

The models used by the group include - a payments development model, outstanding claims development model, a quantitative claims model (with use of the following methods - "Link Ratios", "Chain Ladder"), and averages for development periods of up to 17 years, plus a tail for subsequent periods of development. For later underwriting years the company uses the Bornhuetter - Ferguson (BF) method. In addition, the standard deviation is calculated using the Thomas Mach method.

In respect of old and open claims the company includes the amount of outstanding claims, as estimated by the non-life insurance claims division. The reserve for the company's share in the residual insurance arrangement ("the Pool") is based on a calculation prepared by the Pool.

A stochastic model is used to estimate the reserve (Bootstrap model) for the purpose of compliance with the Commissioner’s position on the best practice for calculating non-life insurance reserves.

(d) Liabilities branches - employers' liability, third party liability (including facultative claims), professional liability (including doctors and managers liability) and product liability.

The models used by the group include - a payments development model, outstanding claims development model, a quantitative claims model (using the following methods - "Link Ratios", "Chain Ladder"), and averages for development periods of up to 17 years, plus a tail for subsequent periods of development. For later underwriting years the company uses the Bornhuetter-Ferguson (BF) method. In addition, standard deviations are calculated using the Thomas Mach method.

In respect of old open claims, outstanding claims are included as estimated by the non-life insurance claims division. In the liabilities sectors, excluding third party liability, the provision in respect of facultative claims is the maximum between total of outstanding claims, as estimated individually by the non-life insurance claims division, and total outstanding claims calculated using said actuarial model. In the third party liability the provision for facultative claims is made based on a separate actuarial model.

The calculation is made gross, before the reinsurers’ share. The reinsurers’ share is calculated in accordance with the agreements. In XOL reinsurance - the company takes into consideration the estimates of the known big claims, as well as the premium paid to reinsurers in recent years.

A stochastic model is used to estimate the reserve (Bootstrap model) for the purpose of compliance with the Commissioner’s position on the best practice for calculating non-life insurance reserves.

Note 36 - Risk management (contd.)

E. Insurance risks (contd.)

4. Insurance risk in non-life insurance policies (contd.)

b. Actuarial methods used in the key branches of insurance (contd.)

(e) Provisions based on other evaluations (non-actuarial)

In accordance with the Commissioner's instructions, Harel Insurance also examined the calculation of the actuarial provisions for the following sectors: work performed by building contractors, natural perils, terror losses and sale guarantees. Due to a lack of statistically significant information, an actuarial model was not applied in these branches. The outstanding claims with respect to these branches were included based on estimates that included the following components:

1. Known outstanding claims, including an appropriate provision for settlement and handling expenses up to the end of the period, and which have not yet been paid at the date of the financial statements. This provision is based, mainly, on an individual evaluation of each claim according to an opinion received from the Company's attorneys and its experts handling the claims.
2. Provision for claims incurred but not yet reported (IBNR) and provision for claims incurred but not enough reported (IBNER) is based on Harel Insurance's actual experience.

c. Key assumptions used in preparing the actuarial evaluations

1. The actuarial models are based on data adjusted to the date of the report, under the basic assumption that in future, the cost of claims will increase by the amount of the increase in the CPI and provisions will be discounted in accordance with the best practice instructions and the risk-free interest rate curve adjusted to the non-liquid nature of the liabilities, and taking into account the difference between the fair value and carrying amount of the non-marketable assets.
2. A supplement is included for the risk margin in the liabilities branches which is based on a calculation of standard deviation using the Thomas Mack method.
3. Claims development tail - use is made of a tail, as described above.

d. Arrangement with the National Insurance Institute concerning compensation under the National Insurance Law

In August 2024, Harel Insurance and the National Insurance Institute signed an arrangement ("the Settlement", and "the NII", respectively), according to which the parties agreed on the amount that Harel Insurance is required to pay the NII for road accidents in the period from January 1, 2016 to December 31, 2022. The Company's financial statements reflect the agreement that was signed

Note 36 - Risk management (contd.)

F. Risks involved in financial activities

Financial activity exposes the group to various risks the most important of which are: market risk (including foreign currency risk and fair value risk in respect of interest rates, and index risks), credit risk, liquidity risk and operating risk.

1. Market risk

The Company's subsidiaries in the financial services sector are directly or indirectly involved in such areas as investment management, portfolio management, financial products, mutual fund management and hedge fund management, and therefore operate in a capital market characterized by fluctuations, arising, among other things, from the effects of political, governmental, security and economic factors in Israel and the world, over which the Group has no control. Such fluctuations, together with the fact that some of the companies cover their obligations with derivatives, which are more volatile, influence the scope of public activity in the capital markets and the prices of securities. Market risk is defined as “the risk of losses on and off balance-sheet positions attributable to changes in market prices”.

2. Credit risk

The companies are exposed to the credit risks of various bodies, including institutions in which cash and securities have been deposited and subsequently used to borrow securities that are assets of the subsidiaries, or their customers, as well as bodies that have issued derivatives that are purchased by the subsidiary. When subsidiaries deposit securities with a foreign bank or broker, the exposure arises from the fact that should the foreign bank or broker become insolvent, a significant amount of time may pass before the subsidiaries are able to retrieve the securities that were deposited, as above, if at all.

3. Operating risk

An operating risk is defined as “the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events”.

Operating risk is an integral part of all activities, products, systems and work processes carried out in the Company. Awareness and management of the operating risk at all levels is therefore important.

Managers at the Company’s different management echelons are responsible for the ongoing management of operating risk and taking action to minimize the risk, with professional support from the risk management and control department. Some of the operating risks are managed by other control entities, for the compliance officer, the head of information security and head of deployment for crisis management.

The Company routinely assesses its exposure to operating risks and takes measures to reduce them.

4. Liquidity risk

Harel Finance Group works to maintain the existing balance between the ongoing financing it receives and existing flexibility, by using overdraft facilities and loans from banks and others.

Liquidity risk reflects the exposure to a situation in which there is a shortage of cash or available sources of credit for the purpose of conducting activity, at times when the issuer has an immediate need for liquid assets.

5. Interest rate risk

Likewise, there are risks in operations involving financial instruments that stem from changes in the interest rates. Sometimes, interest rates are a parameter in pricing derivative financial instruments, and are used by the Group to manage its investments. An unexpected change in the interest rate may cause the Group a gain or loss attributable to its holding of financial instruments, the prices of which changed as a result of the interest rate change.

Note 36 - Risk management (contd.)

F. Risks involved in financial activities (contd.)

6. Risk in respect of changes in the underlying assets and indices

In their activity in securities, commodities, financial instruments and derivative assets, the Company and the subsidiary aim to hedge the exposure to changes in the underlying assets (share indices, bond indices, shares, commodities and/or futures contracts), although such activity is not risk free. As noted above, in this activity the Company is exposed to changes in the underlying assets, the most important of which are outlined below:

Changes in the price of the underlying assets - a change in the price of the underlying assets exposes the Company and/or the subsidiary to losses or profits on amounts in which the Company is exposed from to time to time to those underlying assets.

Sharp fluctuations in the underlying asset - sharp fluctuations in the underlying asset of derivative assets in the short term cause an increase in the premiums paid on the purchase of options, which reflect the market uncertainty and might affect the scope of the assets and liabilities of the Company and/or the subsidiary for options that are created and/or acquired, and this in turn may positively or negatively affect the business results stemming from this activity.

Suspension of trade and trading difficulties - the suspension of trade and/or other trading difficulties in the underlying assets or options or future contracts, such as low volumes of trade, may make it impossible to perform transactions and/or conversions and may create a situation in which open positions cannot be closed and daily balancing operations cannot be performed.

7. Interest rate changes

Activity in financial instruments includes risks arising from changes in the interest rates in Israel and/or abroad and from changes in the interest rates on deposits in Israel and/or abroad. Interest rates are one of the parameters used to price derivative financial instruments, and may be used by the Group for managing its investments. Unexpected changes in the interest rates may cause the Company and/or the subsidiary a gain or loss arising from the holding of financial instruments, the prices of which change as a result of these interest rate changes. To reduce the Company’s exposure to interest rate changes, the Company reserved the right to change the interest rates which are subtracted from or added to the price of the ETNs that the Company issues to the public.

8. Change in standard deviation (SD)

Changes in the SD inherent in options on the indices that are tracked by the ETNs issued by the Company or on any component of the futures contracts or on shares that are tracked by the ETNs issued by the Company, might, in the event of a purchase or a sale, affect the business results arising from this activity. These changes are sometimes caused by an excess or absence of volatility in the underlying asset. To reduce the Company’s exposure to changes in the SD, the Company hedges and limits its risk in the activity by means of options that are not part of whole contracts.

9. Compromising the tracking of changes in the underlying asset

Compromising the Company’s ability to track the changes in the underlying asset or securities included in the underlying asset, as applicable, might create a situation in which the Company is unable to hedge the exposure to changes in the underlying asset. In light of the fact that this damage may occur, in part due to a failure of the computer systems used by the Company, the Company attempts to reduce this exposure, in part by means of backup systems.

10. Change in weight of securities in the index in index-related events

On pre-arranged dates, the TASE adjusts the weights and changes the mix of the index in accordance with criteria known in advance. When the Company does not make the necessary weight adjustment, an exposure may be created for the Company which might cause losses.

Note 36 - Risk management (contd.)

F. Risks involved in financial activities (contd.)

11. Changes in the return on cash surpluses

The use of derivative instruments to cover the Company's obligations towards ETN holders creates cash surpluses that are invested in financial instruments which provide a different return depending on the pricing of the derivative assets. A change in the return received on the cash balances, whether due to a reduction and/or increase in interest rates in Israel and/or abroad, or to a change in the interest rate margins applied in Israel and/or abroad, might have a positive or negative impact on the Company's business results and on ability to pay for the conversion or sale to ETN holders of any particular series. To reduce the Company's exposure to interest rate changes, the Company reserved the right to change the interest rates which are subtracted from or added to the price of the ETNs that the Company issues to the public.

12. Changes in the players and improvement of the capital market

Subject to the limitations that apply to the activity of the Company and/or the subsidiary in the financial instruments sector, the Company and/or the subsidiary attempt to take advantage of opportunities such as price differences arising from the lack of sophistication of the capital market. The expected entry of additional entities to trading in financial instruments and improvement of the capital market might limit such opportunities, and this may negatively affect the Company's business results.

13. Price discrepancies between derivative assets and the underlying assets

On index products (and for their underlying assets) for which there are derivate assets and the Company is fully or partially covered in relation to these index products by means of the aforementioned derivatives, there is a risk of creating discrepancies between the prices of the derivative assets on the relevant underlying assets and the relevant underlying assets. A direct outcome could be that the Company's business results are compromised and it is unable to pay the conversion or exercised amounts or the proceeds of the conversion to the holders of these index products.

14. Short trading

Short trading increases the Company's exposure to securities with low tradability, suspension of trading or other marketable difficulties. To reduce this risk, the Company adopted a policy of reducing its exposure to securities and underlying assets.

15. Unexpected conversion or sale by a significant part of the ETN holders

If a significant part of the holders of ETNs of a particular series wish to convert / sell the ETNs on a date not foreseen by the Company, there is a risk of the Company's ability to convert / exercise all the assets and transfer to the ETN holders the full proceeds of the conversion / sale on that date.

16. Breach event relating to one series of ETNs

The risk that a breach event relating to one series of ETNs will affect the holders of ETNs in the other series. To reduce the serious exposure, the Company takes action to create legal segregation between the Company's obligations towards the holders of each series of index products that it issues, in part by pledging the relevant assets for each series in favor of the Company's obligations in connection with that series.

17. Business licenses

Given that the Company's activity involves the holding of financial instruments that track indices or futures contracts, the use of the index or futures contracts requires a license. Expiry of the license to use any particular index or futures contract might cause the Company to perform a forced conversion or forced sale, as applicable, of the relevant ETNs.

Note 36 - Risk management (contd.)

F. Risks involved in financial activities (contd.)

18. Change in the leverage of complex certificates

In notes that are leveraged in points, the percentage change is volatile - it is reduced when the underlying asset increases and increases when the underlying asset decreases. These complex certificates might create market exposure and cause losses as a result of a sharp change in the underlying asset. Additionally, in ETNs that are comprised of several underlying assets, an increase in one asset may cause an increase in its relative weight in the total value of the ETN and reduce the weight of the other underlying assets, and vice versa. This could create a mix that differs from the basic mix of the note and as a result change the risk entailed in holding the note. Furthermore, on the quarterly balancing date, the Company is required to take action to adjust the weights of the backing asset in accordance with the basic weights. If such action is not taken on time, an exposure is created to the underlying asset.

19. Risk due to regulatory changes

The advertising and distribution of the Company's products among investors are subject to regulatory restrictions that may delay expansion of the Company's activity and penetration of its products among private investors. Furthermore, changes in legislation and standards relating to securities in general and financial products in particular might compromise the Company's ability to operate in this operating segment and adversely affect the Company's profitability in this segment, including as a result of costs incurred by the Company due to these regulatory changes, as in the case of a requirement to provide additional equity.

20. Currency exposure

In ETNs in which the underlying asset is not traded in shekels, there may be surplus or short currency exposure that could cause losses or gains (in shekel terms) as a result of fluctuating exchange rates. Additionally, currency adjusted notes are typically characterized by quanto risk - for information see paragraph 21 below.

21. Risk of exposure in respect of quanto

Where the backing asset is not linked to the currency of the note, changes in the price of the backing asset or the currency to which it is linked create positions in the underlying asset or the currency to which the backing asset is linked.

G. Information about credit risks

1. Distribution of debt assets, by location

	As at December 31, 2024		
	Marketable	Non-marketable	Total
	NIS million	NIS million	NIS million
In Israel	**9,629**	**30,771**	**40,400**
Abroad	**307**	**460**	**767**
Total debt assets	**9,936**	**31,231**	**41,167**

	As at December 31, 2023		
	Marketable	Non-marketable	Total
	NIS million	NIS million	NIS million
In Israel	8,051	23,015	31,066
Abroad	469	858	1,327
Total debt assets	8,520	23,873	32,393

Note 36 - Risk management (contd.)

G. Information about credit risk (contd.)

2. Assets by rating levels

1. **Debt assets in Israel**

	Local rating*				
	As at December 31, 2024				
	AA- and above	A+ to BBB-	Lower than BBB-	Unrated	Total
	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions
Debt assets in Israel					
Marketable debt assets					
Government bonds	6,677	-	-	-	6,677
Corporate bonds	2,533	419	-	-	2,952
Total marketable debt assets in Israel	9,210	419	-	-	9,629
Non-marketable debt assets					
Government bonds	5,285	-	-	-	5,285
Corporate bonds	419	7	-	-	426
Deposits in banks and financial institutions	15,515	-	68	20	15,603
Other debt assets by collateral:					
Mortgages	-	2	-	1,838	1,840
Loans on policies	-	-	-	11	11
Loans secured by shares conferring control	18	-	-	6	24
Other collateral	1,699	4,597	87	1,189	7,572
Without collateral	-	10	-	-	10
Total non-marketable debt assets in Israel	22,936	4,616	155	3,064	30,771
Total debt assets in Israel	32,146	5,035	155	3,064	40,400
Of which - internally rated debt assets**	1,090	2,863	87	-	4,040

* The sources for the rating level in Israel are the rating companies approved by the Commissioner. The rating data were converted to the rating symbols of S&P, based on generally accepted conversion coefficients. Each rating incorporates the entire range, for example, an A rating comprises A- to A+

** Pursuant to the Commissioner's circulars 2007-9-15-and 2007-9-16, the Group has the organizational and management infrastructure for credit management. In this context, the Company monitors and reviews all the debt assets in which it invests. The Group prepares an internal rating for debt assets where no external rating is issued by a rating company, see section G3 below

The debt assets presented in the tables below as internally rated debt assets are those for which there is no external rating.

Note 36 - Risk management (contd.)

G. Information about credit risk (contd.)

2. Assets by rating levels (contd.)

1. **Debt assets in Israel (contd.)**

	Local rating*				
	As at December 31, 2023				
	AA- and above	A+ to BBB-	Lower than BBB-	Unrated	Total
	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions
Debt assets in Israel					
Marketable debt assets					
Government bonds	5,119	-	-	-	5,119
Corporate bonds	2,526	385	-	21	2,932
Total marketable debt assets in Israel	7,645	385	-	21	8,051
Non-marketable debt assets					
Government bonds	5,232	-	-	-	5,232
Corporate bonds	460	8	-	-	468
Deposits in banks and financial institutions	9,333	-	89	3	9,425
Other debt assets by collateral:					-
Mortgages	-	-	-	1,362	1,362
Loans on policies	-	-	-	11	11
Loans secured by shares conferring control	24	40	-	-	64
Other collateral	1,719	3,548	88	1,088	6,443
Without collateral	-	-	-	10	10
Total non-marketable debt assets in Israel	16,768	3,596	177	2,474	23,015
Total debt assets in Israel	24,413	3,981	177	2,495	31,066
Of which - internally rated debt assets**	708	877	88	-	1,673

* The sources for the rating level in Israel are the rating companies approved by the Commissioner. The rating figures were converted to the rating symbols used by S&P, based on generally accepted conversion coefficients. Each rating incorporates the entire range, for example, an A rating comprises A- to A+

** Pursuant to Commissioner's circulars 2007-9-15 and 2007-9-16, the Group has organizational and administrative credit management infrastructure. In this context the Company monitors and assesses all the debt assets in which it invests. Debt assets which do not have an external rating from a rating company are rated internally by the Group, see section G3 below

The debt assets presented in the tables below as internally rated assets are those for which there is no external rating.

Note 36 - Risk management (contd.)

G. Information about credit risk (contd.)

2. Assets by rating levels (contd.)

2. Debt assets abroad

	International rating				
	As at December 31, 2024				
	A- and above	BBB to BBB+	Lower than BBB-	Unrated	Total
	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions
Debt assets abroad					
Marketable debt assets					
Government bonds	**87**	**44**	**12**	**-**	**143**
Corporate bonds	**29**	**135**	**-**	**-**	**164**
Total marketable debt assets abroad	**116**	**179**	**12**	**-**	**307**
Non-marketable debt assets					
Corporate bonds	**-**	**-**	**-**	**10**	**10**
Deposits in banks and financial institutions	**-**	**-**	**20**	**-**	**20**
Other debt assets	**26**	**127**	**94**	**183**	**430**
Total non-marketable debt assets abroad	**26**	**127**	**114**	**193**	**460**
Total debt assets abroad	**142**	**306**	**126**	**193**	**767**
Of which - internally rated debt assets**	**26**	**127**	**94**	**-**	**247**

	International rating				
	As at December 31, 2023				
	A- and above	BBB to BBB+	Lower than BBB-	Unrated	Total
	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions
Debt assets abroad					
Marketable debt assets					
Government bonds	116	7	-	-	123
Corporate bonds	34	256	56	-	346
Total marketable debt assets abroad	150	263	56	-	469
Non-marketable debt assets					
Corporate bonds	-	-	-	11	11
Deposits in banks and financial institutions	289	-	21	-	310
Other debt assets	104	118	101	214	537
Total non-marketable debt assets abroad	393	118	122	225	858
Total debt assets abroad	543	381	178	225	1,327
Of which - internally rated debt assets**	104	118	101	-	323

* The sources for the rating level abroad are the rating companies approved by the Commissioner – Moody's S&P, and Fitch. Each rating incorporates the entire range, e.g.: an A rating comprises A- to A+

** Pursuant to the Commissioner's circulars 2007-9-15-and 2007-9-16, the Group has the organizational and management infrastructure for credit management. In this context, the Company monitors and reviews all the debt assets in which it invests. The Group prepares an internal rating for debt assets where no external rating is issued by a rating company, see section G3 below.

The debt assets presented in the following table as internally rated debt assets are those for which there is no external rating

Note 36 - Risk management (contd.)

G. Information about credit risk (contd.)

2. Assets by rating level (contd.)

3. **Credit risk on other assets in Israel**

	Local rating*				
	As at December 31, 2024				
	AA- and above	A+ to BBB-	Lower than BBB-	Unrated	Total
	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions
Loans to equity accounted investees**	**-**	**-**	**-**	**35**	**35**
Trade and other receivables (1)	**768**	**-**	**102**	**1,128**	**1,998**
Deferred tax assets	**41**	**-**	**-**	**-**	**41**
Current tax assets	**24**	**-**	**-**	**-**	**24**
Other financial investments	**276**	**1**	**-**	**2,833**	**3,110**
Cash and cash equivalents	**2,292**	**29**	**-**	**1**	**2,322**
	3,401	**30**	**102**	**3,997**	**7,530**

	Local rating*				
	As at December 31, 2023				
	AA- and above	A+ to BBB-	Lower than BBB-	Unrated	Total
	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions
Loans to equity accounted investees**	-	-	-	42	42
Trade and other receivables (1)	250	-	114	1,372	1,736
Deferred tax assets	20	-	-	-	20
Current tax assets	76	-	-	-	76
Other financial investments	301	-	-	988	1,289
Cash and cash equivalents	5,600	37	-	-	5,637
	6,247	37	114	2,402	8,800

* The sources for the rating level in Israel are the rating companies approved by the Commissioner. The rating data were converted to the rating symbols of S&P, based on generally accepted conversion coefficients. Each rating incorporates the entire range, e.g.: an A rating comprises A- to A+

** Included within investment in equity accounted investees

(1) Of this amount, NIS 919 million and NIS 424 million and at December 31, 2024 and 2023, respectively, are for assets for yield-dependent contracts

Note 36 - Risk management (contd.)

G. Information about credit risk (contd.)

2. Assets by rating level (contd.)

4. Credit risk for other assets abroad

	International rating				
	As at December 31, 2024				
	A- and above	BBB to BBB+	Lower than BBB-	Unrated	Total
	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions
Loans to equity accounted investees**	**-**	**-**	**-**	**290**	**290**
Trade and other receivables (1)	**242**	**-**	**-**	**71**	**313**
Other financial investments	**137**	**-**	**-**	**3,507**	**3,644**
Cash and cash equivalents	**18**	**-**	**107**	**23**	**148**
	397	**-**	**107**	**3,891**	**4,395**

	International rating				
	As at December 31, 2023				
	A- and above	BBB to BBB+	Lower than BBB-	Unrated	Total
	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions
Loans to equity accounted investees**	-	-	-	309	309
Trade and other receivables	37	-	(8)	28	57
Other financial investments	58	-	-	3,240	3,298
Cash and cash equivalents	56	1	39	-	96
	151	1	31	3,577	3,760

* The sources for the rating level abroad are the rating companies approved by the Commissioner - Moody's, S&P and Fitch. Each rating incorporates the entire range, e.g.: an A rating comprises A- to A+

** Included within investment in equity accounted investees

(1) Of this amount, NIS 242 million at December 31, 2024 is for assets for yield-dependent contracts

Note 36 - Risk management (contd.)

G. Information about credit risk (contd.)

2. Assets by rating level (contd.)

5. Credit risks for off balance-sheet instruments in Israel

	Local rating*				
	As at December 31, 2023				
	AA- and above	A+ to BBB-	Less than BBB-	Not rated	Total
	NIS million	NIS million	NIS million	NIS million	NIS million
Unutilized credit facilities***	**161**	**1,933**	**-**	**120**	**2,214**
Financial guarantees not accounted for as insurance contracts****	**5,344****	**10**	**-**	**-**	**5,354**
Total credit exposure for guarantees and unutilized credit facilities	**5,505**	**1,943**	**-**	**120**	**7,568**

	Local rating*				
	As at December 31, 2023				
	AA- and above	A+ to BBB-	Less than BBB-	Not rated	Total
	NIS million	NIS million	NIS million	NIS million	NIS million
Unutilized credit facilities***	275	1,641	43	127	2,086
Financial guarantees not accounted for as insurance contracts****	**5,921	36	-	-	5,957
Total credit exposure for guarantees and unutilized credit facilities	6,196	1,677	43	127	8,043

* The sources for the rating level in Israel are the rating companies approved by the Commissioner. The rating data were converted to the rating symbols of S&P, based on generally accepted conversion coefficients. Each rating incorporates the entire range, for example, an A rating comprises A- to A+

Regarding off-balance-sheet credit exposure, it is noted that this table does not include guarantees issued by banks, at the request of companies of the group, in favor of third parties, to comply with commitments vis-à-vis tenders in which the companies participated, and as part of their regular operations

** Regarding transactions entered into by Harel Insurance to provide financial guarantees and operating services for mortgage portfolios that were provided by a financial institutions in Israel and insureds by a foreign reinsurance company, see also Note 3C2(m). The maximum exposure is backed by real-estate assets at a loan-to-value (LTV) rate of 50%

*** Most of the securities are internally rated

**** No guarantees were provided for foreign companies

Note 36 - Risk management (contd.)

G. Information about credit risk (contd.)

2. Assets by rating level (contd.)

6. Credit risks for off balance-sheet instruments abroad

	International rating *				
	As at December 31, 2024				
	A- and above	BBB to BBB-	Less than BBB-	Not rated	Total
	NIS million	NIS million	NIS million	NIS million	NIS million
Unutilized credit facilities	-	7	1	-	8
	-	7	1	-	8

	International rating *				
	As at December 31, 2023				
	AA- and above	A+ to BBB-	Less than BBB-	Not rated	Total
	NIS million	NIS million	NIS million	NIS million	NIS million
Unutilized credit facilities	1	47	1	1	50
	1	47	1	1	50

* The sources for the rating level abroad are the rating companies approved by the Commissioner - Moody's, S&P, and Fitch. Each rating incorporates the entire range, for example: an A rating comprises A- to A+

3. Additional information about credit risks

1. Pursuant to the Commissioner's approval from November 11, 2015, Harel Insurance will be able to allocate capital on account of non-marketable debt assets that were rated in accordance with the internal credit rating model under the Supervision of Financial Services (Insurance) (Minimum Equity Required of an Insurer), 1998, as of the fourth quarter of 2015

   The Commissioner's approval dated November 11, 2015 further stipulated that the Company's internal rating is not valid for estimating non-marketable credit for financial institutions, including banks and insurance companies; credit backed by an underlying asset; credit provided to companies involved in real-estate construction and non-marketable credit for financing projects, and that for all the above, Harel Insurance will not be permitted to reduce the surplus equity allocation

   The approval further stipulates that if the loan is rated by an external source, capital must be allocated according to the lower of the ratings

Note 36 - Risk management (contd.)

G. Information about credit risk (contd.)

3. Additional information about credit risks (contd.)

2. There is a difference in the rating scales for debt assets in Israel and debt assets abroad. In 2009, the rating companies published a conversion scale between the local rating and the international rating
3. Information about credit risks in this note does not include assets yield-dependent contracts that are presented in a separate note
4. On reinsurers' balances, see section I – reinsurance assets
5. On the balance of outstanding premiums due, see Note 11
6. On November 26, 2020, financial institutions circular 2020-9-19 was published concerning an amendment to the Consolidated Circular - Chapter 4, Section 5 - Management of Investment Assets - Internal Rating Model" ("the Circular"). The main points of the amendment are intended to promote credit rating professionalism and expertise within the financial institutions. Among other things, the Circular stipulates that a financial institution that satisfies the conditions set out in the Circular will treat their rating model as an internal rating model which has been approved by the Commissioner This is with the exception of categories of credit for which an internal rating model is not recognized, because a high level of skill is required for their rating or because they have an increased risk level (among other things, credit to a bank or other financial institution, and a loan institutional body and a loan to member or an insured). The Circular also stipulates that the board of directors of the financial institution will be allowed to appoint a committee that will be charged with approving and supervising the internal rating model. The financial institutions in the Group have developed and approved several internal rating models, and can and will continue to develop and approve additional models

Note 36 - Risk management (contd.)

G. Information about credit risk (contd.)

4. Exposure to economic sectors for investments in marketable and non-marketable financial debt assets

	As at December 31, 2024			As at December 31, 2023		
	Off-balance sheet credit risk		Off-balance sheet	Off-balance sheet credit risk		Off-balance sheet
	NIS millions	% of total	NIS millions	NIS millions	% of total	NIS millions
Economic branch						
Industry	**373**	**0.9%**	**16**	472	1.5%	3
Construction and real estate	**6,732**	**16.4%**	**2,111**	6,557	20.2%	1,944
Electricity and water	**872**	**2.1%**	**37**	822	2.5%	37
Commerce	**114**	**0.3%**	**1**	144	0.4%	29
Hotels and tourism	**76**	**0.2%**	**-**	97	0.3%	6
Transportation and storage	**75**	**0.2%**	**3**	91	0.3%	4
Communications and computer services	**182**	**0.4%**	**13**	141	0.4%	13
Banks	**16,299**	**39.6%**	**-**	10,720	33.1%	-
Financial services	**1,650**	**4.0%**	**15**	686	2.1%	36
Other business services	**617**	**1.5%**	**24**	610	1.9%	64
Public services	**79**	**0.2%**	**-**	95	0.3%	-
Private individuals	**1,918**	**4.7%**	**-**	1,465	4.5%	-
Other	**75**	**0.1%**	**2**	18	0.2%	-
	29,062	**70.6%**	**2,222**	21,918	67.7%	2,136
State bonds	**12,105**	**29.4%**	**-**	10,475	32.3%	-
	41,167	**100%**	**2,222**	32,393	100%	2,136

Note 36 - Risk management (contd.)

G. Information about credit risk (contd.)

5. Exposure to economic branches for investments in equity instruments

	As at December 31, 2024					
	Listed on TA-125	Listed on Yeter share index	Non-marketable	Abroad	Total	% of total
	NIS million					
Economic branch						
Industry	**179**	**-**	**133**	**18**	**330**	**7.3%**
Construction and real estate	**225**	**15**	**351**	**67**	**658**	**14.7%**
Electricity and water	**359**	**29**	**-**	**5**	**393**	**8.8%**
Commerce	**16**	**-**	**-**	**-**	**16**	**0.4%**
Communications and computer services	**233**	**-**	**92**	**1,764**	**2,089**	**46.5%**
Banks	**588**	**-**	**-**	**-**	**588**	**13.1%**
Financial services	**139**	**25**	**-**	**14**	**178**	**4.0%**
Other business services	**19**	**7**	**211**	**-**	**237**	**5.2%**
Other	**-**	**1**	**-**	**-**	**1**	**0.0%**
Total	**1,758**	**77**	**787**	**1,868**	**4,490**	**100%**

	As at December 31, 2023					
	Listed on TA-125	Listed on Yeter share index	Non-marketable	Abroad	Total	% of total
	NIS million					
Economic branch						
Industry	190	18	138	11	357	16.8%
Construction and real estate	192	26	122	72	412	19.3%
Electricity and water	121	7	-	15	143	6.7%
Commerce	66	4	-	-	70	3.3%
Communications and computer services	201	-	110	122	433	20.3%
Banks	377	-	-	-	377	17.7%
Financial services	156	10	5	14	185	8.7%
Other business services	41	17	96	-	154	7.2%
Total	1,344	82	471	234	2,131	100%

Note 36 - Risk management (contd.)

H. Geographical risks

	As at December 31, 2024									
	Government bonds	Corporate bonds	Shares	ETFs	Mutual funds	Investment property	Other investments (*)	Total balance sheet exposure	Derivatives in delta terms	Total
	NIS millions									
Countries / regions where exposure is more than 1% of the total investments:										
United States	-	112	2,022	25	354	21	3,804	6,338	(1,457)	4,881
Israel	11,999	3,382	2,138	4	1,701	2,387	28,569	50,180	(207)	49,973
Other	106	58	330	31	3	99	7,464	8,091	-	8,091
Total	12,105	3,552	4,490	60	2,058	2,507	39,837	64,609	(1,664)	62,945

	As at December 31, 2023									
	Government bonds	Corporate bonds	Shares	ETFs	Mutual funds	Investment property	Other investments (*)	Total balance sheet exposure	Derivatives in delta terms	Total
	NIS millions									
Countries / regions where exposure is more than 1% of the total investments:										
UK	-	43	** -	-	1	** 108	** 446	** 598	** 8	606
United States	** -	** 106	** 430	-	** 277	38	** 4,029	** 4,880	** 220	5,100
Israel	** 10,352	** 3,480	** 1,473	17	** 14	** 2,402	** 23,895	** 41,633	-	41,633
Other	123	** 128	228**	21	** 36	-	** 7,142	** 7,678	** 68	7,746
Total	10,475	3,757	2,131	38	328	2,548	35,512	54,789	296	55,085

* Other investments include reinsurance assets, investments in associate companies, cash and other financial investments that were not included in the other columns

** Restated

Note 36 - Risk management (contd.)

I. Reinsurance

1. General

The Group insures part of its business with reinsurers, most of which are foreign reinsurance companies. However, reinsurance does not release the direct insurers from their obligations to their policyholders under the insurance policies.

The Group is exposed to risks from uncertainty regarding the ability of the reinsurers to pay their share of liabilities for insurance policies (reinsurance assets) and their debts for claims paid. This exposure is managed by regularly monitoring the position of the reinsurers in the global market and whether they meet their financial commitments.

The Group is exposed to a concentration of credit risk to a single reinsurer, because of the structure of the reinsurance market and the limited number of reinsurers holding appropriate ratings.

In accordance with guidelines issued by the Commissioner, the boards of directors of the Group's insurance companies, set out, each year, a framework for maximum exposure to reinsurers, with whom the Group has and/or will have agreements, based on international ratings. The Group manages its exposure by evaluating each reinsurer separately.

Additionally, the Group's exposure is well distributed among the various reinsurers, and the primary reinsurers hold high international ratings.

Note 36 - Risk management (contd.)

I. Reinsurance (contd.)

2. Information about exposure to credit risks of reinsurers

As at December 31, 2024

	Rating	Total premiums to reinsurers for 2024	Debit (credit) balances net (b)	Reinsurance assets: Life insurance	Reinsurance assets: Health insurance	Reinsurance assets: Property insurance	Reinsurance assets: Liabilities insurance	Reinsurers' deposits	Total Exposure (a) (c)	Debts in arrears: Between six months and a year	Debts in arrears: More than a year
		NIS million									
Rating group (D)											
AA- and above											
Zurich Insurance Company	AA	788	(41)	2	4	381	1,155	128	1,373	-	-
Swiss Re	AA-	239	(33)	159	150	59	72	293	114	-	-
National Indemnity	AA+	1	9	-	-	1	120	23	107	-	-
Hannover Re	AA-	94	(4)	18	302	36	18	288	82	-	-
Others		345	(105)	182	151	90	215	313	220	-	-
		1,467	(174)	361	607	567	1,580	1,045	1,896	-	-
A											
Scor	A+	77	97	-	980	4	71	925	227	-	-
Korean Re	A	119	(21)	-	1	93	83	57	99	-	-
Lexington	A+	-	25	-	-	-	60	-	85	-	-
Somers Re	A-	-	6	-	-	-	46	-	52	-	-
Others		413	(57)	22	14	254	329	168	394	1	-*
		609	50	22	995	351	589	1,150	857	1	-
BBB		1	5	-*	-*	1	26	12	20	-	-
Lower than BBB or unrated		185	(34)	1	2	94	173	82	154	1	-
		2,262	(153)	384	1,604	1,013	2,368	2,289	2,927	2	-

* Less than NIS 1 million

(a) Total exposure to the reinsurers is: net debit (credit) balances, reinsurance assets, net of deposits and net of the letters of credit received from the reinsurers to guarantee their liabilities. The balances do not include balances of insurance companies for co-insurance.

(b) After deducting provision for doubtful debts in the amount of NIS 1.8 million.

(c) Total provision for doubtful debts plus reduction of the reinsurers' share of the outstanding claims and reserves is NIS 1.8 million, accounting for 0.06% of the total exposure.

(d) The ratings were determined in accordance with a rating issued by recognized rating companies such as S&P and Moody's. The different ratings were converted to the S&P rating scale according to a key defined in the Ways of Investment Regulations.

(e) Total exposure of the reinsurers to earthquake events with an MPL of 2.1% is NIS 16,782 million, of which the most significant reinsurer accounts for 43.7%.

(f) There are no other reinsurers in addition to those listed above which account for more than 10% of the overall exposure of the reinsurers or which account for more than 10% of the total reinsurance premiums for 2024.

(g) The unrated group includes balances for outstanding claims through brokers up to and including 2003 for whom the exposure is NIS 5 thousand

Note 36 - Risk management (contd.)

I. Reinsurance (contd.)

3. Information about exposure to credit risks of reinsurers (contd.)

As at December 31, 2023

	Rating	Total premiums to reinsurers for 2023	Debit (credit) balances net (b)	Reinsurance assets: Life insurance	Reinsurance assets: Health insurance	Reinsurance assets: Property insurance	Reinsurance assets: Liabilities insurance	Reinsurers' deposits	Total Exposure (a) (c)	Debts in arrears: Between six months and a year	Debts in arrears: More than a year
		NIS million									
Rating group (D)											
AA- and above											
Zurich Insurance Company	AA	643	(46)	-	3	332	1,013	72	1,230	-	-
Swiss Re	AA-	275	73	152	279	53	77	405	229	24	-
National Indemnity	AA+	9	(2)	-	-	1	142	31	110	-	-
Lloyds Underwriters	AA+	36	(9)	-	-	16	46	1	52	-	-
Others		440	(119)	162	416	148	161	551	217	1	-
		1,403	(103)	314	698	550	1,439	1,060	1,838	25	-
A											
Scor	A+	216	241	-	1,179	7	79	1,119	387	-	-
Korean Re	A	157	(23)	-	1	111	82	69	102	-	-
Lexington	A+	-	9	-	-	-	81	-	90	-	-
Somers Re	A-	-	9	-	-	-	63	-	72	-	-
Others		449	(89)	13	12	283	370	180	409	1	-
		822	147	13	1,192	401	675	1,368	1,060	1	-
BBB		-	-	-	-	-	-	-	-	-	-
Lower than BBB or unrated		174	(21)	1	2	133	187	122	180	1	-
		2,399	23	328	1,892	1,084	2,301	2,550	3,078	27	-

(a) Total exposure to the reinsurers is: net debit (credit) balances, reinsurance assets, net of deposits and net of the letters of credit received from the reinsurers to guarantee their liabilities. The balances do not include balances of insurance companies for co-insurance.
(b) After deducting provision for doubtful debts in the amount of NIS 4.1 million.
(c) Total provision for doubtful debts plus reduction of the reinsurers' share of the outstanding claims and reserves is NIS 4.1 million, accounting for 0.13% of the total exposure.
(d) The ratings were determined in accordance with a rating issued by recognized rating companies such as S&P and Moody's. The different ratings were converted to the S&P rating scale according to a key defined in the Ways of Investment Regulations.
(e) Total exposure of the reinsurers to earthquake events with an MPL of 2.6% is NIS 20,323 million, of which the most significant reinsurer accounts for 32.1%.
(f) There are no other reinsurers in addition to those listed above which account for more than 10% of the overall exposure of the reinsurers or which account for more than 10% of the total reinsurance premiums for 2023.
(g) The unrated group includes balances for outstanding claims through brokers up to and including 2003 for whom the exposure is NIS 5 thousand.

Note 36 – Risk management (contd.)

J. Assets and liabilities according to linkage bases

	As at December 31, 2024					
	In NIS unlinked	In NIS CPI-linked	In or linked to foreign currency *	Non financial and other items	Liabilities for yield-dependent contracts	Total
	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million
Assets						
Intangible assets	-	-	-	2,840	-	2,840
Deferred tax assets	-	-	-	41	-	41
Deferred acquisition costs	-	-	76	3,296	1	3,373
Fixed assets	-	-	-	1,394	-	1,394
Investments in equity accounted investees	-	-	-	1,503	-	1,503
Investment property for yield-dependent contracts	-	-	-	-	1,834	1,834
Other investment property	-	-	-	2,507	-	2,507
Reinsurance assets	635	4,447	119	-	168	5,369
Trade and other receivables	884	125	124	-	1,178	2,311
Current tax assets	-	24	-	-	-	24
Premiums due	-	1,179	226	-	81	1,486
Financial investments for yield-dependent contracts	-	-	-	-	73,711	73,711
Other financial investments:						
Marketable debt assets	4,104	5,472	360	-	-	9,936
Non-marketable debt assets	17,908	12,617	706	-	-	31,231
Shares	-	-	-	4,490	-	4,490
Other	156	163	10	6,425	-	6,754
Total other financial investments	22,168	18,252	1,076	10,915	-	52,411
Cash and cash equivalents for yield-dependent contracts	-	-	-	-	7,388	7,388
Other cash and cash equivalents	2,122	-	348	-	-	2,470
Total assets	25,809	24,027	1,969	22,496	84,361	158,662

* Most of the policies issued by the Group are denominated in shekels and the exposure to changes in exchange rates is insignificant. Where there is exposure to exchange rates, it is mainly the result of exposure to the dollar and euro

Note 36 – Risk management (contd.)

J. Assets and liabilities according to linkage bases (contd.)

	As at December 31, 2024					
	In NIS unlinked	In NIS CPI-linked	In or linked to foreign currency *	Non-financial and other items	Liabilities for yield-dependent contracts	Total
	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million
Total equity	**-**	**-**	**-**	**9,204**	**-**	**9,204**
Liabilities						
Liabilities for non-yield-dependent insurance contracts and investment contracts	**2,083**	**29,634**	**708**	**-**	**-**	**32,425**
Liabilities for yield-dependent insurance contracts and investment contracts	**-**	**-**	**-**	**-**	**83,274**	**83,274**
Deferred tax liabilities	**-**	**-**	**-**	**1,083**	**-**	**1,083**
Liabilities for employee benefits, net	**139**	**-**	**-**	**-**	**-**	**139**
Trade and other payables	**3,144**	**1,995**	**571**	**-**	**470**	**6,180**
Current tax liabilities	**-**	**26**	**-**	**-**	**-**	**26**
Financial liabilities	**19,636**	**3,413**	**2,486**	**267**	**529**	**26,331**
Total liabilities	**25,002**	**35,068**	**3,765**	**1,350**	**84,273**	**149,458**
Total equity and liabilities	**25,002**	**35,068**	**3,765**	**10,554**	**84,273**	**158,662**
Total balance sheet exposure, net	**807**	**(11,041)**	**(1,796)**	**11,942**	**88**	**-**
Exposure to underlying assets through derivatives in delta terms	**(2,224)**	**5,226**	**(1,338)**	**(1,664)**	**-**	**-**
Total exposure	**(1,417)**	**(5,815)**	**(3,134)**	**10,278**	**88**	**-**

* Most of the policies issued by the Group are denominated in shekels and the exposure to changes in exchange rates is insignificant. Where there is exposure to exchange rates, it is mainly the result of exposure to the dollar and euro

Note 36 – Risk management (contd.)

J. Assets and liabilities according to linkage bases (contd.)

	As at December 31, 2023					
	In NIS unlinked	In NIS CPI-linked	In or linked to foreign currency *	Non-financial and other items	Liabilities for yield-dependent contracts	Total
	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million
Assets						
Intangible assets	-	-	-	2,452	-	2,452
Deferred tax assets	-	-	-	20	-	20
Deferred acquisition costs	-	-	70	3,043	1	3,114
Fixed assets	-	-	-	1,391	-	1,391
Investments in equity accounted investees	-	-	-	1,516	-	1,516
Investment property for yield-dependent contracts	-	-	-	-	1,898	1,898
Other investment property	-	-	-	2,548	-	2,548
Reinsurance assets	615	4,664	176	-	150	5,605
Trade and other receivables	**1,106	140	**85	-	462	1,793
Current tax assets	-	76	-	-	-	76
Premiums due	-	1,282	170	-	247	1,699
Financial investments for yield-dependent contracts	-	-	-	-	71,117	71,117
Other financial investments:						
Marketable debt assets	2,632	5,355	533	-	-	8,520
Non-marketable debt assets	11,432	11,705	736	-	-	23,873
Shares	-	-	-	2,131	-	2,131
Other	108	193	-	4,286	-	4,587
Total other financial investments	14,172	17,253	1,269	6,417	-	39,111
Cash and cash equivalents for yield-dependent contracts	-	-	-	-	6,733	6,733
Other cash and cash equivalents	5,335	-	398	-	-	5,733
Total assets	21,228	23,415	2,168	17,387	80,608	144,806

* Most of the policies issued by the Group are denominated in shekels and the exposure to changes in exchange rates is insignificant. Where there is exposure to exchange rates, it is mainly the result of exposure to the dollar and euro

Note 36 – Risk management (contd.)

J. Assets and liabilities according to linkage bases (contd.)

	As at December 31, 2023					
	In NIS unlinked	**In NIS CPI-linked**	**In or linked to foreign currency ***	**Non-financial and other items**	**Liabilities for yield-dependent contracts**	**Total**
	NIS million	**NIS million**	**NIS million**	**NIS million**	**NIS million**	**NIS million**
Total equity	-	-	-	8,953	-	8,953
Liabilities						
Liabilities for non-yield-dependent insurance contracts and investment contracts	2,008	29,535	663	-	-	32,206
Liabilities for yield-dependent insurance contracts and investment contracts	-	-	-	-	79,657	79,657
Deferred tax liabilities	-	-	-	947	-	947
Liabilities for employee benefits, net	263	-	-	-	-	263
Trade and other payables	2,312	2,319	512	-	560	5,703
Current tax liabilities	-	31	-	-	-	31
Financial liabilities	11,881	3,426	975	531	233	17,046
Total liabilities	16,464	35,311	2,150	1,478	80,450	135,853
Total equity and liabilities	16,464	35,311	2,150	10,431	80,450	144,806
Total balance sheet exposure, net	4,764	(11,896)	18	6,956	158	-
Exposure to underlying assets through derivatives in delta terms	(108)	5,093	(5,281)	296	-	-
Total exposure	4,656	(6,803)	(5,263)	7,252	158	-

* Most of the policies issued by the Group are denominated in shekels and its exposure to changes in exchange rates is insignificant. Where there is exposure to exchange rates, it is mainly the result of exposure to the dollar and euro

Note 36 - Risk management (contd.)

K. Information about financial investments for yield-dependent contracts

1. Composition of investments by linkage bases

	As at December 31, 2024				
	In NIS unlinked	In NIS CPI-linked	In or linked to foreign currency *	Non-financial and other items	Total
	NIS million	NIS million	NIS million	NIS million	NIS million
Investment property	-	-	-	1,834	1,834
Cash and cash equivalents	5,678	-	1,710	-	7,388
Marketable debt assets	8,205	13,012	2,645	-	23,862
Non-marketable debt assets	3,510	4,891	1,682	-	10,083
Shares	-	-	-	13,499	13,499
Other financial investments	448	97	13	25,709	26,267
Other	1,259	168	-	1	1,428
Total assets	19,100	18,168	6,050	41,043	84,361
Exposure to underlying assets through derivative instruments in delta terms	10,702	50	(24,709)	13,957	-

	As at December 31, 2023				
	In NIS unlinked	In NIS CPI-linked	In or linked to foreign currency *	Non-financial and other items	Total
	NIS million	NIS million	NIS million	NIS million	NIS million
Investment property	-	-	-	1,898	1,898
Cash and cash equivalents	3,966	-	2,767	-	6,733
Marketable debt assets	7,228	13,029	2,757	-	23,014
Non-marketable debt assets	4,489	4,778	2,065	-	11,332
Shares	-	-	-	12,069	12,069
Other financial investments	296	66	7	24,333	24,702
Other	708	151	-	1	860
Total assets	16,687	18,024	7,596	38,301	80,608
Exposure to underlying assets through derivative instruments in delta terms	12,845	240	(21,638)	8,553	-

Note 36 - Risk management (contd.)

K. Information about financial investments for yield-dependent contracts (contd.)

2. Credit risk for assets in Israel

	Local rating*				
	As at December 31, 2024				
	AA- and above	A+ to BBB-	Less than BBB-	Not rated	Total
	NIS million	NIS million	NIS million	NIS million	NIS million
Debt assets in Israel:					
Government bonds	**15,901**	**-**	**-**	**-**	**15,901**
Other debt assets - marketable	**4,022**	**1,503**	**-**	**31**	**5,556**
Other debt assets – non-marketable	**3,393**	**3,554**	**117**	**1,714**	**8,778**
Total debt assets in Israel	**23,316**	**5,057**	**117**	**1,745**	**30,235**
Of which – internally rated debt assets	**2,965**	**1,981**	**117**	**-**	**5,063**

	Local rating*				
	As at December 31, 2023				
	AA- and above	A+ to BBB-	Less than BBB-	Not rated	Total
	NIS million	NIS million	NIS million	NIS million	NIS million
Debt assets in Israel:					
Government bonds	14,764	-	-	-	14,764
Other debt assets - marketable	4,148	1,567	-	42	5,757
Other debt assets – non-marketable	3,539	3,905	84	2,077	9,605
Total debt assets in Israel	22,451	5,472	84	2,119	30,126
Of which – internally rated debt assets	2,861	2,140	84	-	5,085

The carrying amount is an approximation of the maximum credit risk. Consequently the "total" column represents the maximum credit risk.

* The sources for the rating level in Israel are the Maalot and Midroog rating companies. Data from Midroog was transferred to rating symbols according to accepted conversion coefficients. Each rating incorporates the entire range, e.g. A comprises A- to A+

Note 36 - Risk management (contd.)

K. Information on financial investments for yield-dependent contracts (contd.)

3. Credit risks for assets abroad

	International rating *				
	As at December 31, 2024				
	A- and above	BBB to BBB+	Less than BBB-	Not rated	Total
	NIS million	NIS million	NIS million	NIS million	NIS million
Debt assets abroad:					
Total debt assets abroad	804	1,910	645	351	3,710
Of which – internally rated assets	74	626	186	-	886

	International rating *				
	As at December 31, 2023				
	A- and above	BBB to BBB+	Less than BBB-	Not rated	Total
	NIS million	NIS million	NIS million	NIS million	NIS million
Debt assets abroad:					
Total debt assets abroad	849	2,250	754	367	4,220
Of which – internally rated assets	355	656	241	-	1,252

The carrying amount is an approximation of the maximum credit risk. Consequently the “total” column represents maximum credit risk.

* The sources for the rating level abroad are the rating companies approved by the Commissioner – Moody’s, S&P, and Fitch. Each rating incorporates the entire range, for example, A comprises A- to A+

Note 37 - Balances and transactions with interested and related parties

A. Controlling shareholders and subsidiaries

At the date of the report, the Company's controlling shareholders, Yair Hamburger, Gideon Hamburger, and Nurit Manor ("the Controlling Shareholders"), hold 46.3% of the Company's voting rights and issued share capital. The controlling shareholders hold the Company through G.Y.N. Financial Consulting & Investment Management 2017 LP, which they fully own and control, and which they hold, as limited partners, through private, companies, wholly owned by each of the Controlling Shareholders ("the GYN Partnership") and they also hold the general partner in the GYN Partnership.

During the normal course of business, the Company and its investees perform transactions with the entities who are considered the controlling shareholders or in which those entities considered to be the controlling shareholders have a personal interest, including transactions with companies in which the Company's controlling shareholders have a personal interest, as well as commitments to perform transactions that are under ordinary commercial conditions, as part of the rendering of services by the Group to the controlling shareholders and their investee companies (e.g. insurance, long-term savings products and financial services) to the extent that these transactions constitute negligible transactions in accordance with the procedure adopted by the Company, as defined in Article 41(A3)(1) to the Securities (Annual Financial Reports) Regulations, 2010, they are not detailed separately in these reports.

On March 20, 2025 and March 25, 2024, the Audit Committee and Board of Directors, respectively, determined that a transaction with a controlling shareholder will be deemed a negligible transaction if it meets all the following conditions:

(a) It is not an extraordinary transaction (according to the meaning of this term in the Companies Law).

(b) In respect of insurance transactions, long-term savings and finances: the rules relating to benefits applied to the controlling shareholders are also applied to all the Group's employees, as approved by the Board of Directors.

(c) The sum insured in the Company's self-retention in each policy does not exceed NIS 10 million and the sum insured in each policy does not exceed NIS 50 million. This limitation does not apply to savings policies.

(d) Other agreements, the cumulative cost of which for the Group is not more than NIS 100,000.

It is stipulated that any transaction for the rendering of services by a controlling shareholder or his relative will not be classified as a negligible transaction. It is further stipulated that separate transactions, which are interdependent, so that in practice they are part of the same transaction, will be considered a single transaction.

Transactions that meet the above negligibility transactions do not require special approval.

B. Benefits and bonuses for key management personnel (including directors)

The Group's senior officers are entitled, in addition to their salaries, to non-cash benefits (such as a company car). The Group deposits funds on their behalf with a defined benefit plan and defined contribution plan for the purpose of post-employment benefit payments.

When the general meeting approved the Company's compensation policy on November 30 , 2023, it was stipulated that the policy applies to incumbent directors in the Company and/or its subsidiaries, such that they are entitled to compensation for serving on the Board of Directors and the committees it appoints, as defined in the Companies (Rules Concerning Compensation and Expenses for External Directors) Regulations, 2000 ("External Directors Compensation Regulations") and they are not entitled to any additional bonus or compensation. In addition to the provisions prescribed in the External Directors Compensation Regulations, the compensation for external directors serving the Company and its subsidiaries, is also subject to the provisions prescribed in Regulation 2 of the Companies (Matters Not Constituting an Interest) Regulations, 2006 ("Interest Regulations"). The limitation prescribed in Regulation 2 of the Interest Regulations does not apply to directors who serve the Company and its subsidiaries and who are not external directors. If a director is appointed to another position which is not membership of the Board of Directors and/or committees appointed by the Board of Directors, the compensation will be determined in accordance with the nature of the position and will be submitted for the approval of the general meeting.

Note 37 - Balances and transactions with interested and related parties

B. Benefits and bonuses for key management personnel (including directors) (contd.)

The salaries of directors who are not external directors will not be more than the salaries of the Company’s external directors, other than directors who are controlling shareholders in the Company and their employment conditions are approved by the Company’s general meeting, as specified in Section 3 below.

1. The Company’s compensation policy

In view of the experience gained regarding the Company’s compensation policy, on November 30, 2023, after having been approved by the Compensation Committee and Board of Directors, the Company’s general meeting approved the revised compensation policy of the Company (“Compensation Policy”). The Compensation Policy is in compliance with the limitations prescribed in the Compensation for Executives of Financial Institutions (Special Approval and Non-allowance of an Expense for Tax Purposes on account of Extraordinary Compensation) Law, 2016 (“the Salary Cap Law”).

The purpose of the compensation policy is to motivate and direct the senior managers in line with the Company's goals and strategic plan, emphasizing increased competition in the recruitment and retention of quality manpower in the Group's senior management positions. All this with the goal of creating long-term economic value for the Company and its shareholders. The compensation policy was devised, taking into account, among other things, the size of the Company and the nature of its operations, advancement of the Company's goals, strategy, long-term work plan and risk-management policy, as well as the employment conditions and bonuses that were Company practice in previous years, generally accepted salary and compensation levels among Israel's insurance and finance companies and other large companies in the Israeli economy, and also on the basis of other organizational considerations.

The compensation policy relates to different categories of officers, and also the manner of compensating the Company’s serving directors.

The compensation policy addresses a range of employment conditions for officers who are not directors, including the following components: (a) the compensation to be determined for each officer in line with his seniority, knowledge, experience, qualifications and contribution to the Group's results, and based on the defined benchmark group; (b) it was determined that a margin will be maintained between the CEO's salary and that of the other officers who are subordinate to the CEO; (c) minimum ratios were defined between the fixed components in the employment conditions and the overall employment conditions; (d) it was determined that a fixed salary component may be paid which does not entitle the recipient to social benefits; (e) provisions were prescribed concerning performance-linked annual bonuses, including the maximum amount of such bonuses for the CEO and for officers who are subordinate to the CEO; (f) provisions were prescribed concerning the possibility of paying special bonuses, which are not related to the annual bonuses, for outstanding performance in special projects. (g) provisions were prescribed concerning a capital (lump-sum) bonus, which is intended to encourage the officers to continue working for the Company and identify with the Company's interests; (h) provisions were prescribed concerning insurance and indemnity for officers and directors; (i) the compensation policy includes a limitation on the maximum cost of employment of the Company's officers; (j) provisions were prescribed concerning termination of employment conditions, including with respect to the following components: (i) severance pay at a maximum rate of up to 200% (100% more than that required by law), subject to meeting conditions of seniority and other conditions; (ii) an advance notice period (of termination) of no more than 6 months; (iii) an adjustment bonus of up to 6 monthly salaries; (iv) compensation for a non-competition commitment. It was determined that a non-competition agreement will be drawn up in exceptional cases only and subject to the conditions set out in the compensation policy.

Information about the annual bonuses: the annual performance-linked bonus plan will consider the Company’s financial position. Accordingly, payment of the annual bonus will be contingent on satisfying the threshold conditions set out in the Compensation Policy. Furthermore, to prevent the taking of short-term risks, the scope of the performance-linked bonuses was limited by a multiple of the salaries. It was also determined that the annual performance-linked bonus will be based, among other things, on long-term measurement. The Compensation Policy therefore stipulates that some of the parameters, as will be determined in advance, will be measured with respect to the current annual bonus (50%) and also with respect to the two years preceding it (30% for the previous year and 20% for the year before that).

Note 37 - Balances and transactions with interested and related parties (contd.)

B. Benefits and bonuses for key management personnel (including directors) (contd.)

1. The Company's compensation policy (contd.)

The annual performance-linked bonus includes a discretionary component which provides for a supplement of 20% of the normative (performance-linked) amount of the bonus. The sum of this component will not exceed three monthly salaries and it may also be paid even if the threshold conditions for payment of the performance-linked bonus are not satisfied.

The compensation policy includes a provision whereby the Company will generally honor existing agreements, even where they deviate from the compensation policy, unless the compensation policy contains a different specific instruction.

The Company's compensation policy stipulates that it will serve as a guideline (but is not binding) also for the Company's key subsidiaries. For information about the compensation policy that was adopted by the Group's financial institutions, see section 2 below.

2. Compensation policy for the Group's financial institutions

The Company's subsidiaries that are financial institutions ("the Financial Institutions"), adopted a compensation policy which is based on the Company's compensation policy. The compensation policy of the Group's financial institutions was revised several times, over the years, in accordance with the updated regulatory provisions that were published, including publication of a Commissioner's circular amending the provisions of the Consolidated Circular, Part 1, Section 5, Chapter 5, entitled "Compensation" ("the Circular"), which updates and abolishes the circular "Compensation Policy in Financial Institutions" and the circular "Compensation Policy in Financial Institutions - Amendment" ("Compensation Policy Circular"), and integrates them in the Consolidated Circular, in accordance with the relevant regulations formulated in this sector, including in accordance with the provisions of the Salary Cap Law and its subsequent regulations, and the directives of the Supervisor of Banks that were revised accordingly.

The compensation policy of the financial institutions also applies to some of the executives in the Company who also serve as officers in the subsidiaries that are financial institutions.

Main points of the Compensation Policy of the financial institutions:

The Compensation Policy addresses the employment conditions of the officers and functionaries in their entirety, including the following components: (a) the fixed compensation to be determined for each officer and key functionary will be determined in accordance with his seniority, knowledge, experience and qualifications and his contribution to the Group's results, and based on the defined benchmark group; (b) the compensation may comprise several key components: fixed salary, annual, performance-linked bonus, guaranteed bonus, lump-sum bonus, special bonuses as well as indemnification and insurance costs; (c) minimum ratios were defined between the fixed components of the employment conditions and the total employment conditions; (d) provisions were prescribed concerning the composition of the annual bonus consisting of a measurement-based component as well as a discretionary component which allows a supplement of up to 20% of the amount of the performance-linked the bonus; (e) provisions were prescribed concerning the possibility of paying special bonuses, which are unrelated to the annual bonuses, for exceptional performance on special projects. (f) provisions were prescribed regarding a lump-sum bonus the purpose of which is to encourage continuation of the work of the Company officers and to create a sense of identity with the Company's interests; (g) provisions were prescribed concerning insurance and indemnity for officers and directors; (h) the policy includes provisions concerning the nature of the spread and deferral of the annual bonus as well as provisions concerning reimbursing the Company for amounts that were paid as annual bonuses; (i) the Compensation Policy includes a limitation on the maximum cost of employment for officers and key functionaries in the Company; (j) provisions were prescribed concerning termination of the employment conditions, which include reference to the following components: (1) severance pay will be at a maximum rate of up to two 200%) (100% over and above the amount required by law), subject to meeting certain seniority and other conditions; (2) an advance notice period which will not be more than 6 months; (3) an adjustment bonus of up to 6 salaries; and (4) compensation for a non-competition undertaking.

Note 37 - Balances and transactions with interested and related parties (contd.)

B. Benefits and bonuses for key management personnel (including directors) (contd.)

2. Compensation policy for the Group's financial institutions (contd.)

Information about the annual bonuses: the annual performance-linked bonus plan will consider the Company's financial position. Accordingly, payment of the annual bonus will be contingent on satisfying the threshold conditions set out in the Compensation Policy. Furthermore, to prevent the taking of short-term risks, the scope of the performance-linked bonuses was limited by a multiple of the salaries. It was also determined that the annual performance-linked bonus will be based, among other things, on long-term measurement. The Compensation Policy therefore stipulates that some of the parameters, as will be determined in advance, will be measured with respect to the current annual bonus (50%) and also with respect to the two years preceding it (30% for the previous year and 20% for the year before that).

Additionally, the policy includes provisions concerning compensation for Company directors as well as compensation for Company employees who are not officers or key functionaries.

The Compensation Policy prescribes a provision whereby as a rule, the Company will honor existing agreements and employment conditions, even if they deviate from the Compensation Policy, unless the Compensation Policy specifically prescribes a different provision.

In view of the experience gained in applying the Compensation Policy of the financial institutions, in 2023 the Compensation Committee and boards of directors of the financial institutions approved updates to their compensation policies. The updated compensation policy of the financial institutions appears on Harel's website.

3. Employment conditions of the Controlling Shareholders

The Company's General Meeting, which took place on November 30, 2023, re-approved the employment conditions of the Company's controlling shareholders. The approval of the general meeting was preceded by the approval of the Compensation Committee and Board of Directors on October 23, 2023 and October 25, 2023, respectively. The re-approval did not involve any change in the employment conditions of the controlling shareholders. The employment conditions that were approved are consistent with the Company's compensation policy. The provisions of the new employment conditions for the controlling shareholders will be effective from December 1, 2023, for an unlimited period. Notwithstanding the foregoing, the parties may terminate the agreement at any time, by giving 30 days advance notice.

Under present law at the date of this report, the agreement with Yair Hamburger, Gideon Hamburger and Yoav Manor must be re-approved three years after the commencement of the agreement (December 1, 2023), given that they are controlling shareholders in the Company, unless the law changes and/or Yair Hamburger, Gideon Hamburger and Yoav Manor are no longer included among the controlling shareholders.

(a) Employment conditions - Yair Hamburger:

Yair Hamburger has been head of Harel Insurance and Finance Group since its establishment. Yair Hamburger has served as Chairman of the Company's Board of Directors since its establishment and as a director in Harel Insurance. Additionally, Yair Hamburger holds the following positions in Harel Group: member of the board of directors of Interasco Societe Anonyme General Insurance Company SAGI (which holds an insurer's license in Greece and focuses on elementary and health insurance); member of the board of directors of Turk Nippon Sigorta SA (which holds an insurer's license in Turkey and focuses on non-life insurance, including non-life business insurance).

<u>Yair Hamburger's salary</u>: For serving the Company, and in accordance with his employment conditions approved by the Company's general meeting on November 30, 2023, Yair Hamburger is entitled to a monthly salary of NIS 160,000 (NIS 179,634 correct to the reporting date). The monthly salary is CPI-linked and revised in accordance with the increase in the CPI once a year, for the January salary each year. Linkage to the CPI is possible subject to the restrictions of the Compensation of Company Officers Law. The current salary does not reflect the full increase in the CPI due to the restrictions of the Compensation of Company Officers Law.

Note 37 - Balances and transactions with interested and related parties (contd.)

B. Benefits and bonuses for key management personnel (including directors) (contd.)

3. Employment conditions – the controlling shareholders (contd.)

(a) Employment conditions – Yair Hamburger (contd.)

Fringe benefits: Yair Hamburger is entitled to a Company car at a cost of up to NIS 650,000, linked to the CPI of December 2011 (NIS 771,329 at December 31, 2024). Should Hamburger choose to buy a more expensive car, he will pay the difference in cost. Yair Hamburger is not entitled to full grossing up of the cost of his vehicle. The Company makes provision for social benefits in respect of the monthly salary according to generally accepted standards for pension, severance pay and work disability or, if he so chooses, pays the value of these social benefits. Likewise, Yair Hamburger is entitled to contributions to an education fund in respect of his salary (7.5% of his salary at the employer's expense, and 2.5% at the employee's expense). Yair Hamburger is entitled to 13 days convalescence a year and to 22 days paid vacation a year. Unutilized vacation days, including in respect of the period of Yair Hamburger's employment from the commencement date of his employment for the Company will be accumulated and may be redeemed when his employment terminates. Yair Hamburger is entitled to 30 days annual paid sick leave, and these days may also be accumulated, although he will not be entitled to redeem them when his employment for the Company terminates. Yair Hamburger is not entitled to participate in the Company's stock options plan. Additionally, it is stipulated that Yair Hamburger is not entitled to any additional remuneration for serving as a director in Group companies. Yair Hamburger is entitled to a letter of indemnity which was first granted to him as part of the resolutions passed by the Company and approved by the general meeting in July 2006 and like the Company's other senior officers, and it is included in the D&O insurance drawn up by the Company, under the same conditions as the Company's other directors and senior officers.

Annual bonus: Yair Hamburger is not entitled to an annual bonus.

Post-employment conditions: Upon termination of the employment relationship for any reason whatsoever, Yair Hamburger will be entitled to compensation in the amount of severance to which he is entitled by law in the event of dismissal, less any amounts accrued on his behalf for severance pay in the provident fund/managers' insurance policy, and ownership of the provident fund/managers insurance fund into which the contributions were paid will be transferred to Yair Hamburger ("Severance Pay"). Upon terminating his employment in the Company for any reason whatsoever, Yair Hamburger is entitled to double severance pay, which is an additional 100% compensation (over and above the statutory compensation).

Pursuant to the provisions of the compensation policy for the Group's financial institutions, part of the additional compensation (over and above the 100%) ("retirement bonus") that is accrued for the period of employment after December 31, 2016, will be paid in installments, based on the provisions of the compensation policy for the Group's financial institutions as follows: a third of the deferred amount will be paid 12 months from the end of the year in which Yair Hamburger retires; a third of the deferred amount will be paid 24 months from the end of the year in which Yair Hamburger retires; a third of the deferred amount will be paid 42 months from the end of the year in which Yair Hamburger retires. Deferred amounts will be paid on the dates noted above, subject to meeting all the following conditions: (1) no errors are found in the calculation of the amount of the bonus and it did not emerge that the bonus was given based on a risk level that, in retrospect, was found did not materially reflect the actual exposure of the financial institution or the members' monies; (2) based on the last financial statements published before the date of payment, Harel Insurance is in compliance with the capital requirements that apply to it; (3) Harel Insurance presented comprehensive income in the last financial statements (quarterly or annual) published prior to the date of payment. If either of the last two conditions noted above are not met, the payment will be postponed to such time as the conditions are met. It is stipulated that the advance notice period is 30 days only. Yair Hamburger is not entitled to an adjustment period or adjustment fee.

Non-competition undertaking: Yair Hamburger undertook not to compete with the Company and its business, including through employment by or the rendering of services to a corporation in competition with the Company, for a period of 36 months from the termination of his employment in the Company.

Note 37 - Balances and transactions with interested and related parties (contd.)

B. Benefits and bonuses for key management personnel (including directors) (contd.)

3. Employment conditions – the controlling shareholders (contd.)

(b) Employment conditions – Gideon Hamburger:

Gideon Hamburger has held senior positions in Harel Group since its establishment. Gideon Hamburger currently holds the following key positions in Harel Group: member of the Company's Board of Directors and Company president; member of the board of directors of Interasco Societe Anonyme General Insurance Company S.A.G.I. (an insurance company with a insurer license in Greece, focusing on non-life and health insurance) ; member of the board of directors of Harel Finance Holdings Ltd.; member of the board of directors of Harel Finance & Issues. Additionally, Gideon Hamburger in involved in reinsurance matters both for Harel Insurance and the Group's other insurance companies.

Gideon Hamburger serves the Company and its subsidiaries in a full-time capacity and does not hold any other business positions other than those in Harel Group.

Gideon Hamburger's salary: For serving the Company, and in accordance with his employment conditions approved by the Company's general meeting on November 30, 2023, Gideon Hamburger is entitled to a monthly salary of NIS 127,000 (NIS 145,524 correct to the reporting date). The monthly salary is CPI-linked and revised in accordance with the increase in the CPI once a year, for the January salary each year. Linkage to the CPI is possible subject to restrictions of the Compensation of Company Officers Law..

Fringe benefits: Gideon Hamburger is entitled to a Company car at a cost of up to NIS 650,000, linked to the CPI of December 2011 (NIS 771,329 at December 31, 2024). Should Gideon Hamburger choose to buy a more expensive car, he will pay the difference in cost. Gideon Hamburger is not entitled to full grossing up of the cost of his vehicle. The Company makes provision for social benefits in respect of the monthly salary according to generally accepted standards for pension, severance pay and work disability or, if he so chooses, pays the value of these social benefits. Likewise, Gideon Hamburger is entitled to contributions to an education fund in respect of his salary (7.5% of his salary at the employer's expense, and 2.5% at the employee's expense). Gideon Hamburger is entitled to 13 days convalescence a year and to 22 days annual paid vacation. Unutilized vacation days, including in respect of the period of Gideon Hamburger's employment from the date his employment for the Company commenced, will be accumulated and may be redeemed when his employment terminates. Gideon Hamburger is entitled to 30 days annual paid sick leave, and these days may also be accumulated, although he will not be entitled to redeem them when his employment for the Company terminates. Gideon Hamburger is not entitled to participate in the Company's stock options plan. Additionally, it is stipulated that Gideon Hamburger is not entitled to any additional remuneration for serving as a director in Group companies. Gideon Hamburger received a letter of indemnity as part of the resolutions passed by the Company and approved by the general meeting in July 2006 and it is included in the D&O insurance drawn up by the Company, under the same conditions as the Company's other directors and senior officers.

Annual bonus: Gideon Hamburger is not entitled to an annual bonus.

Note 37 - Balances and transactions with interested and related parties (contd.)

B. Benefits and bonuses for key management personnel (including directors) (contd.)

3. Employment conditions – the controlling shareholders (contd.)

(b) Employment conditions - Gideon Hamburger (contd.)

Post-employment conditions: Upon termination of the employment relationship for any reason whatsoever, Gideon Hamburger will be entitled to compensation in the amount of severance to which he is entitled by law in the event of dismissal, less any amounts accrued on his behalf for severance pay in the provident fund/managers' insurance policy, and ownership of the provident fund/managers insurance fund into which the contributions were paid will be transferred to Hamburger ("Severance Pay").

Upon termination of his employment in the Company, Gideon Hamburger is entitled to double severance pay, which is an additional 100% compensation (over and above the compensation stipulated by law). Pursuant to the provisions of the compensation policy of the Group's financial institutions, part of the additional compensation (over and above the 100%) ("retirement bonus") that is accrued for the period of employment after December 31, 2016, will be paid in installments, based on the provisions of the compensation policy for the Group's financial institutions as follows: a third of the deferred amount will be paid 12 months from the end of the year in which Gideon Hamburger retires; a third of the deferred amount will be paid 24 months from the end of the year in which Gideon Hamburger retires; a third of the deferred amount will be paid 42 months from the end of the year in which Gideon Hamburger retires. Deferred amounts will be paid on the dates noted above, subject to meeting all the following conditions: (1) no errors are found in the calculation of the amount of the bonus and it did not emerge that the bonus was given based on a risk level that, in retrospect, was found did not materially reflect the actual exposure of the financial institution or the members' monies; (2) based on the last financial statements published before the date of payment, Harel Insurance is in compliance with the capital requirements that apply to it; (3) Harel Insurance presented comprehensive income in the last financial statements (quarterly or annual) published prior to the date of payment. If either of the last two conditions noted above are not met, the payment will be postponed to such time as the conditions are met. It is stipulated that the advance notice period is 30 days only. Gideon Hamburger is not entitled to an adjustment period or any adjustment fee.

Non-competition undertaking: Gideon Hamburger undertook not to compete with the Company and its business, including through employment by or the rendering of services to a corporation in competition with the Company, for a period of 36 months from the termination of his employment in the Company.

(c) Employment conditions – Yoav Manor:

Yoav Manor has held senior positions in Harel Group since its establishment. He currently holds the following positions in Harel Group: Acting Chairman of the Board of Directors of Harel Hamishmar Computers Ltd., member of the Company's Board of Directors; member of the Board of Harel Insurance Ltd., member of the Board of Harel Finance Holdings Ltd., member of the Board of Harel Finance & Issues, and a director in other Group companies. .

Yoav Manor serves the Company and its subsidiaries full time and he holds no other business positions other than those in Harel Group.

Yoav Manor's salary: For serving the Company, and in accordance with his employment conditions approved by the Company's general meeting on November 30, 2023, Yoav Manor is entitled to a monthly salary of NIS 127,000 (NIS 145,524 correct to the reporting date). The monthly salary is CPI-linked and revised in accordance with the increase in the CPI once a year, for the January salary each year. Linkage to the CPI is possible subject to restrictions of the Salary Cap Law.

Note 37 - Balances and transactions with interested and related parties (contd.)

B. Benefits and bonuses for key management personnel (including directors) (contd.)

3. Employment conditions – the Controlling Shareholders (contd.)

(c) Employment conditions – Yoav Manor (contd.)

Fringe benefits: Yoav Manor is entitled to a Company car at a cost of up to NIS 650,000, linked to the CPI of December 2011 (NIS 771,329 at December 31, 2024). Should Yoav Manor choose to buy a more expensive car, he will pay the difference in cost. Yoav Manor is not entitled to full grossing up of the cost of his vehicle. The Company makes provision for social benefits in respect of the monthly salary according to generally accepted standards for pension, severance pay and work disability or, if he so chooses, pays the value of these social benefits. Likewise, Yoav Manor is entitled to contributions to an education fund in respect of his salary (7.5% of his salary at the employer's expense, and 2.5% at the employee's expense). Yoav Manor is entitled to 13 days convalescence a year and to 22 days annual paid vacation. Unutilized vacation days, including in respect of the period of Yoav Manor's employment from the commencement date of his employment for the Company, will be accumulated and may be redeemed when his employment terminates. Yoav Manor is entitled to 30 days paid sick leave a year, and these days may also be accumulated, although he will not be entitled to redeem them when his employment for the Company terminates. Yoav Manor is not entitled to participate in the Company's stock options plan. Additionally, it is stipulated that he is not entitled to any additional remuneration for serving as a director in Group companies. Yoav Manor received a letter of indemnity as part of the Company's decisions as approved by the general meeting in July 2006 and he is included in the directors and officers insurance (D&O) drawn up by the Company, under the same conditions as the other directors and officers of the Company.

Annual bonus: Yoav Manor is not entitled to an annual bonus.

Post-employment conditions: Upon termination of the employment relationship for any reason whatsoever, Yoav Manor will be entitled to the severance pay due by law if he is dismissed, net of the amounts accrued on his behalf in respect of severance pay in provident funds / managers insurance, and ownership of the provident funds / managers insurance into which payments were made on his behalf will be transferred to him ("Severance Pay"). Upon termination of his employment in the Company, Yoav Manor is entitled to double severance pay, which is an additional 100% compensation (over and above the compensation stipulated by law). Pursuant to the provisions of the compensation policy of the Group's financial institutions, part of the additional compensation (over and above the 100%) ("Retirement Bonus") that is accrued in the period of employment after December 31, 2016, will be paid in installments, based on the provisions of the compensation policy for the Group's financial institutions as follows: a third of the deferred amount will be paid 12 months from the end of the year in which Yoav Manor retires; a third of the deferred amount will be paid 24 months from the end of the year in which Yoav Manor retires; a third of the deferred amount will be paid 42 months from the end of the year in which Yoav Manor retires. Deferred amounts will be paid on the dates noted above, subject to meeting all the following conditions: (1) no errors are found in the calculation of the amount of the bonus and it did not emerge that the bonus was given based on a risk level that, in retrospect, was found did not materially reflect the actual exposure of the financial institution or the members' monies; (2) based on the last financial statements published before the date of payment, Harel Insurance is in compliance with the capital requirements that apply to it; (3) Harel Insurance presented comprehensive income in the last financial statements (quarterly or annual) published prior to the date of payment. If either of the last two conditions noted above are not met, the payment will be postponed to such time as the conditions are met. It is stipulated that the advance notice period is 30 days only. Yoav Manor is not entitled to an adjustment period or any adjustment fee.

Non-competition undertaking: Yoav Manor undertook not to compete with the Company and its business, including through employment by or the rendering of services to a corporation in competition with the Company, for a period of 36 months from the termination of his employment in the Company.

Note 37 - Balances and transactions with interested and related parties (contd.)

B. Benefits and bonuses for key management personnel (including directors) (contd.)

4. Employment conditions of Michel Siboni, who served as the CEO of Harel Insurance up to January 31, 2024

Michel Siboni served as CEO of the Company and chairman of the Board of Directors of Harel Insurance up to January 31, 2024. The advance notice period began on February 1, 2024.

In December 2023, the compensation committee and the Company's Board of Directors approved all payments to Michel Siboni after the end of his term as CEO of the Company.

Michel Siboni continues to serve as a director in Harel Insurance and as chairman of the board of directors of Hamazpen – Shutaphim Laderech Ltd., a subsidiary that provides credit for medium-sized businesses, and Michel Siboni was appointed as a director in the Company from February 5, 2024.

On February 5, 2024, the Company's general meeting approved an amendment to the termination conditions of Michel Siboni's employment, which extended the advance notice period to nine months (the six months set out in Michel Siboni's employment agreement have passed). The other termination conditions of Michel Siboni's employment (set out below) remain unchanged.

In addition, Michel Siboni is entitled to directors' compensation for his position as a director in the Company and in Harel Insurance, starting from the termination date of his employment as CEO of the Company (February 1, 2024).

Michel Siboni's employment conditions were approved by the Company's general meeting on June 30, 2021, for his term of office that began on July 1, 2021. The employment conditions were approved in view of the organizational change in his position in the Group at the time, when Michel Siboni ended his term as CEO of Harel Insurance at the end of June 2021 and was appointed Chairman of the Board of Directors of Harel Insurance from July 1, 2021 (together with the continuation of his position as CEO of the Company). The employment conditions that time were approved without any change from Michel Siboni's current terms, for the organizational change.

Details of Michel Siboni's employment conditions:

<u>Employment period</u>: The provisions of the employment agreement applied to an indefinite period. The advance notice period is nine months. It should be clarified that the Company's general meeting approved the extension of the advance notice period to nine months (six months have passed) on February 5, 2024.

<u>Current salary</u>: Michel Siboni's monthly salary was NIS 248,000.

<u>Fringe benefits</u>: Michel Siboni was entitled to fringe benefits as is standard for senior management members in the Company.

<u>Post-employment</u>: Michel Siboni was entitled to a salary for an 8-month adjustment period.

Michel Siboni was entitled to severance pay of 200% (double the statutory severance pay) for the period commencing August 1, 2009 until the date of the revision of the employment agreement (October 2016). For the period from the start of his employment in the Company and up to July 31, 2009 (the date of his appointment as CEO of Harel Insurance), Michel Siboni was entitled to 150% severance pay.

Michel Siboni undertook not to compete with the Company when his employment ends, for a period of 7 years from the termination of his employment in the Company, in return for a non-competition bonus of NIS 5,000,000. Under the non-competition commitment, Michel Siboni undertook that during the non-competition period he will not serve as the CEO of an insurance company in Israel, either as a salaried employee or as a service provider, and he also undertook not to utilize the knowledge he gained and will gain in the Company in the area of health insurance, and accordingly he undertook not to serve as a consultant to insurance companies in the field of health insurance.

Note 37 - Balances and transactions with interested and related parties (contd.)

B. Benefits and bonuses for key management personnel (including directors) (contd.)

4. Employment conditions of Michel Siboni, who served as the CEO of Harel Insurance up to January 31, 2024 (contd.)

Post-employment: (contd)

Past rights accumulated by Michel Siboni in his position as CEO of Harel Insurance and for which provision was made in the past in the financial statements of Harel Insurance, in respect of the increased severance pay to which Siboni is entitled up to the revision date as well as the adjustment fees, were deposited in trust in a savings policy on behalf of Siboni, and they were released upon termination of his employment by Harel Insurance. Upon making this deposit, Harel Insurance was exempted from all its obligations towards Michel Siboni in connection with these amounts, when the date of termination of his employment is reached.

Stock options: Within the framework of a stock options plan for officers and employees of the Group that was approved in August 2021, 180,000 stock options were granted to Michel Siboni which may be exercised for up to 180,000 ordinary NIS 0.1 par value shares of the Company, subject to adjustments, without any cash consideration. For additional information see Note 38.

5. Employment conditions of Nir Cohen, who serves as CEO of the Company and CEO of Harel Insurance

On February 1, 2024, Nir Cohen took up his position as CEO of the Company. Nir Cohen, who has served as the CEO of Harel Insurance since July 1, 2021, agreed to assume the position of CEO of the Company as well, without any further compensation for this additional office[1]. Prior to his appointment as CEO of Harel Insurance, he served as head of the HQ Division and Deputy CEO of Harel Insurance. Before that, he served as Senior Deputy Commissioner and Deputy Commissioner of the Capital Market, Insurance and Savings. The employment conditions of Nir Cohen as CEO of Harel Insurance were approved by the relevant organs of Harel Insurance prior to his appointment.

Nir Cohen also serves as chairman of the board of directors of the following financial institutions in Harel Group: Harel Pension & Provident Ltd. and the Tzva Hakeva Savings Fund - Provident Funds Management Company Ltd., and also he serves in a number of other private companies in Harel Group. On February 5, 2024, the Company's general meeting (after approval from the compensation committee and the Company's Board of Directors) approved the terms of Nir Cohen's compensation, which remain unchanged, for the period beginning on February 1, 2024, in which he will also serve as the CEO of the Company. Details of Nir Cohen’s employment conditions:

Employment period: The provisions of the employment agreement apply to an indefinite period. Notwithstanding the foregoing, each of the parties may terminate the agreement at any time, by giving nine months advance notice.

Current salary: Nir Cohen receives a monthly salary of NIS 220 thousand. Nir Cohen's salary was calculated according to the maximum salary cost that may be approved, under the provisions of the Compensation of Officers Law, such that the cost of Nir Cohen's salary is equal to a ratio of 35 times the projected annual expense for to the lowest compensation, according to the cost of a full-time position paid to an employee of Harel Insurance, in the calendar year preceding the year for which Nir Cohen's projected employment cost is calculated. Any increase to Nir Cohen's salary, according to his employment conditions and according to the limit of the maximum employment cost, will be approved solely by the Company’s compensation committee and Board of Directors.

[1] Accordingly, Nir Cohen's compensation will not change if, for any reason, Nir Cohen is no longer CEO of the Company and continues to serve as CEO of Harel Insurance

Note 37 - Balances and transactions with interested and related parties (contd.)

B. Benefits and bonuses for key management personnel (including directors) (contd.)

5. Employment conditions of Nir Cohen, who serves as CEO of the Company and CEO of Harel Insurance

Fringe benefits: Nir Cohen is entitled to a refund of reasonable expenses incurred while fulfilling his duties, including costs of a telephone / mobile phone, membership fees of professional associations, subscription to newspapers and professional literature, professional liability insurance, periodic medical examinations, group health / dental insurance for Harel Group employees, group term (life) insurance policy for senior Harel Group executives, group work disability policy for Harel Group employees, attending in-house training and incentive trips for agents (with partners), wellbeing activities as is standard in Harel Group (such as pre-festival gifts, vacation, meals, and team-building activities), purchase of Harel Group insurance products under conditions offered to the Group's employees, and purchase of Harel Finance financial products under conditions offered to Group employees.

Car: Nir Cohen is entitled, at all times, to receive a company car, as is standard for the Company's CEO. Should he decide to accept a company car for his own use, the tax value will be recognized as part of his ongoing salary and it will constitute part of the base for contributions under the provisions of the employment agreement.

Contributions for social benefits: The Company will make contributions for social benefits according to generally accepted standards for pension, severance pay, and work disability Likewise, Nir Cohen is entitled to contributions to an education fund in respect of his salary (7.5% of his salary at the employer's expense, and 2.5% at the employee's expense).

Convalescence days: Nir Cohen is entitled to 10 convalesce days per year according to the rate published by the Coordinating Bureau of Economic Organizations

Vacation and sick days: Nir Cohen is entitled to 30 days annual paid vacation. Nir Cohen is entitled to 30 days annual paid sick leave, and these days may also be accumulated up to a total of 180 days, although he will not be entitled to redeem them when his employment with the Company ends.

Indemnity and insurance: Nir Cohen received a letter of indemnity as part of the resolutions passed by the Company and approved by the general meeting in July 2006 and March 2012. In addition, Nir Cohen is included in the collective D&O liability insurance policy.

Termination of employment: Nir Cohen is entitled to a salary for a three-month adjustment period and an additional month for each year of employment as the CEO of Harel Insurance. The adjustment period will not exceed five months. It should be clarified that the entire adjustment payment is conditional upon the projected annual expense to the Company for the adjustment during his term of office as CEO being permitted for payment in accordance with the total projected annual cost of all compensation components under the Salary Cap Law. Nir Cohen will be entitled to compensation of 150% (including a seniority supplement until June 30, 2021). From July 1, 2021, the compensation amounts to 100%. Nir Cohen undertook that for two years from the end of his employment at Harel Insurance, he will not serve as CEO of an insurance company, in consideration of a grant in the amount of NIS 5,000,000 subject to approval of the relevant organs in the Company shortly before the termination of the CEO's employment. Under the Company's compensation policy, Nir Cohen will be entitled, together with his family members, to continue to be included in the group insurance policies of Harel employees, after termination of employment, while paying the premiums, based on standard amounts for all Group employees.

Equity award: Under the stock options plan for officers and employees of the Group that was approved in August 2021, 180,000 stock options were granted to Nir Cohen, exercisable for 180,000 ordinary shares of Harel Investments of NIS 0.1 par value shares each, subject to adjustments, without a cash consideration.

In addition, in September 2023, the Company's Board of Directors approved a private allotment of 180,000 stock options to Nir Cohen, exercisable for up to 180,000 ordinary shares of Harel Investments of 0.1 NIS par value each subject to adjustments, without a cash consideration.

Note 37 - Balances and transactions with interested and related parties (contd.)

B. Benefits and bonuses for key management personnel (including directors) (contd.)

6. Benefits and bonuses for the employment of key management personnel (including the chairman), include:

	For the year ended December 31					
	2024		2023		2022	
	No. of people	NIS million	No. of people	NIS million	No. of people	NIS million
Short-term employee benefits*	**11**	**27**	13	27	13	26
Post-employment benefits	**11**	**5**	12	5	12	6
Share-based payments	**8**	**2**	10	4	10	3
Total payroll costs		**34**		36		35
End-of-year balances for loans to key management personnel	**2**	**-**	3	1	4	2

* The above information includes an estimate of the bonus for the key group accordance with the compensation policy for the reporting year. The final calculation of the bonus amounts for the reporting year will be prepared in June, after the Company has comparison figures for other companies (such as EV, return on equity and Nostro yield). Consequently, there may be a difference between the estimate and the final calculation of the amount of the bonuses

7. Benefits and bonuses for key management personnel who are directors that are not employed by the company:

	For the year ended December 31					
	2024		2023		2022	
	No. of people	NIS million	No. of people	NIS million	No. of people	NIS million
Directors' fees	**9**	**3**	8	3	8	3

*

Refers to directors fees received directly from the Company only

8. The Company participates (for itself and for the Group companies) in D&O insurance which is acquired from Harel Insurance:

Amount paid for the company and for Group companies:

	For the year ended December 31		
	2024	2023	2022
	NIS million	NIS million	NIS million
For D&O insurance	**5**	5	5

Note 37 - Balances and transactions with interested and related parties (contd.)

C. Balances with interested and related parties

	As at December 31, 2024	
	Controlling shareholder	Principal shareholders* and other related parties
	NIS million	NIS million
Assets		
Trade and other receivables	**-**	**18**
Financial investments for yield-dependent contracts	**-**	**76**
Other financial investments		
Non-marketable debt assets	**-**	**1,147**
Liabilities		
Financial liabilities	**-**	**166**
Liabilities for employee benefits, net	**14**	**34**

	As at December 31, 2023	
	Controlling shareholder	Principal shareholders* and other related parties
	NIS million	NIS million
Assets		
Trade and other receivables	-	12
Financial investments for yield-dependent contracts	-	415
Other financial investments		
Non-marketable debt assets	-	109
Liabilities		
Financial liabilities	-	67
Liabilities for employee benefits, net	14	37

* The highest debt asset balance in the year of interested parties amounted to NIS 1,223 million (in 2023, NIS 1,035 million)

Note 37 - Balances and transactions with interested and related parties (contd.)

D. Transactions with interested and related parties

	Controlling shareholder	Principal shareholders* and other related parties
	NIS million	NIS million
For the year ended December 31, 2024		
Profits from investments, net, and financing income	**-**	**50**
Income from management fees	**-**	**9**
Commissions, marketing expenses and other acquisition costs	**-**	**59**
General and administrative expenses	**9**	**41**

	Controlling shareholder	Principal shareholders* and other related parties
	NIS million	NIS million
For the year ended December 31, 2023		
Losses from investments, net, and financing income	-	18
Income from management fees	-	11
Commissions, marketing expenses and other acquisition costs	-	60
General and administrative expenses	9	43

	Controlling shareholder	Principal shareholders* and other related parties
	NIS million	NIS million
For the year ended December 31, 2022		
Losses from investments, net, and financing income	-	26
Income from management fees	-	11
Commissions, marketing expenses and other acquisition costs	-	62
General and administrative expenses	8	43

* Senior officers of the Company may periodically purchase insurance contracts, investment contracts or other financial products issued by the Group under market conditions and during the normal course of business. Insofar as these transactions come under the definition of “negligible transactions”, they are not specified in the financial statements

Note 37 - Balances and transactions with interested and related parties (contd.)

E. Agreements with controlling shareholders and executives

1. Agreement with an architect

In January 2011, the Company entered into an agreement (which was amended in January 2016, December 2017, December 2018, December 2019, December 2020, December 2021, December 2022, and December 2023) to obtain architectural services from Miki Kornhauser, who is the brother-in-law of Yair Hamburger, the controlling shareholder and Chairman of the Board of Directors of the Company ("the Agreement" and/or "the Engagement"). Under the Agreement, Kornhauser provides on-going architectural services to the Company and its subsidiaries in various projects undertaken by the Company.

The Company's Audit Committee and Board of Directors approved an amendment to the Agreement whereby the agreement period will be extended to December 31, 2025, and the monthly consideration for the architecture services will remain at NIS 28,000.

2. Bonus for senior officers for 2024

In April 2025, after the Reporting Period, the bonuses for officers of the Company and officers who were included in the compensation plan will be submitted for the approval of the Compensation Committees and Boards of Directors of the Company and its subsidiaries. The bonuses included in this report were calculated on the basis of actual data and based on estimates relating mainly to comparison figures for the results of the operations of other insurance companies included in the comparison group. The final calculation and approval of the bonuses will be prepared by the end of April 2025.

3. Bonus for senior officers for 2023

In April 2024, the compensation committees and boards of directors of the Company and the subsidiaries that are financial institutions, approved bonuses for the Company officers and functionaries in the Company and the subsidiaries who are included in the compensation plan. The bonuses were calculated on the basis of actual data and based on estimates relating mainly to comparison figures for the results of the operations of other insurance companies included in the comparison group.

4. D&O liability insurance

The D&O liability policy applies to currently serving senior executives in the Company and its subsidiaries as well as to those who have served the Company and/or its subsidiaries from time to time (including senior officers in the Company or subsidiaries who are considered controlling shareholders or their family members).

In accordance with the provisions of the Company's compensation policy, the Compensation Committee and Board of Directors approved renewal of the agreement between the Company and the subsidiary Harel Insurance regarding a D&O liability insurance policy, commencing October 31, 2024 for one year, which covers directors and officers of the Company and other companies in Harel Group, including individuals who may be considered controlling shareholders in the Company so that the sum insured will be USD 220 million and an additional Side A layer with a liability limit of USD 25 million. The cost of the annual premium for this cover and the deductible are in accordance with market conditions and were determined on the basis of proposals that Harel Insurance received from reinsurers. The cost is not material for the Company.

Note 37 - Balances and transactions with interested and related parties (contd.)

E. Agreements with controlling shareholders and executives (contd.)

5. Commitment to indemnify Company officers and directors

On January 29, 2012, and on January 30, 2012, the Audit Committee and Board of Directors of the Company, respectively, approved amended indemnity notes for its senior officers and directors, including directors who are controlling shareholders of the Company. On March 5, 2012, the General Meeting approved the granting of the amended indemnity notes to the Company's senior officers and directors, including to controlling shareholders. There is no change to the Company's limit of liability in the amended indemnity notes, but they include an option for indemnity based on the permitted indemnity under the Administrative Enforcement Powers Law. The indemnity notes will be given to the senior officers currently serving the Company and those who may serve the Company from time to time (including senior officers who are deemed controlling shareholders or their relatives, as well as senior officers where a controlling shareholder of the Company may be construed as having a personal interest in granting them the indemnity notes). It is stipulated that the decision to approve the amended indemnity notes does not cancel the existing indemnity notes, but is in addition to them.

6. Entering into an agreement with a grandson of the Company’s controlling shareholder

On May 22, 2023, May 29, 2023, and July 5, 2023, the compensation committees and boards of directors of the Company and Harel Insurance and the general meeting of the Company, respectively, approved the revised employment conditions for Idan Tamir, a relative of Yair Hamburger, one of the Company’s controlling shareholders.

The agreements stipulated that Idan Tamir will receive a gross monthly salary of NIS 18 thousand. The Company may adjust the salary at a rate of up to 5% of the amount of salary in that year. In addition, Idan Tamir is entitled to fringe benefits as is standard in the Company, including an annual bonus, annual vacation, travel expenses, convalescence pay, contributions to an education fund, health insurance, meals, parking payment, and a mobile phone.

7. Changes in the number of officers in the Company

Michel Siboni, who served as CEO of the Company and Chairman of the Board of Directors of Harel Insurance, stepped down from his position on January 31, 2024, after more than 30 years with Harel Group. Michel Siboni continues to serve as a director in Harel Insurance and Chairman of the Board of Hamazpen, and he was also appointed as a director in the Company commencing February 5, 2024. Further to Michel Siboni stepping down from his position, the Company’s Board of Directors approved the appointment of Nir Cohen, who is currently the CEO of Harel Insurance, as CEO of Harel Investments as well.

The late Josef Ciechanover, who served as a director of the Company for nearly three decades, passed away in September 2024.

Yochi Dvir was appointed as an external director in the Company effective from May 30, 2024.

In December 2024, Sami Babecov, Chief Investment Officer of Harel Group, announced his intention to retire from his position at the end of June 2025.

In January 2025, Hagit Chitayat-Levin, CEO of the subsidiary Harel Finance Holdings, announced her intention to end her position as CEO of Harel Finance at the end of June 2025. After ending her position as CEO of Harel Finance, Hagit Chitayat-Levin is expected to be appointed as chair of the Board of Directors of Harel Finance Holdings.

Note 37 - Balances and transactions with interested and related parties (contd.)

F. Additional transactions

1. Agreements to provide services

(a) Under an agreement between the Company and some of its subsidiaries, the Company is entitled to management fees of 0.5% of the premiums collected by the insurance companies, 3% of the management fees collected by the provident fund management company, and management fees of 0.5% of the contributions received by the comprehensive pension fund managed by the management company, up to a maximum of NIS 50 million, and this in return for management and consulting services rendered by the Company to the said companies with respect to marketing, finance, business planning, participation in the board of directors, and other areas of management. The agreement has been in force since January 1, 2009 and it can be canceled at the end of each calendar year. According to the terms of the agreement, the management fees at an annual rate of 0.5% of the annual contributions are not paid for contributions to be received from the IDF.

(b) On March 23, 2016, and on March 22, 2016, the boards of directors of Harel Insurance and Harel Pension, respectively, approved a revised agreement between Harel Insurance and Harel Pension for operating services that Harel Insurance provides to Harel Pension. Under this revised agreement, the management and operating fees will be determined on the basis of the actual expenses incurred by Harel Insurance for these services. The new management agreement includes an allocation of direct expenses and indirect expenses based on a certain percentage of the volume of the assets under management. . The agreement will be applied retroactively from January 2016. The amendment to the agreement sets out a more reasonable allocation of expenses for each agreement year. Nonetheless, the amendment to the agreement does not have a material long-term effect. On January 1, 2023, an amended agreement was signed, whereby Harel Pension & Provident will bear ownership at a fixed rate of 0.04% (annual) of the members' assets in the new pension funds under its management based on revaluation of the value of the assets at the end of each calendar month. The calculation of members' assets does not include the assets of members in the IDF pension arrangement, provided they are active members in the arrangement and are entitled to the management fees set out therein. The agreement further stipulates that the management fees will be paid to Harel Insurance in four equal annual payments at the end of each calendar year, bearing interest in accordance with Section 3J of the Income Tax Ordinance.

(c) In April 2013, Harel Insurance entered into agreement with the Israel Credit Insurance Company Ltd. (“ICIC”), according to which Harel Insurance provides ICIC with various services, including legal advice, back-office services, risk management, and customer relations. ICIC undertook to pay Harel Insurance NIS 80,000 per month for these services. The agreement is for a period of five years, where each party has the right to cancel the agreement by giving 90-days advance notice. In August 2016, a supplement to this agreement was approved so that it also includes logistics services, which include mainly services such as: post, vehicle servicing, leasing and telephony in respect of which an additional NIS 8,000 per month will be paid to Harel Insurance. In January 2019, a further supplement to the agreement was approved in which the agreement period was extended for an additional five years and it was determined that: (1) from November 2018, the services that Harel Insurance will provide to ICIC will not include the writing of meeting minutes, coordination of board meetings and board committees and the distribution of background material to these meetings; (2) the total monthly payment that ICIC will pay Harel Insurance for all the services it renders in this agreement will be NIS 80,000. In March 2019, an additional supplement to the agreement was approved, in which Harel Insurance allocated to ICIC a 75% position for risk management. Pursuant to the foregoing, the monthly consideration that ICIC will pay Harel Insurance for all the services provided to it was updated to NIS 91,000. In December 2021, the agreement was signed again a way that corresponds with the provisions of Financial Institutions Circular 2018-9-35: Outsourcing in Financial Institutions, and it currently includes services provided to ICIC - Israel Credit Insurance Company Ltd. by Harel Insurance. In addition, in March 2022, the total monthly consideration was revised, amounting to NIS 92,000.

Note 37 - Balances and transactions with interested and related parties (contd.)

F. Additional transactions (contd.)

1. Agreements to provide services (contd.)

(d) On March 23, 2016, the Board of Directors of Harel Insurance approved an agreement with Harel Finance and ICIC, both sister companies of Harel Insurance, according to which Harel Insurance will enter into rental agreements with Dikla, ICIC and Harel Finance to rent office space and shops in Beit Hameah, a property that is owned by Harel Insurance.

(e) Agreement to provide claims settlement services

Claims in respect of medical malpractice policies are mostly handled by MCI, which is fully controlled by Madanes Insurance Agency Ltd. (in which the Company has a 25% stake), in view of the special knowledge and experience that this company has in handling medical malpractice claims. Commencing December 2015, some of the medical malpractice (medical professional liability) claims for certain underwriting years were settled by Vectis Claims Services Ltd. (“Vectis”), a company jointly owned by Harel (5%) and the reinsurers Swiss Re (75%) and Munich Re (20%). As of September 2019, Swiss Re acquired Munich Re’s share of the Company so that Harel continues to hold 5% of the Company and the balance is held by Swiss Re. On December 31, 2022, an agreement was signed between Harel and Swiss Re in which from January 1, 2023, Harel will bear full responsibility for most of the claims handled by Vectis for Swiss Re and Harel will continue to manage the claims that were handled by Vectis. The Company has a certain dependence on MCI and the jointly held company, nonetheless, the Company has sufficient knowledge and experience to undertake the handling of these claims independently, within a relatively short time frame.

(f) Pursuant to an agreement which was approved by the Board of Directors of the Company on March 30, 2014, EMI pays the Company annual management fees of NIS 250,000 for a variety of services that it receives from the Company and for officers in Harel Investments who serve as directors in EMI. This agreement replaces a previous agreement relating to management fees that came to an end on December 31, 2013 and was not renewed.

(g) Agreement between the Company and Dikla for providing services

Harel Insurance entered into an agreement with Dikla, under which Dikla provides services to Harel Insurance. Under the Dikla agreement, Harel Insurance provided services for settling collective claims of health fund employees and retirees. For this service, Harel Insurance paid Dikla the cost of the service plus a margin. The agreement ended in 2024.

(h) Investment and agreement with Michel Siboni in Hamazpen Shutaphim Laderech Ltd. (“Hamazpen”)

In June 2024, the board of directors of Hamazpen, a second-tier subsidiary of the Company, resolved to increase the equity of Hamazpen by a NIS 40 million to maintain the capital adequacy requirements in view of the expected credit portfolio of Hamazpen until the end of the second quarter of 2024. Accordingly, and in accordance with the provisions of the founders' agreement of Hamazpen, the Company transferred to Hamazpen its share in this amount, NIS 28 million. In addition, and in accordance with the provisions of the founders' agreement, Harel provided the other shareholders of Hamazpen, Alon Partnership, and Mr. Michel Siboni their proportional share in the amount required for the capital increase, as non-recourse loans in the amount of NIS 8 million and NIS 4 million, respectively. This is in accordance with the terms set out in the founders' agreement for these loans. According to an outside economic opinion received by the Company, the value of the benefit inherent in the loan for the non-recourse component received by Mr. Michel Siboni amounts to NIS 96 thousand. In addition, the Company estimated the value of the benefit in the interest rate differences for the loan in the amount of NIS 64 thousand. It should be clarified that the loan to Mr. Michel Siboni, who serves as a director at Harel Insurance and as chairman of the board of Hamazpen, was approved by the compensation committees, the audit committees, and the boards of directors of the Company and of Harel Insurance.

Note 37 - Balances and transactions with interested and related parties (contd.)

F. Additional transactions (contd.)

2. Providing a credit facility to a second-tier subsidiary - Hamazpen - Shutaphim Laderech Ltd. ("Hamazpen")

   In December 2019, Hamazpen entered into agreement with Harel Insurance to receive a credit facility in the amount of NIS 150 million for the purpose of providing credit to its customers. In September 2020 the credit facility was increased by a further NIS 100 million, in November 2021, the credit facility was increased by an additional NIS 50 million and in December 2022, the credit facility was increased by a further NIS 50 million. As collateral for providing this credit facility, the Company signed a letter of undertaking to invest the required amounts in Hamazpen's capital from time to time so as to ensure that, at all times, Hamazpen's equity will not fall below 15% of the total balance sheet of Hamazpen up to a maximum investment amount of NIS 100 million. As at December 31, 2024, the outstanding credit provided by Harel Insurance to Hamazpen was NIS 192 million. As at the Reporting Date, the outstanding credit provided by Harel Insurance to Hamazpen was NIS 282 million.

Note 38 – Share-based payment

A. The expense recognized in the financial statements

The expense recognized in the consolidated financial statements in 2024 for share-based payments amounted to NIS 17 million (in 2023, NIS 24 million).

B. Stock options plan for Group executives and employees

On August 23 and 25, 2021, and on August 30, 2021, the Company's Compensation Committee and Board of Directors, respectively, approved a stock options plan for executives and employees of the Group. Under the stock options plan, the Company published an outline plan which includes an allotment of up to 8,548,000 stock options which may be exercised for 8,548,000 ordinary NIS 0.1 par value shares of the Company, subject to adjustments, with no consideration.

The options will vest in three portions, subject to continuation of the recipient's employment in the Group. The plan was approved on a capital taxation track, under Section 102 of the Income Tax Ordinance.

On the exercise date, the Company will allot the exercisable shares according to the number of exercisable shares multiplied by the difference between the share price on the Stock Exchange at the exercise date and the exercise price, divided by the price of the share on the Stock Exchange.

The options include a benefit cap, according to which the maximum benefit that may be derived by the recipients from exercising each option shall not exceed 180% of the Company's share price as it was on the trading day preceding the Grant Date.

The fair value at the Grant Date was calculated according to a valuation received from an external appraiser who used the binomial model.

For information about the private allotment to Nir Cohen, CEO of the Company and of Harel Insurance, see Note 37B(5).

On March 26, 2024 and on March 28, 2024, the compensation committee and the board of directors, respectively, approved another stock options plan based on the options plan approved in August 2021. Under the plan, 994,000 options were offered to 29 employees in the Company's subsidiaries. In addition, 2,500,000 options were approved as a "reserve" for additional future allocations.

Note 38 – Share-based payment (contd.)

B. Stock options plan for Group executives and employees (contd.)

Assumptions applied in measuring the fair value of the options on the grant date:

Grant date	No. of options	No. of recipients	Fair value	Price per share	Exercise supplement	Annual standard deviation	Discounting rate
			NIS M	NIS	NIS	%	%
October 17, 2021	7,673,000	159	71.02	36.47	33.40	28.42 - 29.91	0.65 – 0.97
January 26, 2022	906,000	32	7.84	36.56	36.56	28.20 - 29.76	0.87 – 1.14
April 28, 2022	20,000	1	0.20	40.69	40.69	28.47 - 29.84	1.98 - 2.17
June 22, 2022	267,000	7	2.28	33.27	33.27	29.01 – 30.58	2.69 – 2.78
July 27, 2022	124,000	2	1.07	34.21	34.21	29.09 – 30.76	2.31 - 2.40
February 16, 2023	180,000	5	1.63	34.04	34.04	31.14 - 29.29	3.65 - 3.56
April 27, 2023	460,000	23	3.91	31.50	31.50	31.65 - 29.77	3.93 - 3.9
September 12, 2023	180,000	1	1.36	28.00	28.00	32.12 - 30.05	3.87 - 3.86
October 25, 2023	120,000	6	0.91	24.60	24.60	32.59 - 30.39	4.33 - 4.14
April 17, 2024	994,000	29	9.86	33.49	34.29	30.87 - 32.99	4.61 - 4.77
August 29, 2024	180,000	9	2.16	36.70	34.88	31.22 - 33.24	4.64 - 4.8

(a) Expected fluctuation in the share price

The expected fluctuation (standard deviation) is based on the historic volatility of the Company’s share price (by daily spreads). The expected fluctuation of the share price reflects the assumption that the historic volatility of the share price is a good indication of expected fluctuations in the future.

(b) Risk-free interest rate

The interest rate applied for calculating the value of the options to the recipients was calculated on the basis of a nominal risk-free yield to redemption curve, based on the yield for unlinked shekel government bonds with fixed interest.

(c) Churn rate (after the vesting period)

The model assumed a 7% churn rate for the period between the vesting date and expiration of the option. The model made no assumption for a churn rate during the vesting period.

(d) Dividend

The exercise price of the options in the plan is adjusted for dividends. Calculation of the value of the options therefore ignores any future dividend distribution.

C. Movement in the year

The following table includes the movement in the number of stock options:

	For the year ended December 31					
	2024		2023		2022	
	Number of options	Adjusted weighted average exercise price	Number of options	Adjusted weighted average exercise price	Number of options	Adjusted weighted average exercise price
Options for shares at the beginning of the year	**8,839,667**	**31.46**	8,114,667	31.57	7,510,000	32.93
Stock options granted in the year	**1,174,000**	**32.27**	940,000	30.44	1,317,000	34.29
Stock options exercised in the year	**(3,673,209)**	**27.44**	-	-	-	-
Stock options forfeited in the year	**(131,166)**	**27.17**	(215,000)	31.05	(712,333)	31.28
Options for shares at the end of the year	**6,209,292**	**28.54**	8,839,667	31.46	8,114,667	31.57
Options for shares exercisable at the end of the year	**1,194,356**	**27.49**	2,397,333	31.05	-	-

The outstanding contractual lifespan of the stock options at December 31, 2024 is 3.6 years.

Note 39 - Contingent liabilities and commitments

A. Contingent liabilities

There is a general exposure which cannot be evaluated and/or quantified resulting, among other things, from the complexity of the services provided by the Group to its insured and its clients. The complexity of these arrangements contain, among other things, a potential for interpretative and other claims, among other reasons due to information gaps between the Group and other parties to the insurance contracts, and the Group’s other products, associated with a series of commercial and regulatory conditions, including claims relating to the method of investing the money of insureds and members. It is impossible to predict the types of claims which may be raised in this sector and the resulting exposure in connection with the Group’s products, which are raised during the course of various legal proceedings, among other things, through the litigation mechanism prescribed in the Class Actions Law.

New interpretations of the information in insurance policies and long-term term pension products may, in some instances, affect the Group's future profit in respect of the existing portfolio, in addition to the exposure inherent in requirements to compensate customers for past activity. Likewise, there is an element of exposure in all regulatory changes and instructions issued by the Commissioner, in circulars that are in force and in draft circulars that are still under discussion, as well as “Superintendent’s position papers”, “rulings in principal” on various matters, some of which have far-reaching legal and operational ramifications. This exposure is particularly strong in pension savings and long-term insurance, including health insurance. In these sectors, the agreements with the policyholders, members and customers are over a period of many years during which changes may occur in policies, regulations and legal trends, including through court rulings. These rights are managed through complex automated systems, and in view of these changes they must be constantly adjusted. All these create considerable operational and mechanization exposure in these areas of activity. The Group’s financial institutions have an enforcement plan according to which they operate to review compliance with the regulatory provisions and rectify any deficiencies found.

Furthermore, there is a general exposure due to complaints filed from time to time to the Capital Market, Insurance and Savings Authority against the Group’s financial institutions, regarding the rights of insureds associated with the insurance policies and/or the law. These complaints are handled on a current basis by the Company’s public complaints division. The decisions of the Capital Market, Insurance and Savings Authority regarding these complaints, if and to the extent that any decision is made, might also be given as broad rulings that apply to extensive groups of insureds. Additionally, sometimes the complaining entities even threaten to take steps regarding their complaints in the form of a class action. At this time, it is impossible to estimate whether there is exposure for such complaints nor is it possible to gauge whether the Commissioner will issue a cross-the board decision on these complaints and/or whether class actions will be filed as a result of these steps and it is therefore impossible to estimate the potential exposure to such complaints. Consequently, no provision for this exposure has been included. Additionally, as part of the policy applied by the Ministry of Finance Capital Market, Insurance & Savings Authority to enhance the controls and audits of financial institutions, from time to time the Capital Market, Insurance and Savings Authority conducts in-depth audits of various areas of activity performed by the Group's financial institutions.

As a result of these audits, the Ministry of Finance may impose fines and/or financial penalties and it may also instruct that changes should be made with respect to various operations, both with respect to the past and the future. Regarding instructions with respect to past activity, the Capital Market, Insurance and Savings Authority may request the restitution of money or a change in conditions vis-à-vis policyholders and/or fund members in a manner that might impose financial liabilities on the Company's subsidiaries and/or increase the exposure of the subsidiaries that are insurers to a broader range of insurance events to be covered on account of these instructions, in policies that were issued.

As part of audits conducted by the various regulatory authorities, including the Capital Market, Insurance and Savings Authority, in 2024, a number of in-depth audits were and are being conducted on pension and provident, health insurance, non-life insurance, claims settlement in the life insurance and long-term care, information systems and computerized databases, customer service and customer complaints, and also on the collection of statistical information (claims).

Note 39 - Contingent liabilities and commitments (contd.)

A. Contingent liabilities (contd.)

On March 17, 2024, Harel Insurance received a demand for a refund according to which Harel Insurance and Shirbit Insurance Ltd. (whose insurance activity is merged into Harel Insurance) are required to refund amounts of premiums in cases where the companies produced more than one compulsory motor insurance policy for the same vehicle. The refund demand is the result of an audit by the Capital Market, Insurance and Savings Authority at several insurance companies. A preliminary review shows that the recovery amounts are not expected to be substantial.

Within the context of investments in debt assets by the Group companies, the investing companies are signed on indemnity notes of unlimited amounts vis-a-vis the trustees of the debt assets. In these indemnity notes, the Group companies (as well as the other investors in those debt assets), undertook towards the trustees to indemnify the trustees for any expense that may be imposed on them during the handling of the debt arrangements, insofar as they handle such arrangements and insofar as the said expense is not paid by the company which owns the assets. The Group companies hold several debt assets that are in an arrangement process. The exposure relating to the indemnity notes that were given in respect of these debt assets is insignificant.

In connection with a merger of the insurance activity of Dikla into Harel Insurance, and in accordance with a request by Clalit Health Services which is Dikla’s main customer and where, as part of the agreement with Clalit Dikla provides operating and management services for the Supplementary Health Services Plan and the Long-term Care plan for Clalit’s members, Harel Insurance signed an indemnity note in which it undertook to indemnity Clalit Health Services for losses sustained by Clalit if and insofar as any losses are sustained, as a result of the split of operations, under the conditions set out in the indemnity note.

On December 1, 2021, Harel Insurance acquired the insurance activity of Shirbit, including the rights and obligations incorporated therein.

Following are details of the exposure for class actions and motions for their recognition as class actions filed against the Company and/or companies in the Group.

In the motions for certification of actions as class actions set out below, in which, based, among other things, on expert legal opinions that it received, management believes that it is more likely than not that the defense arguments of the Company (or subsidiary) will be dismissed and certification of the action as a class action will be accepted, or where there is 50% or more chance that in the final event the arguments of the Company (or subsidiary) will be accepted, that it is likely that a proposed settlement, that does not include an obligation for a monetary payment which is not negligible will be accepted no provision was included in the financial statements.

In motions to approve a legal action as a class action regarding a claim, fully or partly, where it is more reasonable that the defense arguments will be rejected, provision was made in the financial statements to cover the exposure estimated by the Company's management and/or the managements of subsidiaries.

In the motions to approve an action as a class action, in Sections 27, 33, 39, 42, 43, 45,46, 47, 48, 49, and 50, at this early stage it is impossible to estimate the chances of the applications to be approved as a class action and therefore no provision has been included in the financial statements for these claims.

Note 39 - Contingent liabilities and commitments (contd.)

A. Contingent liabilities (contd.)

1. In January 2008, an action was filed in the Tel Aviv District Court against the subsidiary Harel Insurance and against four additional insurance companies (hereinafter together: “the Defendants”) together with a motion for its certification as a class action. The subject of the action is the allegation that the respondents unlawfully collected a "second-tier annual factor fee" (a fee that insurance companies are allowed to collect when the amount of the annual premium is actually paid in installments). The plaintiffs claim damages in the amount of NIS 1,683.54 for each insurance year. The plaintiffs estimate that the total claim for the entire class that they wish to represent against all defendants is about NIS 2.3 billion, of which about NIS 307 million is against Harel Insurance. On February 1, 2010, the court approved a request for a procedural arrangement between the parties, according to which the plaintiff will strike out the claim that Harel Insurance collected a second-tier annual factor fee exceeding the rate permitted in policies that were issued before 1992 as well. As instructed by the court, the plaintiff submitted an amended claim and request for its certification as a class action. On December 29, 2013 the Commissioner filed a position supporting the position of the defendants that there is no reason to charge a second-tier annual policy factor on the savings component of life insurance combined savings and other risk policies, including nursing, work disability and accidental disability. On July 19, 2016, the Tel Aviv District Court approved the claim as a class action in connection with the collection of a second-tier annual factor on the premium component which is known as the policy factor and on the savings component in combined savings and life insurance policies, and in connection with the collection of a second-tier annual policy factor in health, disability, critical illness, work disability and long-term care policies. In December 2016, an application was filed for permission to appeal the decision of Tel Aviv District Court. Following the Supreme Court ruling in January 2017, the respondents responded to the application for permission to appeal the decision to approve the action as a class action and the application was heard by a panel of judges. In April 2017, the Supreme Court accepted the request for a stay of implementation that was filed by the Defendants and it determined that the hearing would be put on hold until a decision has been made on the application for permission to appeal and on the appeal. On May 31, 2018, the Supreme Court accepted the motion for permission to appeal, heard it as an appeal and accepted it, reversing the ruling of the District Court and dismissing the motion for certification of the action as a class action. On June 26, 2018, a motion was served to Harel Insurance to hold a further hearing on the judgment filed by the plaintiffs at the Supreme Court. In its decision dated July 2, 2019, the Supreme Court instructed that another hearing on the judgment should take place before a panel of seven judges. In November 2019, the Attorney General announced that he would appear at the proceeding in person and in February 2020 he submitted his position supporting the judgment and the trend it reflects to strengthen the weight that should be given to the regulator’s professional position in the interpretation of his instructions and that in his view, there should be no involvement in the decision made in the judgment which is the subject of the proceeding with respect to adopting the interpretive position of the Capital Market Authority.

   In July 2020, another hearing took place on the judgment before a panel of seven judges and on July 4, 2021, a ruling was handed down in the additional hearing whereby the decision of the District Court, which determined that the motion for certification was accepted, it will remain unchanged and the case will be returned to the District Court for a hearing on the class action. The parties are in mediation.

Note 39 - Contingent liabilities and commitments (contd.)

A. Contingent liabilities (contd.)

2. In May 2013, an action was filed in the Tel Aviv District Court together with an application for its certification as a class action against the subsidiary Harel Insurance. The subject of the action is the claim that Harel Insurance allegedly refrains from paying insurance benefits to its policyholders together with linkage differences and interest, from the date of occurrence of the insured event up to the payment date of the insurance benefits. The total loss claimed for all members of the group amounts to sums varying from NIS 168 million to NIS 807 million. The mediation process conducted by the parties was unsuccessful and the hearing of the action returned to the court. On August 30, 2015, the Tel Aviv District Court partially accepted the motion for certification, such that conducting of the claim as a class action was approved with respect to the argument concerning non-payment of interest as required under Section 28(A) of the Insurance Contract Law (“the Law”), and the motion was dismissed insofar as it relates to the argument that Harel Insurance does not link the insurance benefits in accordance with the provisions of Section 28(A) of the Law. The plaintiffs estimate that the overall loss claimed for all members of the group in relation to the Company according to the amended statement of claim amounts to NIS 120 million. In October 2015, a motion was filed for permission to appeal the decision to certify the application as a class action. As recommended by the court, in August 2016, the Defendants withdrew the motion for permission to appeal. On February 28, 2021, a partial ruling was given on the action (the “Partial Ruling”) adopting the ruling in the certification decision according to which the class action was accepted. According to the Partial Ruling the group is defined as any eligible person (insured, beneficiary or third party) who in the period commencing three years prior to filing the action and its termination on the day of giving the Partial Ruling, received from Harel Insurance, not in accordance with a ruling on his affairs, insurance compensation without the inclusion of interest by law. Furthermore, the court stipulated that for the purpose of exercising the ruling, an expert will be appointed to determine the method of refunding the group members and calculating the amount of the refund, and it also determined that expenses will be paid to the representative plaintiffs and legal costs to their attorneys. In May 2021, Harel Insurance filed an appeal on the partial ruling in the Supreme Court. In June 2021, the Supreme Court accepted the Defendants’ motion to stay implementation of the partial ruling in the sense that the proceeding to appoint an expert for implementation of the partial ruling will be delayed until a decision is made on the appeal proceeding. On November 9, 2022, the Supreme Court denied the appeal on the partial ruling, in the absence of grounds for judicial intervention in the interim decision. It was also stipulated that the appropriate place to investigate the appeal arguments is in the form of an appeal on the final judgment.

3. In April 2014, an action was filed in the Tel Aviv District Court, together with an application for its certification as a class action, against the subsidiary Harel Insurance. The subject of the action is the allegation that Harel Insurance pays the holders of Hiyunit profit-sharing policies for work disability and long-term care insurance (“the Policy”) monthly compensation (which consists of monthly compensation and the outstanding bonus), which is ostensibly calculated in contravention of the Policy provisions, and that Harel Insurance, allegedly, does not pay the policyholders the bonus they have accrued up to the date of payment of the first monthly compensation according to the Policy. The total loss claimed for all members of the Group that the Plaintiff wishes to represent amounts to NIS 381 million. In March 2019, the Tel Aviv District Court certified litigation of the claim as a class action ("the Decision"). The class in whose name the class action is to be litigated is all insureds in profit-sharing life-insurance policies managed by Harel Insurance, in which the insurance benefits are paid based on an Rm formula. On July 17, 2019, Harel Insurance filed an application for permission to appeal the decision in the Supreme Court. On July 22, 2019, Harel Insurance was served with an appeal in the Supreme Court which was filed by the plaintiff in the motion for certification, on that part of the decision in which the District Court ruled not to certify litigation of the claim as a class action on the grounds of deception and that the definition of the class in the class action did not also include past insureds, including beneficiaries and heirs of insureds in the insurance policies in respect of which the claim had been certified as a class action. At the hearing, which took place in the Supreme Court on September 13, 2021, it was agreed that the group for which the class action was approved would be reduced and it was stipulated that it also includes past insureds and that the prescription period in respect of the insurance benefits is 3 years. Subject to this, with the consent of the parties, the motion for permission to appeal and the appeal were dismissed.

Note 39 - Contingent liabilities and commitments (contd.)

A. Contingent liabilities (contd.)

4. In July 2014, a motion was filed in the Lod-Center District Court to certify a claim as a class action against the subsidiary Harel Pension & Provident and against four other pension funds (hereinafter together: "the Defendants"). The subject of the action is the argument that the Defendants increase the management fees paid by the pension fund members from the accrued savings (accrued balance) to the maximum rate permitted by law, when the members become pensioners, begin to receive their retirement benefit and are no longer able to move their pension savings. The Defendants thus exercise the contractual right granted to them under the provisions of the pension fund articles, in an unacceptable manner, in bad faith and in contravention of the statutory provisions. The plaintiffs estimate the total loss claimed for all members of the class they wish to represent in the amount of NIS 48 million against all the Defendants. The court submitted the application to obtain the Commissioner's position on questions arising from the motion for certification. In September 2017, the Commissioner's position was filed supporting the Defendants' position according to which the management fee rate collected in the savings period should not be compared with the management fee rate collected from annuity recipients after their retirement as these are different periods with different characteristics. Post-retirement management fees are reset at the time of retirement unrelated to the management fee rate prior to retirement and are therefore not considered an increase of the management fees but rather determining the management fee rate for the retirement period. The "Management Fees Circular" which addresses the obligation of management companies to inform members does not in any way apply with respect to determining management fees for pensioners, and the obligation to provide notice of a change in the management fees under the circular does not apply to the management companies with respect to annuity recipients. The mediation process conducted by the parties was unsuccessful and the hearing of the action was returned to the court. On March 18, 2022, the Lod-Center District Court certified litigation of the claim as a class action. The class in whose name the class action is to be litigated is anyone who is a member of a comprehensive pension fund which is listed as one of the Defendants, and who is eligible to receive an old-age pension and/or may in future be eligible to receive an old-age pension. The parties are in a process of mediation.
5. In September 2015, an action was filed in the Lod-Center District Court, together with a motion for its certification as a class action, against the subsidiaries Harel Insurance and Dikla Insurance Agency Ltd. (under its previous name Dikla Insurance Company Ltd.) ("Dikla") and against three other insurance companies (hereinafter together: "the Defendants"). The subject of the action is the allegation that the Defendants allegedly adopted an interpretive position in that for the purpose of recognizing an insured within the framework of investigating a long-term care claim in which the insured satisfies the definition of being "unable to control bowel and bladder functions", this condition must be exclusively the outcome of an illness or urological or gastroenterological disorder. This, ostensibly, in contravention of the provisions of the insurance policy. The plaintiffs have not quantified the loss claimed for all members of the class they wish to represent, but they estimate it to be hundreds of millions of shekels. The mediation process conducted by the parties was unsuccessful and the hearing of the action was returned to the court. In April 2020, the Central District Court approved litigation of the claim as a class action against Harel Insurance, Dikla and against two other insurance companies, on the grounds of breach of the long-term care insurance contract that resulted in non-payment or under payment of the long-term care benefits due to the failure to recognize the insureds as being eligible to points for the ADL of control of bowel and bladder function. The group in whose name the class action is being conducted is anyone who had long-term care insurance that was sold by one of the Defendants against whom the action was approved as a class action and who suffered from an inability to independently control bowel or bladder functions as a result of a combination of defective control of these functions that has not reached the stage of organic loss of control with deteriorated functional condition, and nevertheless did not receive from the Defendants against whom the claim was approved as a class action (as applicable) points for the ADL of "control of bowel and bladder function" in an assessment of their claim for receiving long-term care benefits, in a manner that led to an infringement of their rights to insurance compensation in the period between September 8, 2012 and the date of approval of the action as a class action. The parties are conducting a mediation process.

Note 39 - Contingent liabilities and commitments (contd.)

A. Contingent liabilities (contd.)

6. In September 2015, an action was filed in the Tel Aviv District Court, together with a motion for its certification as a class action against the subsidiary Harel Pension & Provident and against four other companies ("the Defendants"). The subject of the action is the argument that the Defendants were allegedly in breach of their fiduciary obligations towards members of the provident funds that they manage in that they paid commissions to the insurance agents at a rate derived from the management fees which they collect from the members and thus compensated the agents by an amount that increases in line with the increase in the management fees. The plaintiffs further argue that the Defendants also practiced unjust enrichment by allegedly creating a mechanism with the purpose of increasing the management fees in order to benefit the agents and management companies. The plaintiffs estimate the loss for all members of the class they wish to represent in the amount of NIS 300 million per annum since 2008 and NIS 2 billion in total. On November 22, 2022, the Tel Aviv District Court denied the motion for certification of the action as a class action. On January 19, 2023, the subsidiary Harel Pension & Provident was served with an appeal on the judgment that was filed in the Supreme Court by plaintiffs in the motion for certification.
7. In September 2015, an action was filed in the Tel Aviv District Court, together with a motion for its certification as a class action, against Shirbit and against another insurance company. The subject of the action is the allegation that Shirbit allegedly refrains from paying insurance benefits to its insureds, together with interest and linkage differences, for the period from the occurrence of the insured event until the time of payment of the insurance payments, and alternatively, for the period commencing from 30 days after the insurance claim is filed and up to the actual date of payment of the insurance benefits. The total loss claimed for members of the class against Shirbit is NIS 10 million. On May 26, 2021, the Tel Aviv District Court accepted the motion for certification. According to the ruling, the class is defined as any eligible person (insured, beneficiary or third party) who, in the period commencing three years prior to filing the action and ending on the date the action was certified as a class action, received from Shirbit, not in accordance with the judgment that was handed down, insurance benefits without the addition of interest as required by law. In September 2021, Shirbit, together with other insurance companies who were sued in a number of motions for certification on the same grounds ("the Defendants"), filed a motion for a stay of proceedings on the action, until a ruling is given on an appeal filed in the Supreme Court as part of another class action that was approved on an identical matter against other insurance companies, including Harel Insurance (see Section (A)(2) above). In October 2021, the court denied the motion for a stay of proceedings. In January 2022, the Defendants filed another motion for a stay of proceedings. In March 2022, the District Court ordered a stay of proceedings until a ruling is given on an appeal filed in the Supreme Court on the corresponding claim and it instructed that the action should be litigated jointly following the ruling on the appeal. In November 2022, the Supreme Court denied the appeal on the partial ruling in the corresponding claim, in the absence of grounds for judicial intervention in an interim decision. It was also stipulated that the appropriate place to investigate the appeal arguments is in the form of an appeal on the final judgment. In May 2023, the court revoked its decision concerning a joint proceeding for the action with a corresponding claim and it instructed that the claims should be heard separately.

Note 39 - Contingent liabilities and commitments (contd.)

Contingent Liabilities (contd.)

8. In October 2016, an action was filed in the Tel Aviv District Court, together with a motion for its certification as a class action against the subsidiary Harel Insurance. The subject of the action is the claim that Harel Insurance allegedly neglected to disclose to its insureds, who purchased a long-term care policy with a variable premium, what premium would be collected from them from the age of 65 and this prior to the annual reporting for 2015, and despite the fact that, according to the plaintiff, at the age of 65 the premium in this policy becomes hundreds of percent more expensive. The plaintiff argues that Harel Insurance is therefore in breach of a statutory obligation, in breach of the disclosure obligation, in violation of an agreement, that it acts in bad faith, practices unjust enrichment and is negligent. The plaintiff further claims that billing insureds for the payment of future premiums based on tariffs that are unknown to them is a discriminatory condition in a standard contract. The plaintiff has not quantified the total loss claimed for all members of the class that it wishes to represent against Harel Insurance, although it estimates the amount at millions of shekels. In July 2017, the court approved the plaintiff's motion to amend the motion for certification so that it will also refer to the argument that Harel Insurance apparently neglected to present to its insureds prior to their enrollment, the premium they will pay from age 65 even though it is obligated to do so according to the Commissioner's circular.. In August 2017, an amended motion was filed for certification the action as a class action. The subject of the amended motion is the argument that Harel Insurance allegedly neglected to present to its insureds in a long-term care policy with a variable premium the premium they would pay from the age of 65 onwards, prior to their enrollment in the insurance as part of the enrollment form and/or in the general conditions document. In March 2019, the court ordered the transfer of the application for obtaining the Commissioner's position with respect to the dispute which is the subject of the motion for certification. In November 2019, the Commissioner's position was received according to which the provisions of Circular 2001/9 "Proper Disclosure for Insureds Enrolling in Health Insurance Policies" ("the Circular") issued by the Authority as well as the statutory provisions, obligate insurers to inform candidates for insurance at the time of purchasing the insurance of the way in which premiums may change, but the text of the Circular does not address the question of how this obligation must be fulfilled prior to enrollment and whether the obligation must be fulfilled in writing. The mediation process conducted by the parties was unsuccessful and the hearing of the action returned to the court. In February 2023, the parties informed the court that they had reached agreements in principle. On July 1, 2024, the parties filed a motion for certification of the settlement agreement at the Tel Aviv District Court, in which it was agreed, among other things, that Harel Insurance will pay the group members one-time compensation under the mechanism set out in the settlement agreement.

Note 39 – Contingent liabilities and commitments (contd.)

A. Contingent liabilities (contd.)

9. In June 2018, a claim was filed in the Jerusalem District Court together with a motion for its certification as a class action against the subsidiary Harel Insurance and against another insurance company (hereinafter together: "the Defendants'). The subject of the action is the allegation that the Defendants refuse to recognize surgery performed for which there is a medical need as an insured event under the conditions of their health insurance policies, on the grounds that it is preventive surgery. The plaintiff has not estimated the total loss claimed by all members of the class that it wishes to represent. In September 2020, the court instructed that the Commissioner's position on the issues arising from the motion for certification should be accepted. In February 2021, the Commissioner's position was accepted according to which, based on the proper and appropriate interpretation of the definition of the term "surgery" according to Insurance Circular 2004/20 relating to the definition of medical procedures in health insurance ("the Surgery Circular"), which was issued by the Commissioner of Insurance, a private health insurance policy provides the insured with a safety net against the illnesses listed in the policy, which also includes cover for surgery which will prevent these illnesses from developing or occurring. In January 2022, the Jerusalem District Court certified litigation of the action as a class action. The group in whose name the class action is to be conducted is any person who entered into a health insurance contract with the Defendants, which includes insurance cover for surgery, and whose claim for performing surgery was dismissed on the grounds that the surgery is preventive and is not covered in the policy (even if the reason was presented differently in the letter of dismissal). On May 24, 2022, the subsidiary Harel Insurance filed a motion for permission to appeal the decision in the Supreme Court. On January 7, 2024, the Supreme Court dismissed the motion for leave to appeal and the motion for leave to appeal filed by the additional defendant, on the grounds that it is reasonably possible that the issues arising in the motion for approval will be ruled in favor of the Group and allowed its management as a class action. The mediation process conducted by the parties was unsuccessful.
10. In February 2019, an action was filed in the Lod-Center District Court together with a motion for its certification as a class action against the subsidiary Harel Insurance. The subject of the action is the allegation that Harel Insurance asked insureds in a group policy for the employees of Israel Electric, who received insurance benefits from which tax was not withheld at source, to return the amounts it had paid for these tax payments. The plaintiff does not quantify the total loss caused to all members of the class it seeks to represent but it estimates the loss at more than NIS 3 million. In July 2020, Harel Insurance filed a motion for summary abandonment of the motion for certification of the claim as a class action. In September 2020, the court accepted the motion filed by Harel Insurance for summary abandonment of the motion for certification of the action as a class action, and it instructed that the motion for certification should be summarily dismissed. On November 8, 2020, Harel Insurance was served with an appeal on the judgment which the plaintiff filed in the Supreme Court. Following a hearing that was held before the Supreme Court in February 2022, the court instructed the Attorney General to submit his position on a subject of principle arising from the appeal. On September 18, 2022, the Attorney General submitted her position according to which approval should not be given to conduct a class defense by way of judicial legislation, but only by way of primary legislation. Nonetheless, in appropriate cases, a class action may be conducted for declarative relief. On January 30, the Supreme Court accepted the appeal and returned the hearing to the Central District Court for it to hear the motion for certification of the action as a class action from the beginning.
11. In June 2019, an action was filed in the Tel Aviv District Labor Court, together with a motion for its certification as a class action, against the subsidiary Harel Insurance The subject of the action is the allegation that Harel Insurance ostensibly collects payment from insureds in life insurance policies that include insurance in the event of death and a savings component ("Managers Insurance"), for a component relating to "investment management expenses", the collection of which is permissible by law, but without contractual agreement in the policy conditions allowing it to collect this component. The plaintiff estimates the overall loss caused to all members of the class it wishes to represent in the amount of NIS 365.3 million.

Note 39 – Contingent liabilities and commitments (contd.)

A. Contingent liabilities (contd.)

12. In June 2019, an action was filed in the Tel Aviv-Jaffa District Court, together with an application for its certification as a class action, against the subsidiary Harel Insurance and against three other insurance companies (hereinafter together: "the Defendants"). The subject of the action is the allegation that the Defendants ostensibly refrain from paying interest on insurance benefits to their insureds, from 30 days after the claim is filed. This action and application covers the same grounds as those in a previous action and application for certification as a class action ("the First Claim") which was partially certified as a class action on August 30, 2015 ("the Certification Decision") by the Tel Aviv District Court and is currently being heard in its own right (see Section (A)(2) above), but they refer to a different period from the one for which the First Claim was certified and it was filed by the plaintiffs for reasons of caution and in parallel with their request to broaden the group represented in the First Claim also to the period from the issuing of the Certification Decision until the judgment is actually given. The plaintiffs estimate the total loss claimed for all members of the class they wish to represent against Harel Insurance at about NIS 90 million, and against all the Defendants in the amount of NIS 264.4 million. In July 2020, the Tel Aviv District Court ordered a stay of proceedings until a verdict is issued on the First Claim.

13. In April 2020, an action was filed in the Haifa District Court, together with a motion for its certification as a class action, against the subsidiary Harel Insurance and against eleven other insurance companies (hereinafter together: "the Defendants"). The subject of the action is the allegation that the Defendants do not refund the holders of their compulsory motor, comprehensive and third-party insurance policies premiums that were ostensibly overpaid by the policyholders in view of the supposedly substantial reduction of the risk level to which the Defendants are exposed from March 2020 in view of the contraction of economic activity due to the outbreak of the COVID-19 pandemic and subsequent reduced volume of traffic. The plaintiffs estimate the total loss claimed for all members of the class they wish to represent against Harel Insurance in the amount of NIS 130 million, and against all the Defendants in the amount of NIS 1.2 billion. In June 2020, the court instructed that hearing of the motion should be transferred to the Tel Aviv District Court. In October 2021, the Tel Aviv District Court ordered a stay of proceedings in the proceeding being heard by the court and this until after the ruling on the proceeding regarding a refund of premiums to insureds in policies for insuring business premises, employers liability insurance and third-party insurance on account of an alleged reduction of the risk to which the Defendants are exposed following the outbreak of COVID-19 and the restrictions on economic activity, in which context the Haifa District Court denied the motion to certify the action as a class action against Harel Insurance and other insurance companies, becomes absolute ("Judgement in the Additional Proceeding") or insofar as an appeal on the ruling in the Judgement in the Additional Proceeding is filed in the Supreme Court - until a ruling is given on the appeal. In December 2021, the District Court ordered the stay of proceedings to be lifted, after the judgement in the additional proceeding had become absolute.

Note 39 – Contingent liabilities and commitments (contd.)

A. Contingent liabilities (contd.)

14. In April 2020, an action was filed in the Central District Court, together with a motion for its certification as a class action against the subsidiary Harel Insurance, against six other insurance companies and against the company that manages the pool for compulsory motor insurance (“the Pool) (hereinafter together: “the Defendants”). The subject of the action is the allegation that the Defendants do not refund the holders of their compulsory motor, comprehensive and third-party insurance policies premiums that were ostensibly overpaid by the policyholders in view of the supposedly drastic reduction of the risk level to which the Defendants are exposed in light of the dramatic decrease in the number of claims filed with the Defendants due to the contraction of economic activity as a result of the outbreak of the COVID-19 pandemic and alleged subsequent reduced volume of traffic on the roads and percentage of road accidents in Israel. The plaintiffs estimate the total loss claimed for all members of the class they wish to represent against Harel Insurance in the amount of NIS 110 million, and against all the Defendants in the amount of NIS 720 million. In June 2020, the court instructed that hearing of the motion should be transferred to the Tel Aviv District Court. In October 2021, the Tel Aviv District Court ordered a stay of proceedings in the proceeding being heard by the court and this until after the ruling on the proceeding regarding a refund of premiums to insureds in policies for insuring business premises, employers liability insurance and third-party insurance on account of an alleged reduction of the risk to which the Defendants are exposed following the outbreak of COVID-19 and the restrictions on economic activity, in which context the Haifa District Court denied the motion to certify the action as a class action against Harel Insurance and other insurance companies, becomes absolute (“Judgement in the Additional Proceeding”) or insofar as an appeal on the ruling in the Judgement in the Additional Proceeding is filed in the Supreme Court - until a ruling is given on the appeal. In December 2021, the District Court ordered the stay of proceedings to be lifted, after the judgement in the additional proceeding had become absolute.
15. In April 2020, an action was filed in the Haifa District Court, together with a motion for its certification as a class action, against Shirbit and against eleven other insurance companies (hereinafter together: “the Defendants”), including Harel Insurance (see Section (A)(13) above). The subject of the action is the allegation that the Defendants do not refund the holders of their compulsory motor, comprehensive and third-party insurance policies premiums that were ostensibly overpaid by the policyholders in view of the supposedly substantial reduction of the risk level to which the Defendants are exposed from March 2020 in view of the contraction of economic activity due to the outbreak of the COVID-19 pandemic and subsequent reduced volume of traffic. The plaintiffs estimate the total loss claimed for all members of the class they wish to represent against Shirbit in the amount of NIS 38 million, and against all the Defendants in the amount of NIS 1.2 billion. In June 2020, the court instructed that hearing of the motion should be transferred to the Tel Aviv District Court. In October 2021, the Tel Aviv District Court ordered a stay of proceedings in a proceeding being heard by the court and this until after a ruling on a proceeding to which Shirbit is not a party regarding a refund of premiums to insureds in policies for insuring business premises, employers liability insurance and third-party insurance on account of an alleged reduction of the risk to which the Defendants are exposed following the outbreak of COVID-19 and the restrictions on economic activity, in which context the Haifa District Court denied the motion to certify an action as a class action that had been filed against other insurance companies, becomes absolute (“Judgement in the Additional Proceeding”) or insofar as an appeal on the ruling in the Judgement in the Additional Proceeding is filed in the Supreme Court - until a ruling is given on the appeal. In December 2021, the District Court ordered the stay of proceedings to be lifted, after the judgement in the additional proceeding had become absolute.

Note 39 – Contingent liabilities and commitments (contd.)

A. Contingent liabilities (contd.)

16. In May 2020, an action was filed in the Tel Aviv District Court, together with a motion for its certification as a class action against the subsidiary Harel Pension & Provident and against thirteen other management companies (hereinafter together: “the Defendants”). The subject of the action is the allegation that the Defendants ostensibly classify part of the provisions for their customers to the education funds that they manage as taxable provisions, despite the fact that they are not considered as such. The plaintiffs have not quantified the loss claimed for all members of the class they seek to represent, but they estimate it, on the low side, in the amount of hundreds of millions of shekels. In April 2021, a motion was filed for permission to file a third-party notice against the Tax Authority. In August 2021, the Tax Authority responded to the motion and argued, among other things, that according to its position, the motion for certification should have been filed in an appropriate proceeding against the Tax Authority and not against the defendants and that there is no place to certify the motion in the manner in which it was filed. Furthermore, the court asked to instruct that the Tax Authority should be included as a respondent to the proceeding and to instruct it to submit its position on the arguments set out in the motion for certification. In February 2022, the court instructed that the Tax Authority should be included as a respondent in the proceeding. The Tax Authority submitted its response in August 2022 and, among other things, argued that the proceeding is inconsistent with investigation as a class proceeding and that the respondents operate in these contexts as a “conduit” to transfer money. The Authority rejected the applicants’ position whereby the calculation should be annual, stated that the statutory calculation should be monthly, and explained that in its circulars, over the years, it allowed the calculation to be made on an aggregate monthly basis. The parties are in the process of mediation.
17. In July 2020, an action was filed in the Lod-Central District Court, together with a motion for its certification as a class action, against the subsidiary Harel Insurance and against four other insurance companies (hereinafter together: the Defendants”). The subject of the action is the allegation that the Defendants ostensibly do not reduce the insurance premiums for insureds determined with exclusions on account of a pre-existing medical condition despite the fact that the exclusions allegedly reduce the insurance risk relative to the risk in policies for insureds for whom similar exclusions were not determined. The plaintiffs estimate the total loss claimed for all members of the class they seek to represent against Harel Insurance in the amount of NIS 760 million, and against all the Defendants in the amount of NIS 1.9 billion.
18. In September 2020, an action was filed against the subsidiary Harel Insurance in the Tel Aviv District Court, together with a motion for its certification as a class action. The subject of the action is the allegation that Harel Insurance allegedly does not disclose to its travel insurance policyholders that the limitation relating to baggage insurance with respect to the maximum amount of compensation for loss or theft of an item also applies to the loss or theft of a valuable item. The plaintiffs estimate the total loss claimed for all members of the class they seek to represent in the amount of NIS 447 million. In December 2021, the court submitted the motion to the Commissioner to obtain his position in relation to the dispute underlying the motion for certification of the action as a class action. In March 2022, the Commissioner’s position was submitted according to which Harel’s interpretation is inconsistent with the simple wording of the policy. On April 7, 2024, the Tel Aviv District Court certified litigation of the claim as a class action. The class in whose name the class action will be litigated is anyone who purchased and/or was insured with a travel insurance policy with Harel Insurance in the three years preceding the filing of the motion for certification, and who had an insured incident of loss or theft of baggage defined as "valuable" with a value of more than USD 300, and was not compensated for the full amount, up to a total of USD 500, by Harel Insurance.

Note 39 – Contingent liabilities and commitments (contd.)

A. Contingent liabilities (contd.)

19. In December 2020, an action was filed in the Tel Aviv Jaffa District Court, together with a motion for its certification as a class action, against the subsidiary Harel Pension & Provident. The subject of the action is the allegation that Harel Pension & Provident does not, ostensibly, comply with the statutory provisions relating to the location of members with whom contact has been lost and relating to the location and notification of beneficiaries and heirs of deceased members. It is further alleged that Harel Pension & Provident ostensibly collected excess management fees in a manner contrary to the statutory provisions. The plaintiffs have not quantified the loss claimed for all members of the class they seek to represent, but they estimate it to be tens and even hundreds of millions of shekels. On September 4, 2022, the Tel Aviv District Court partially certified litigation of the claim as a class action. The class in whose name the class action will be litigated is all the lawful beneficiaries and/or heirs of deceased members, as well as all members with whom contact has been severed and that Harel Pension & Provident collected from their accounts management fees at a rate in excess of the rate permitted by law, and this, from 2006 and up to the date of filing the motion for certification. The parties are in the process of mediation.
20. In December 2020, four motions to certify actions as class actions were filed against Shirbit (three motions to certify actions as class actions were filed in the Lod-Center District Court and one motion was filed in the Tel Aviv District Court), on similar grounds of a data security failure against the backdrop of a cyber security attack on Shirbit's servers by hackers and the publication of personal information about Shirbit's customers. In June 2021, the plaintiffs in the four motions to certify actions as class actions, filed a consolidated motion for certification. The subject of the consolidated action is the allegation that alleged security omissions in Shirbit caused the leak of information and data in Shirbit's possession. The plaintiffs have not quantified the loss claimed for all members of the class they wish to represent, but they estimate that it is more than NIS 2.5 million. The parties conducted a mediation process. In June 2023, the parties filed a motion in the Lod-Center District Court to approve a settlement in which it was agreed, among other things, that the subsidiary Harel Insurance Company Ltd. will pay financial compensation to the class members, as they are defined in the settlement, regarding whom "sensitive information" and/or "non-sensitive information", according to their definition in the settlement, was published.
21. In March 2021, an action was filed in the Central District Court together with a motion for its certification as a class action against the subsidiary Harel Insurance. The subject of the action is the allegation that Harel Insurance ostensibly unlawfully rejects claims by insureds in personal accident policies for payment of compensation for hospitalization days in a medical center which is not a general hospital, on the grounds that the policy defines a "hospital" as a general hospital only, and that the policy is ostensibly worded in a misleading manner and in contravention of the law, while violating Circular 2001/9 of the Commissioner of Insurance on the subject of "proper disclosure for insureds when enrolling in a health insurance policy". The plaintiff does not quantify the total loss caused to all members of the class it seeks to represent but it estimates the loss at more than NIS 2.5 million. The parties are in the process of mediation.
22. In March 2021, an action was filed in the Tel Aviv District Court, together with a motion for its certification as a class action against the subsidiary Harel Insurance and against two other insurance companies (hereinafter together: "the Defendants"). The subject of the action is the allegation that the Defendants ostensibly reject claims by health insurance policyholders, which include cover for medications that are not included in the health services basket, in respect of the costs of medical cannabis, despite the fact that it is argued that medical cannabis ostensibly meets the definition of "medication" in the policies. The plaintiffs estimate the total loss claimed for all members of the class they seek to represent against all the Defendants in the amount of NIS 79 million. The parties are in the process of mediation.

Note 39 – Contingent liabilities and commitments (contd.)

A. Contingent liabilities (contd.)

23. In April 2021, an action was filed in the Tel Aviv District Court, together with a motion for its certification as a class action, against the Company and against 14 different financial institutions - banks, insurance companies, investment houses, credit companies and credit card companies (hereinafter together: "the Defendants"). The subject of the action is the allegation that personal information about the Defendants' customers who utilize the digital services on the Defendants websites and apps is ostensibly passed on to third parties, particularly to Google and its advertising services, without the customers' explicit consent. The plaintiffs have not quantified the loss claimed for all members of the class they seek to represent, but they estimate it to be millions of shekels. The mediation between the parties was unsuccessful and litigation of the action was returned to the court.
24. In July 2021, an action was filed in the Tel Aviv District Court, together with a motion for its certification as a class action, against the subsidiary Harel Insurance and against six other insurance companies (hereinafter together: "the Defendants"). The subject of the action is the argument that when calculating the monthly benefit paid to insureds in life insurance policies which include profit sharing from the investment portfolio, the Defendants allegedly deduct interest from the monthly return accrued to the insureds, without any appropriate stipulation to this effect in the policy conditions and without the rate of interest being specified in the policies. The plaintiffs have not quantified the loss claimed for all members of the class they seek to represent, but they estimate that it is more than NIS 2.5 million. The parties are in the process of mediation.
25. In September 2021, an action was filed in the Jerusalem District Court together with a motion for its certification as a class action against the subsidiaries Harel Pension & Provident and Harel Insurance (hereinafter together: "the Defendants"). The subject of the action is the allegation that the Defendants allegedly send advertisements by SMS and email and this, ostensibly, without obtaining the recipient's consent to receive such advertisements, without specifying that it is advertising, without including a message concerning the right to refuse to receive advertisements and without providing an option to refuse. This ostensibly in contravention of the Communications (Telecommunications and Broadcasts) Law, 1982. The plaintiffs estimate the total loss claimed for all members of the class they wish to represent in the amount of NIS 10 million. The parties conducted a mediation process. In March 2024, the parties filed a motion for certification of a settlement agreement with the District Court, in which it was agreed, among other things, that the defendants would compensate the eligible class members, as defined in the settlement agreement, by providing a defined number of days of travel insurance free of charge, which can be utilized by the eligible class members as set out in the settlement agreement.
26. In October 2021, an action was filed in the Lod-Center District Court, together with an application for its certification as a class action, against the subsidiary Harel Insurance and against an additional insurance company (hereinafter together: "the Defendants"). The subject of the action is the allegation that the Defendants ostensibly and unlawfully dismiss insurance claims for special-needs children, in the context of a long-term care policy, despite the fact that, according to the plaintiffs, they meet the definition of "cognitively impaired" according to the policy, and this without conducting any examination as to whether their condition corresponds with this definition. The plaintiffs estimate the total loss claimed for all members of the class they wish to represent against both defendants together in the amount of NIS 2.97 billion.

Note 39 – Contingent liabilities and commitments (contd.)

A. Contingent liabilities (contd.)

27. In October 2021, an action was filed in the Tel Aviv District Court, together with a motion for its certification as a class action against the subsidiary Harel Insurance. The subject of the action is the allegation, in part, that Harel Insurance ostensibly does not pay insureds in profit-sharing life insurance policies, according to which the insurance benefits are paid on the basis of an Rm formula, the full payment for the investment profits according to the policy instructions and that it ostensibly fails to calculate the yield rate in accordance with the policy instructions. This action addresses grounds which correspond partially with those addressed in a previous action and motion for certification as a class action - the Ben Ezra case ("the First Claim"), which was partially certified for litigation as a class action on March 27, 2019, by the Tel Aviv District Court ("the Certification Decision") and the application of which was limited by the Supreme Court to a number of specific policies only (see Section (A)(3) above). As a result, this action and motion for its certification as a class action was filed in relation to the other policies which are no longer included in the First Action. The plaintiff estimates the overall loss caused to all members of the class it wishes to represent in the amount of NIS 1.4 billion.
28. In December 2021, an action was filed in the Lod-Center District Court together with a motion for its certification as a class action against the subsidiary Harel Insurance. The subject of the action is the allegation that Harel Insurance allegedly increases the premiums collected from its insureds in home structural insurance policies when they are renewed without obtaining their express agreement in advance to raise the premiums. The plaintiffs have not quantified the loss claimed for all members of the class they seek to represent, but they estimate that it is more than NIS 2.5 million. The mediation between the parties was unsuccessful and litigation of the action was returned to the court.
29. In March 2022, an action was filed against the subsidiary Harel Insurance, together with a motion for its certification as a class action, in the Tel Aviv District Court. The subject of the action is the allegation that Harel Insurance allegedly unlawfully collected and collects from the insureds a premium for insurance cover for preventive surgery. The plaintiff does not quantify the total loss claimed for all members of the class it wishes to represent but it estimates the loss to be substantially more than NIS 2.5 million.
30. In April 2022, an action was filed in the Central District Court together with a motion for its certification as a class action against the subsidiary Harel Insurance. The subject of the action is the allegation that Harel Insurance is in breach of its lawful obligation to pay linkage differences in respect of insurance benefits paid in the non-life insurance segments for the period between the date on which the insured event occurs and the date of payment of the insurance benefits. The plaintiff does not quantify the loss claimed for all members of the class it seeks to represent. The parties conducted a mediation process. In 2024, the parties filed a motion for certification of a settlement agreement with the Central District Court, in which it was agreed, among other things, that Harel Insurance would pay compensation to the class members as defined in the settlement agreement, for linkage differences that were not paid by law upon payment of the insurance benefits.
31. In September 2022, an action was filed in the Tel Aviv District Court, together with a motion for its certification as a class action, against the subsidiary Harel Insurance and four other insurance companies. The subject of the action is the allegation that the Defendants only indemnify women insureds for expenses for prenatal tests and examinations for newborns, thus ostensibly discriminating against male insureds in their health policies. The plaintiff does not estimate the overall loss caused to all members of the class it wishes to represent but estimates it to be more than NIS 2.5 million.
32. In September 2022, an action was filed in the Tel Aviv District Court, together with a motion for its certification as a class action, against the subsidiary Harel Insurance. The subject of the action is the allegation that Harel Insurance ostensibly neglects to pay policyholders with the Preferred Bonus health policy ("the Policy") the full cumulative premiums, in contravention of the policy instructions, and that Harel Insurance ostensibly collected excess premiums from the insureds in this policy. The plaintiff does not estimate the overall loss caused to all members of the class it seeks to represent.

Note 39 – Contingent liabilities and commitments (contd.)

A. Contingent liabilities (contd.)

33. In May 2023, an action was filed in the Tel Aviv District Court, together with a motion for its certification as a class action, against the subsidiary Harel Insurance. The subject of the action is the allegation that Harel Insurance ostensibly marketed a health insurance policy stipulating that the fourth child onwards will receive free insurance cover, and that nonetheless it still charged payment for a health policy for the fourth child onwards born after 2016. The plaintiffs have not quantified the overall loss claimed for all members of the class they seek to represent, but they estimate that it is more than NIS 2.5 million.
34. In June 2023, an action was filed in the Tel Aviv District Court together with a motion for its certification as a class action against the subsidiaries, Harel Insurance Company, Harel Pension & Provident, against two additional insurance companies, and against two additional management companies ("the Defendants"), on the grounds that the Defendants allegedly withheld tax from the “recognized annuity” component that was tax exempt, thus ostensibly reducing the amount of the annuity received by the class members, in contravention of the law. The plaintiffs estimate the total loss claimed for all members of the class they wish to represent at NIS 297 million.
35. In July 2023, an action was filed in the Central District Court together with a motion for its certification as a class action against the subsidiary Harel Insurance. The subject of the action is the allegation that Harel Insurance ostensibly transfers money to its insureds by check rather than by bank transfer or a credit card credit, and this ostensibly in contravention of the provisions of the law. The plaintiff quantifies the total loss claimed by all members of the class that it seeks to represent at more than NIS 3 million.
36. In September 2023, an action was filed in the Tel Aviv District Labor Court, together with a motion for its certification as a class action, against the subsidiary Harel Insurance and against Clalit Health Services “the Defendants”). The subject of the action is the allegation that the Defendants collect payment from parents for long-term care insurance for their children who have reached the age of 19, and this ostensibly without express permission or consent prior to starting the charge and without notifying, warning and/or informing as required by law. The plaintiffs do not quantify the loss claimed for all members of the class they seek to represent.
37. In September 2023, an action was filed in the Central District Court together with a motion for its certification as a class action against the subsidiary Harel Insurance. The subject of the action is the allegation that Harel Insurance rejects, ostensibly unlawfully, claims for the cover of expenses for treatment with injections under fluoroscopy (contrast media injections) for insureds in health insurance policies, alleging that the treatment is an injection not included in the definition of surgery according to the policies and this, ostensibly, in a misleading manner and in contravention of the law. The plaintiff does not quantify the total loss caused to all members of the class it seeks to represent but it estimates the loss at more than NIS 2.5 million. The parties are in the process of mediation.
38. In September 2023, an action was filed in the Central District Court together with a motion for its certification as a class action against the Company and against Marpet Ltd., in which the Company is the controlling shareholder “the Defendants”). The subject of the action is the allegation that the Defendants ostensibly market medical services for pets in a misleading manner and in contravention of the law. The plaintiff does not quantify the total loss caused to all members of the class it seeks to represent but it estimates the loss at more than NIS 2.5 million. In its ruling in June 2024, the court referred the motion to the Commissioner of Insurance in the Capital Market, Insurance and Savings Authority for his position regarding the disputes underlying the motion for certification of the class action. In February 2025, Capital Market, Insurance, and Savings Authority (“the Authority”) submitted its position regarding the request for approval, according to which the product marketed by Marpat is an insurance contract that includes the option to purchase a supplement, an appendix to the insurance contract ("the Service Letter"), for routine care through service providers. According to the Authority, even if part of the product marketed by Marpat includes a service agreement that does not qualify as an insurance contract, its sale as part of a contract that is essentially an insurance contract subjects it to the relevant legal provisions.

Note 39 – Contingent liabilities and commitments (contd.)

A. Contingent liabilities (contd.)

39. In September 2023, an action was filed in the Tel Aviv District Court, together with a motion for its certification as a class action, against the subsidiary Harel Insurance and seven other insurance companies “the Defendants”). The subject of the action is the allegation that the Defendants ostensibly refuse to provide towing services for insureds with policies that include a service note for the provision of vehicle towing services, and this ostensibly without disclosing this in the text of the service notes. The plaintiffs estimate the total loss claimed for all members of the class they seek to represent in the amount of NIS 80 million. In November 2024, the court ruled that the proceedings should be divided by filing separate motions for certification and ordered the dismissal of the motion for certification against some of the defendants, including Harel Insurance, and awarded costs in their favor. In January 2025, the plaintiff filed an appeal on the Judgment in the Supreme Court.

40. In November 2023, an action was filed in the Tel Aviv District Court, together with a motion for its certification as a class action, against the subsidiary Harel Insurance and seven other insurance companies “the Defendants”). The subject of the action is the allegation that in extreme scenarios such as the Swords of Iron War, the risk is expected to drop sharply and a large, unplanned profit might be created in future for the insurance companies, this without appropriate relief that includes a significant cut in premiums for insureds in policies in which the risk components were reduced significantly and in some cases do not exist at all if premiums continue to be collected without any change. The plaintiffs estimate the total loss claimed for all members of the class against all the Defendants in the amount of NIS 10.02 million.

Actions filed in the Reporting Period

41. In April 2024, an action was filed in the Tel Aviv District Court together with a motion for its certification as a class action against the subsidiary Harel Insurance. The subject of the action is the allegation that Harel Insurance sent, ostensibly, advertising material to the applicants and a wide group of recipients, without the express prior consent of the recipient and without noting the legal name of Harel Insurance, which is ostensibly contrary to the Telecommunications Law (Telecommunications and Broadcasts), 1982. The plaintiffs quantify the alleged damage at NIS 5 million, but state that at this stage, it is not possible to accurately estimate the amount.

42. In April 2024, an action was filed in the Central District Court, together with a motion for its certification as a class action, against the subsidiary Harel Insurance and against four other insurance companies/agencies (jointly: “the Defendants”). The subject of the action is the allegation that the defendants or anyone on their behalf, ostensibly violate the provisions of the Supervision of Financial Services (Insurance) Law, 1981 and the directives of the Commissioner of Insurance, by selling, ostensibly, comprehensive motor insurance policies that include service documents for related services as an integral part of the policies, without setting out the prices of the service documents and without giving the customers the option to choose between at least two service providers. The plaintiff estimates the overall loss incurred by all the members of the class it seeks to represent at more than NIS 2.5 million, but notes that the amount cannot be accurately estimated.

43. In May 2024, an action was filed in the Haifa District Court, together with a motion for its certification as a class action, against the subsidiary Harel Insurance and four other insurance companies (jointly: “the Defendants”). The subject of the action is the allegation that the windshield installers acting on behalf of the defendants, as part of a service document for windshield insurance, do not calibrate the safety systems installed on the car windshields when dismantling of a broken windshield and installing a new one, and this is contrary to the instructions of the Ministry of Transportation and the instructions of the car manufacturers, and that the defendants allegedly violate the principle of indemnification and the restoration of the situation to the way it was before, and act, allegedly, in violation of the provisions of the Financial Services (Insurance) Supervision Law, 1981 and the provisions of the Commissioner of Insurance, in that, under the exercise of “windshield insurance” for cars, they refrain, ostensibly, from instructing windshield installers to calibrate the safety systems installed on the windshield of the car, when dismantling a broken windshield and installing a new (replacement) windshield and refrain, ostensibly, from mentioning this fact when marketing the service document or after delivering the car to the insured. The plaintiffs estimate the overall loss incurred by all the members of the class they seek to represent at more than NIS 2.5 million, but note that the amount cannot be accurately estimated at this stage.

Note 39 – Contingent liabilities and commitments (contd.)

A. Contingent liabilities (contd.)

Actions filed in the Reporting Period (contd.)

44. In July 2024, an action was filed in the Haifa Regional Labor Court, together with a motion for its certification as a class action against the subsidiary Harel Insurance and against two other insurance companies (hereinafter together: “the Defendants”). The subject of the action is that in disability insurance, the defendants change, unilaterally, the insurance terms and determine, ostensibly, the end of the insurance period, according to the "insurance age" of the insured, which is different from their calendar age, and calculated, ostensibly, by the defendants when the policy is purchased the policy, contrary to the provisions of the policy and the law, and without disclosing this to the insured. The plaintiffs estimate the total loss claimed for all members of the class they seek to represent in the amount of NIS 2.5 million.
45. In December 2024, an action was filed in the Central District Court together with a motion for its certification as a class action against the subsidiary Harel Insurance. The claim involves allegations that Harel Insurance rejects or underpays claims for specialized treatment abroad, specifically Ksharsutra, for insureds with private health insurance policies covering specialized medical treatments abroad, while claims for similar medical events under group insurance policies, ostensibly under the same conditions, are approved, which is allegedly contrary to the provisions of the policy and the law. The plaintiff does not quantify the total loss claimed for all members of the class, on the grounds that the amount cannot be assessed at this stage.
46. In December 2024, an action was filed in the Central District Court together with a motion for its certification as a class action against the subsidiary Harel Insurance. The claim involves allegations that Harel Insurance acts in contravention of the law and its commitment to its insured, by allegedly charging, in policies denominated in USD, insurance premiums calculated at a USD rate higher than the representative USD rate to which it committed. The plaintiff does not quantify the total loss caused to all members of the class it seeks to represent but it estimates the loss at more than NIS 2.5 million.
47. In December 2024, an action was filed in the Central District Court together with a motion for its certification as a class action against the subsidiary Harel Insurance. The claim involves allegations that in the event of a total loss of a vehicle (or constructive total loss), Harel Insurance allegedly calculates the vehicle’s value in a manner that violates the provisions of the insurance contract, to the disadvantage of its customers, through improper reductions in the vehicle’s value, and that the Company does not refund the insurance premiums for the unused portion following the insurance, at their real value.. The plaintiffs estimate the total loss claimed for all members of the class they seek to represent in the amount of NIS 2.5 million.
48. In December 2024, an action was filed in the Central District Court together with a motion for its certification as a class action against the subsidiary Harel Insurance. The claim involves allegations that Harel Insurance did not, allegedly, offer insureds of the group long-term care insurance policy for Clalit Health Services retirees and their families ("the Group Policy") the option to transition to a continuation individual policy, while maintaining the insurance terms in the group policy. which is allegedly in violation of the provisions of the policy and the law.. The plaintiffs do not quantify the loss claimed for all members of the class they seek to represent, but they estimate that it is more than NIS 2.5 million.

Note 39 – Contingent liabilities and commitments (contd.)

A. Contingent liabilities (contd.)

Actions filed after the Reporting Period

49. In January 2025, an action was filed in the Tel Aviv District Labor Court, together with a motion for its certification as a class action, against the subsidiary Harel Pension & Provident and against the old pension fund ("HAL"), managed by Harel Pension "the Defendants"). The claim involves allegations that that H.A.L. Pension Fund should be required to revalue the annuities paid to members and retirees of Plan A, as defined in the motion for certification as a class action, despite the fact that revaluation is currently, allegedly, only applied to the annuities of members and retirees of Plan B, as defined in the motion, including by merging the two existing regulations of the H.A.L. Pension Fund into one regulation. The plaintiff estimates the overall loss caused to all members of the class it wishes to represent against both Defendants together, at NIS 346 million..

50. In March 2025, an action was filed against the subsidiary Harel Insurance, together with a motion for its certification as a class action, in the Tel Aviv District Court. The claim also involves allegations that Harel Insurance allegedly sent advertising materials to group members regarding the process of purchasing travel insurance on its website, without obtaining their prior express written consent. Some of the group members are not Harel Insurance customers and did not engage with it for travel insurance, which is allegedly contrary to the Communications Law (Telecommunication and Broadcasting), 1982. The plaintiff quantifies the alleged damages at NIS 10 million.

B. Summary table:

The following table summarizes the amounts claimed as part of the pending motions for the approval of class actions, actions that were certified as a class action, and other significant claims against the Group, as specified by the plaintiffs in the pleadings they filed. It should be clarified that the amount claimed does not necessarily constitute the sum of the exposure estimated by the Company, given that these are the plaintiffs' estimates and they will be investigated in the litigation process.

Type	Number of claims	Amount claimed in NIS million
Actions certified as a class action:		
Amount pertaining to the Company and/ or consolidated subsidiaries is specified	5	1,265
Claim relates to several companies and no specific amount was attributed to the Company and/ or consolidated subsidiaries	1	48
Claim amount is not specified	3	
Pending motions for certification of actions as class actions:		
Amount pertaining to the Company and/ or consolidated subsidiaries is specified	9	2,913
Claim relates to several companies and no specific amount was attributed to the Company and/ or consolidated subsidiaries	7	5,782
Claim amount is not specified	25	

The total provision for claims filed against the Group as noted above at December 31, 2024, and December 31, 2023, amounts to NIS 201 million and NIS 158 million, respectively.

Note 39 – Contingent liabilities and commitments (contd.)

C. Actions settled in the Reporting Period

1. In March 2023, an action was filed in the Haifa District Court together with a motion for its certification as a class action against the subsidiary Harel Insurance and against an additional insurance company (jointly below: "the Defendants"). The subject of the action was the allegation that the Defendants collected from their insureds who have work disability insurance, monthly premiums for the last few months corresponding with the last possible waiting period defined in each insurance contract for work disability, a period in which, according to the insurance contracts, the Defendants are not liable to pay any insurance compensation. In January 2024, the Haifa District Court approved the application to abandon the motion for certification, and it ordered the dismissal of the personal claim and to strike out the motion for certification.
2. In December 2019, an action was filed in the Tel Aviv District Court together with a motion for its certification as a class action against the subsidiary Harel Insurance. The subject of the action is the allegation that, at the time of the purchase, Harel Insurance ostensibly only disclosed to its policyholders who purchased Magen 1 life insurance policies with a variable premium and/or Harel LeAtid work disability policies, the premium to be paid only for a few years and not for the entire policy period. In October 2020, the parties informed the court of their agreement to enter into a mediation process. The mediation between the parties was unsuccessful and the hearing of the action was returned to the court. In September 2021, the court submitted the motion to the Commissioner to obtain his position in relation to the disputes underlying the motion for certification of the action as a class action. In April 2022, the Commissioner's position was submitted stipulating that the insurance companies are obligated to disclose the information concerning the premiums payable by the insured throughout the policy period. The parties renewed the mediation process. In October 2022, the parties filed a motion in the court to approve a settlement in which it was agreed, among other things, that Harel Insurance will pay the class members a lump-sum amount of compensation based on the mechanism set out in the settlement. In January 2024, the Tel Aviv District Court validated the settlement as a judgment, in which context it was agreed, among other things, that Harel Insurance will pay members of the class compensation according to the mechanism set out in the settlement.
3. In April 2018, an action was filed in the Lod-Center District Court together with a motion for its certification as a class action against the subsidiary Harel Insurance. The subject of the action was the allegation that Harel Insurance ostensibly pays insureds who have policies for surgery that do not provide compensation at a rate of half the expenses saved if the surgery is performed by the HMOs, but they receive an undertaking for payment of this compensation for amounts that are actually less than half of the expenses subsequently saved by the company, and it is therefore ostensibly in breach of its undertaking towards them. The parties conducted a mediation process. In January 2023, the parties filed a motion in the Lod-Center District Court to approve a settlement in which context it was agreed that the Group members, as they are defined in the settlement, will receive a supplement to the compensation paid to them based on the cost of the components of each operation. In February 2024, the Lod-Center District court validated the settlement as a judgment.
4. In March 2021, an action was filed against the subsidiary Harel Insurance, together with a motion for its certification as a class action, in the Tel Aviv District Court. The subject of the action was the allegation that Harel Insurance ostensibly unlawfully rejects claims for insurance benefits in respect of cover for a medical device by insureds in a group health insurance policy for members of the Israel Teachers Union, arguing that the maximum cover in the policy has been utilized and this, ostensibly, based on a clause in the policy which the plaintiff argues did not exist in the original policy and was applied retroactively. In January 2023, the parties filed a motion in the Tel Aviv District Court to certify a settlement according to which it was agreed, among other things, that additional insurance benefits for the purchase of medical equipment would be paid to the class members, as they are defined in the settlement, had the insurance limit not been applied. In March 2024, the Tel Aviv District court validated the settlement as a judgment.

Note 39 – Contingent liabilities and commitments (contd.)

C. Actions settled in the Reporting Period (contd.)

5. In October 2016, an action was filed in the Jerusalem District Labor Court, together with a motion for its certification as a class action, against the second-tier subsidiary Tzva Hakeva. The subject of the action is the allegation that Tzva Hakeva ostensibly collects investment management expenses from the fund's members, which is permissible by law, but for which there is no contractual agreement in the fund's articles of association allowing it to collect these expenses. According to the plaintiff, Tzva Hakeva therefore operated in contravention of the provisions of law and the special fiduciary obligation applicable to it. In January 2018, it was decided to consolidate the hearing with additional motions to certify pending class actions on the subject of direct expenses in provident funds and education funds. In February 2018, the court ruled that the Commissioner's opinion on the proceeding should be obtained. In May 2018, the Commissioner's opinion was submitted supporting the position of the Defendants in which financial institutions are permitted to collect direct expenses from the members or insureds, even if this is not explicitly mentioned in the institution's articles, and provided that this is done in accordance with the Supervision of Financial Services (Provident Funds) (Direct Expenses for Performing Transactions) Regulations, 2008 ("the Regulations") In his position, the Commissioner noted that it is also relevant, with the necessary changes, for insurance companies that manage yield-dependent insurance. On September 18, 2023, the court handed down a ruling whereby the parties are required to submit completion of arguments on the consequences of the motions for certification of the Supreme Court judgment, which accepted the motion for leave to appeal in the matter of direct expenses in Migvan Personal Investment savings policies. The parties submitted completions of arguments. In March 2024, an agreed motion was filed with the court for the plaintiffs' withdrawal from the motion for certification and the other consolidated motions, in which the court is asked to approve the plaintiffs' withdrawal from the motion for certification and order the dismissal of their personal claim. In March 2024, the court approved the plaintiff's motion to withdraw from the motion for certification, and ordered the dismissal of their personal claim.
6. In March 2017, an action was filed in the Jerusalem District Labor Court, together with a motion for its certification as a class action, against the subsidiary Harel Pension & Provident. The subject of the action is the allegation that until the end of 2015, Harel Pension & Provident ostensibly collected from the members of Harel Otzma Taoz Provident Fund investment management expenses, which is permissible by law, but for which there is no contractual agreement in the provident fund's articles of association, allowing it to collect these expenses. In January 2018, it was decided to consolidate the hearing with additional motions to certify pending class actions on the subject of direct expenses in provident funds and education funds. In February 2018, the court ruled that the Commissioner's opinion on the proceeding should be obtained. In May 2018, the Commissioner's opinion was submitted supporting the position of the Defendants in which financial institutions are permitted to collect direct expenses from the members or insureds, even if this is not explicitly mentioned in the institution's articles, and provided that this is done in accordance with the Supervision of Financial Services (Provident Funds) (Direct Expenses for Performing Transactions) Regulations, 2008 ("the Regulations") In his position, the Commissioner noted that it is also relevant, with the necessary changes, for insurance companies that manage yield-dependent insurance. In March 2024, an agreed motion was filed with the court for the plaintiffs' abandonment of the motion for certification and the other consolidated motions, in which the court is asked to approve the plaintiffs' abandonment of the motion for certification and to instruct that their personal claim is denied. On March 27, 2024, the court approved the plaintiff's motion to abandon the motion for certification, and it ordered the dismissal of the plaintiffs' personal claim.

Note 39 – Contingent liabilities and commitments (contd.)

C. Actions settled in the Reporting Period (contd.)

7. In August 2016, an action was filed in the Lod-Center District Court together with a motion for its certification as a class action against the subsidiary Harel Pension & Provident. The subject of the action was the allegation that in addition to management fees, Harel Pension & Provident ostensibly collects from its members payment for a component relating to investment management expenses (direct expenses component for performing transactions), which is permissible by law, but for which there is no contractual provision allowing it to do so. The plaintiff argues that Harel Pension & Provident is therefore in breach of the provisions of the pension fund's Articles of Association and the heightened fiduciary and disclosure obligations applicable to it, that it negotiates in bad faith and provides its customers with a misleading description. In April 2017, the court instructed that the hearing of the motion should be transferred to the Tel Aviv District Labor Court. In February 2018, the court instructed the Commissioner to submit his position on the proceeding. In June 2018, the position of the Capital Market Authority supporting the position of Harel Pension and Provident was submitted. In September 2020, the court instructed a stay of proceedings in the case until a ruling is given on the motion for permission to appeal in the matter of direct expenses in Migvan Personal Investments savings policies, in which context the district court approved litigation of the action as a class action against Harel Insurance. In its judgment from June 2023, the Supreme Court accepted the motion for leave to appeal, in the matter of direct expenses in Migvan Personal Investments savings policies, and consequently, dismissed the motion for certification underlying the appeal. In July 2023, the plaintiffs filed a motion to order the continuation of the hearing in the procedure and completion of arguments in writing following the Supreme Court judgment. On July 25, 2023, the court accepted the motion of the plaintiffs, and ordered the submission of completion of arguments. The parties submitted completions of arguments. In January 2024, the court handed down a ruling ordering the case to be transferred for a ruling/judgment. In April 2024, an agreed motion was filed with the court for the plaintiff's withdrawal from the motion for certification and the other consolidated motions, in which the court is asked to approve the plaintiffs withdrawal from the motion for certification and order the dismissal of their personal claim. In April 2024, the court approved the plaintiff's motion for withdrawal from the motion for certification and the other motions in which the hearing was consolidated, and ordered the dismissal of their personal claim.
8. In December 2023, an action was filed in the Tel Aviv District Labor Court, together with a motion for its certification as a class action, against the subsidiary Harel Insurance and against Clalit Health Services (jointly: "the Defendants"). The subject of the action was the allegation that the defendants allegedly mislead members of Clalit Health Services by publishing on the website of Clalit Health Services that the prescription period for a claim for payment of long-term care insurance benefits is three years from the occurrence of the insurance event and not five years, which is in contravention of the provisions of the law . In January 2024, the plaintiff filed a motion with the Tel Aviv District Labor Court to strike out the class action and petitioned the court to order the claim and the motion for certification as a class action against the Defendants to be struck out and to close the case without an order for costs. In April 2024, the court approved the plaintiff's motion to withdraw from the motion for certification and the class action.

Note 39 – Contingent liabilities and commitments (contd.)

C. Actions settled in the Reporting Period (contd.)

9. In August 2022, an action was filed against the Company in the Tel Aviv District Court, together with a motion for its certification as a class action. The subject of the action was the allegation that the Company's website is not accessible for people with disabilities, in contravention of the provisions of the law. In December 2023, the parties filed a motion with the Tel Aviv District Court to approve the settlement agreement, in which context it was agreed that the Company would apply several measures to increase accessibility for people with disabilities, including a donation to the association as set out in the agreement. In May 2024, the Tel Aviv District Court gave validity to a judgment for the settlement agreement and for the amendment of the settlement agreement in accordance with the notice of the parties to the court from March 2024, in which it was agreed, among other things, that the Company will act in several ways for the purpose of promoting accessibility for those with disabilities, including a contribution to the fund which was established by virtue of the Law on Class Actions ("the Fund"). The Court reduced the amount of the compensation for the representative plaintiff and the fees for his attorney, as agreed in the settlement, stating that the reduced amount will be credited to the class and added to the amount to be transferred to the fund.

10. In January 2020, an action was filed in the Central District Court, together with a motion for its certification as a class action, against the subsidiary Harel Insurance and against two other insurance companies and a roadside assistance company (hereinafter together: "the Defendants"). The action alleges that the Defendants ostensibly provide their customers with substitute windshields that are not original and are not standard certified, and this ostensibly in contravention of their undertakings towards their customers in the agreements with them. In July 2024, the Central District Court dismissed the motion for certification of the class action as well as the individual claim of the applicants, and ordered them to bear the costs in favor of the defendants.

11. In January 2017, an action was filed in the Lod-Center District Court together with a motion for its certification as a class action against the subsidiary Harel Insurance. The subject of the action, the hearing of which was consolidated with similar motions filed against 9 other companies (together below: "the Defendants") was the allegation that the Defendants do not disclose (themselves or through their insurance agents) to their motor insurance insureds, who are on the verge of crossing an age or driving seniority bracket in the policy period that they are able to update the driver's age or driving seniority and receive a premium refund, and that as a result these insureds overpay the premium due to not having updated the premium in the policy period as a result of changing the age or seniority bracket. In February 2022, a judgment was handed down by the Central District Court dismissing a class action which had been filed against another insurance company ("the Corresponding Claim"). In March 2022, the District Court ordered a stay of proceedings until a decision is given on an appeal to be filed in the Corresponding Claim. In March 2024, the Supreme Court dismissed an appeal filed in the Corresponding Claim. In July 2024, motions were filed at the Central District Court for the applicants' withdrawal from the motion for certification, the hearing of which was consolidated, in which the Court was petitioned to approve the applicant's withdrawal from the motion for certification and to dismiss their personal claim. In July 2024, the court accepted the motions to withdraw, ordered the striking out of the motions for certification and the dismissal of the applicants' personal claim against the defendants and ordered them to bear the costs in favor of the defendants.

Note 39 – Contingent liabilities and commitments (contd.)

C. Actions settled in the Reporting Period (contd.)

12. In January 2017, an action was filed in the Lod-Center District Court together with a motion for its certification as a class action against Shirbit. The subject of the lawsuit, which was consolidated with motions filed against 9 additional companies (collectively: “the Defendants”), is the allegation that the Defendants do not disclose to their motor insurance insureds, who are on the verge of crossing an age or driving seniority bracket that they apply in the policy period, that they are able to update the driver’s age or driving seniority, and receive a surplus premium, and that as a result these insureds overpay the premium due to not having updated the premium in the policy period as a result of changing the age or seniority bracket. In February 2022, a judgment was handed down by the Central District Court dismissing a class action which had been filed against another insurance company ("the Corresponding Claim"). In March 2022, the District Court ordered a stay of proceedings until a decision is given on an appeal to be filed in the Corresponding Claim. In March 2024, the Supreme Court dismissed an appeal filed in the Corresponding Claim. In July 2024, motions were filed at the Central District Court for the applicants’ withdrawal from the motion for certification, the hearing of which was consolidated, in which the Court was petitioned to approve the applicant’s withdrawal from the motion for certification and to dismiss their personal claim. In July 2024, the court accepted the motions to withdraw, ordered the striking out of the motions for certification and the dismissal of the applicants’ personal claim against the defendants and ordered them to bear the costs in favor of the defendants.
13. In August 2020, an action was filed in the Lod-Center District Court together with a motion for its certification as a class action against the subsidiary Harel Insurance. The subject of the action was the allegation that Harel Insurance ostensibly conditions the investigation of claims for disability in personal accident policies on the submittal of a medical opinion for the insureds and that it refuses to reimburse the insureds for the cost of the professional opinion and this, ostensibly in contravention of the policy provisions and also the allegation that Harel Insurance assesses each of the claim components separately, in contravention of the statutory provisions. The parties conducted a mediation process. In November 2023, the parties filed a motion in the Lod-Center District Court to approve a settlement agreement in which context it was agreed that part of the cost of the expert opinion submitted by the class members, as they are defined in the settlement agreement, will be paid to the class members. In July 2024, the court gave validity to a judgment for the settlement agreement, after an amended version of the settlement agreement was filed at the court. Under the settlement agreement, it was agreed that the class members, as defined in the settlement agreement, will be paid part of the cost of the opinion filed on behalf of the class members.
14. In December 2017, an action was filed in the Jerusalem District Court, together with a motion for its certification as a class action, against the subsidiary Harel Insurance, against two other insurance companies, against Clalit Health Services and against Maccabi Healthcare Services (hereinafter together: “the Defendants”). The subject of the action was the allegation that the Defendants allegedly refuse to provide long-term care insurance for people on the autism spectrum or they set out unreasonable conditions for accepting them to the insurance, without their decisions being based on any statistical actuarial or medical data that is relevant to the insured risk and without providing a reason for their decision, as required by law. In June 2019, the court ordered the application to be submitted for obtaining the position of the Attorney General on questions arising from the motion for certification. In January 2020, the Attorney General announced that his position was the same as the position he had submitted in a parallel case and which supports the arguments of Harel Insurance. In February 2023, the Jerusalem District Court denied the motion for certification of the action as a class action. In April 2023, Harel Insurance was served with an appeal on the judgment which the plaintiffs in the motion for certification filed in the Supreme Court. In July 2024, the Supreme Court dismissed the appeal and ordered the appellants to bear the costs in favor of the defendants.

Note 39 – Contingent liabilities and commitments (contd.)

C. Actions settled in the Reporting Period (contd.)

15. In September 2023, an action was filed in the Central District Court together with a motion for its certification as a class action against the subsidiary Harel Insurance and against an additional insurance company "the Defendants"). The subject of the action was the allegation that when purchasing travel insurance, the Defendants allegedly collect a dollar-linked payment at an exchange rate that is not the representative dollar rate as agreed in the policy conditions. On July 30, 2024, an agreed motion was filed at the court for the withdrawal of the applicant from the motion for certification and dismissal of his personal claim. As part of the motion for withdrawal, Harel Insurance agreed to clarify the relevant USD billing rate on the insurance details page. Additionally, Harel Insurance agreed to pay the plaintiff and his attorney compensation and lawyers' fees of insignificant amounts. In August 2024, the court accepted the motion for withdrawal from the motion for certification against Harel Insurance and ordered the striking out of the motion for certification and the dismissal of the applicant's personal claim against Harel Insurance.

16. In June 2020, an action was filed in the Central District Court together with a motion for its certification as a class action against the subsidiaries Harel Pension & Provident and Harel Insurance (hereinafter together: "the Defendants"). The subject of the action is the allegation that as part of loan agreements between the Defendants and their customers, in loans that are linked to the Consumer Price Index ("the CPI"), it was allegedly determined that if the CPI decreases, principal and interest payments will not fall below their value as specified in the loan repayment schedule. This, ostensibly, in contravention of the law and which constitutes, as argued by the plaintiff, a discriminatory condition in a standard contract. . The mediation conducted by the parties was unsuccessful. In October 2022, the court instructed the Commissioner to state his position regarding the issues in dispute. In March 2023, the Commissioner's position was submitted in which, if it is determined that the linkage mechanism failed to meet the statutory provision, and restitution of the excess payment is required, this money may be refunded from the provident fund monies or from the insureds monies. In August 2024, an action was filed at the Bat Yam Labor Court, where the hearing of the claim was transferred in April 2023 under a court ruling, for the applicant to withdraw from the motion for certification against the defendants, in which the court is petitioned to approve the applicant's withdrawal from the motion for certification against the defendants, and to order the dismissal of his personal claim. As part of the motion for withdrawal, the defendants agreed that the loan agreements of all the respondents' customers who request CPI-linked loans, will be amended to include a two-way linking mechanism, according to which, an increase or decrease in the CPI compared with the base index will affect the amount of the loan repayment based on the change in the CPI. Additionally, the defendants agreed to pay the plaintiff and his attorney compensation and lawyers' fees of insignificant amounts. In August 2024, the court approved the plaintiff's motion to withdraw from the motion for certification against the defendants.

17. In May 2011, an action was filed in the Central Region District Court, together with a motion for certification as a class action, against the subsidiary Harel Insurance and three other insurance companies (hereinafter together: "the Defendants"). The subject of the action was an allegation that the Defendants allegedly unlawfully collect a payment called a "policy factor" and/or "other management fees" at a considerable rate of the premium paid without their consent or knowledge and without compliance with a condition that enables such collection in the policy instructions. The plaintiffs argued that according to instructions issued by the Commissioner, companies may charge a policy factor under certain conditions; however they also claim that in addition to the Commissioner's authorization, the Defendants must stipulate collection of the policy factor in a contractual agreement with the insured. In June 2015, the parties filed a motion in the court to approve a settlement. The court appointed a reviewer for the settlement. Under the proposed settlement, the Defendants undertook to reimburse the class members with a total amount of one hundred million shekels for the collection of a policy factor in the past. Harel Insurance's share in this amount is NIS 14 million. Additionally, each of the Defendants undertook to reduce the future collection for the policy factor from these class members at a rate of 25% relative to the amount actually collected. The Defendants also agreed to bear the compensation to the class plaintiff and cover the cost of his lawyer's fees, by an amount to be decided upon by the court.

Note 39 – Contingent liabilities and commitments (contd.)

C. Actions settled in the Reporting Period (contd.)

17. (contd.)

In its decision from November 21, 2016, the court dismissed the settlement and approved litigation of part of the claim as a class action on the grounds of a breach of the insurance policy on account of collection of the policy factor fee with no legal basis, in a manner that compromises the insured's accrued savings, starting from seven years prior to the date of filing the claim. The relief to be claimed as part of the class action will be to remedy the breach by way of revising the insured's accrued savings by the additional amount of savings that would have been accrued if the policy factor had not been collected or by compensating the insured by the aforesaid amount. In addition, from now on, the policy factor will no longer be collected. The class in whose name the class action was litigated comprised insureds of the Defendants who have combined life insurance and savings policies that were drawn up between 19922003, where the savings accrued by the insured were compromised due to the collection of the policy factor. In May 2017, the Defendants filed a motion in the Supreme Court for permission to appeal this decision, in which context the settlement was dismissed and the motion to certify the claim as a class action was partially approved.

In September 2018, the Attorney General's response was filed to the motion for permission to appeal, according to which his position is that the Central District Court was correct in its decision not to approve the settlement and to partially approve the motion to certify the action as a class action. In February 2019, the motion for permission to appeal was struck out, after the Defendants accepted the Supreme Court's recommendation to withdraw the motion for permission to appeal, while maintaining all their arguments and rights. The parties are conducting a mediation process in parallel with litigation of the class action. In September 2022, a decision was handed down according to which the court's position is that the lower threshold for settlement purposes should be 40% and not less. In June 2023, the class plaintiffs and Harel Insurance together with five additional insurance companies filed a motion in the court to certify a settlement agreement ("the Settlement Agreement"). The Settlement Agreement included the following: (a) Harel Insurance will reimburse the class members (as they are defined in the Settlement Agreement) for the past (the period commencing from seven years before the motion for certification was filed) and up to the commencement of the future collection (as specified in section B below - a lump sum at a rate of 42% of the total collection of the policy factor, which it is argued should have been transferred to saving. (b) Harel Insurance will subtract the future collection of the policy factor from the relevant class members, by way of reducing the policy factor to be collected by 50%, as noted in the Settlement Agreement. In May 2024, the Attorney General submitted her position on the Settlement Agreement, according to which she does not object to the rate of compensation for the past, provided that subject to the fact that restitution including actual returns from 2013 and onward ceases, and she also leaves open the question of future regulation and the continued (reduced) collection of the policy factor component to the discretion of the court. In addition, the Attorney General refers to a number of other issues in the settlement agreement, including the referral of the reduction in the cost of collecting the policy factor in the future to increase the savings component of the policy and the method of calculating the fee rate and the mechanism of its distribution among the defendants In August 2024, the court gave validity to the judgment for the settlement agreement ("the Judgment), after an amended version of the settlement agreement was filed at the court. As part of the Judgment, the court approved, among other things, the parties' agreements regarding the amount of the refund for the past period at the rate of 42%. For the period from the beginning of 2013 until the date of the future amortization of the policy factor, the court ordered, in accordance with the power conferred on it by the parties, that 90% of the yields will be added to the amount of the refund. The court also approved future amortization of 50%. In addition, the court ruled that Harel Insurance will bear the attorney's fees of the representative plaintiff and remuneration for the representative plaintiff, which will be allocated from the attorney's fees.

Note 39 – Contingent liabilities and commitments (contd.)

C. Actions settled in the Reporting Period (contd.)

18. In February 2023, an action was filed in the Central District Court together with a motion for its certification as a class action against the subsidiary Harel Insurance. The subject of the action was the allegation that Harel Insurance allegedly does not pay its insureds who have motor insurance and third parties, the full fee for the assessor who prepares the loss assessment for the vehicle, in contravention of the provisions of the policy and the law. In August 2024, the plaintiff filed a motion for withdrawal from the motion for certification in the Central District Court in which the court was petitioned to approve the plaintiff's withdrawal from the motion for certification and to order the dismissal of the plaintiff's personal claim. As part of the motion for withdrawal, Harel Insurance agreed to increase awareness for the payment of a reasonable appraiser's fee, among other things by adding a clarification on its website. Additionally, Harel Insurance agreed to pay the plaintiff and his attorney compensation and lawyers' fees of insignificant amounts. In August 2024, the court approved the plaintiff's motion to withdraw from the motion for certification, and ordered the dismissal of the plaintiff's personal claim.

19. In August 2022, an action was filed in the Tel Aviv District Court, together with a motion for its certification as a class action against the subsidiary Harel Insurance. The subject of the action was the allegation that Harel Insurance ostensibly saves and sends personal information about its customers, in contravention of the statutory provisions and in an infringement of their privacy. In September 2024, the plaintiff filed a motion for withdrawal from the motion for certification in the Tel Aviv District Court in which the court was petitioned to approve the plaintiff's withdrawal and order the dismissal of the plaintiff's personal claim. In September 2024, the court approved the plaintiff's motion for withdrawal from the motion for certification and ordered the dismissal of the plaintiff's personal claim. As part of the motion for withdrawal, Harel Insurance agreed to pay the plaintiff and his attorney compensation and lawyers' fees of insignificant amounts.

20. In November 2021, an action was filed in the Tel Aviv District Labor Court, together with a motion for its certification as a class action, against the subsidiary Harel Insurance. The subject of the action was the allegation that Harel Insurance ostensibly refuses to provide insurance cover for partial work disability for its insureds in group medical insurance, and this ostensibly in contravention of the policy instructions. In November 2024, the Tel Aviv District Labor Court dismissed the motion for certification and ordered the plaintiff to bear expenses in favor of Harel Insurance.

21. In September 2023, an action was filed in the Central District Court together with a motion for its certification as a class action against the subsidiary Harel Insurance. The subject of the action was the allegation that Harel Insurance ostensibly approves claims filed by insureds who have become long-term care patients from the date of submittal of the claim and not from the earlier date, on which they became long-term care patients, thus ostensibly avoiding the payment of insurance benefits for which it is liable and it collects premiums to which it is not entitled, in contravention of the provisions of the policy and the law. In November 2024, the plaintiffs filed a motion for withdrawal from the motion for certification in the Central District Court in which the court was petitioned to approve the plaintiffs' withdrawal and order the dismissal of their personal claims. In November 2024, the court approved the withdrawal of the plaintiffs from the motion for certification and ordered the dismissal of their personal claim.

Note 39 – Contingent liabilities and commitments (contd.)

D. Actions settled after the Reporting Period

1. In June 2024, an action was filed in the Tel Aviv District Court together with a motion for its certification as a class action against the subsidiary Harel Insurance. The subject of the action was the allegation that Harel Insurance allegedly indemnifies only the insured/mother, for services received at the postnatal recovery facility, and does not indemnify the accompanying insured/guest at the facility, which is, ostensibly, contrary to the terms of the policy and in contravention of the law. In December 2024, an action was filed for withdrawal of the plaintiff from the motion for certification. As part of the motion for withdrawal, Harel Insurance agreed to clarify the wording in the policies specified in the motion for withdrawal ("the Policies") and to extend the terms of one of the policies to also apply to the insured spouse of the mother, provided the insurance coverage under the policy is valid. The parties petitioned the court to order each party to present its arguments regarding the compensation and attorney fees for the plaintiff and the plaintiff's legal counsel. In January 2025, the court approved the plaintiff's motion for withdrawal from the motion for certification, and it ordered that the motion for certification and personal claim be struck out. The court also ordered the parties to submit written arguments regarding compensation and attorney fees – and subsequently ordered the payment of compensation and attorney fees in immaterial amounts.
2. In May 2024, an action was filed in the Tel Aviv District Court, together with a motion for its certification as a class action, against the subsidiary Harel Insurance, three other insurance companies, and insurance agencies (jointly: "the Defendants"). The subject of the action was the allegation that the defendants do not provide coverage for mental illnesses in travel insurance and therefore discriminate against people with mental disabilities who require hospitalization abroad. In November 2024, the court ordered the plaintiff to notify, by February 9, 2025, whether the plaintiff had succeeded in appointing a representative attorney ("the Ruling"). In February 2025, the court ordered the dismissal of the motion for certification, after the plaintiff failed to submit a notification regarding the appointment of a representative attorney as required by the Ruling.
3. In June 2014, an action was filed in the Tel Aviv District Court together with a motion for its certification as a class action against the subsidiary Dikla. The subject of the action was the argument that under the provisions of the group long-term care insurance policy for members of Clalit Health Services Supplementary Long-term Care Plus ("the Policy"), Dikla fails to pay insureds who require long-term care insurance benefits for the days in which they were hospitalized in a general or rehabilitation hospital, and that these days are not included in the number of days for calculating the waiting period determined in the policy, and this ostensibly in contravention of the Commissioner' instructions and the provisions of the law. The plaintiff estimates the total loss claimed for all members of the class that the plaintiff seeks to represent at NIS 35 million. The court passed the motion to the Commissioner for position regarding the disputes underlying the motion for certification of the action as a class action. In January 2016, the Commissioner's position was submitted which stated that the policy definition of the insured event does not violate the instructions of the Capital Market, Insurance and Savings Authority and that the policy which is the subject of the claim was approved separately by the Capital Market, Insurance and Savings Authority. In December 2018, the court dismissed the motion to certify the claim as a class action on the grounds that non-payment of the insurance benefits in respect of the hospitalization period is contrary to the Commissioner's instructions, but it approved the conducting of the action as a class action on the grounds of a breach of an insurance circular on the subject of fair disclosure to insureds when they are enrolled in a health insurance policy. The class in whose name the class action is to be conducted is all Dikla policyholders who purchased long-term care insurance after October 1, 2001, who were entitled to claim insurance benefits in the period between May 29, 2011 and May 29, 2014, and where the proper disclosure form attached to the purchased policy does not mention or refer to the section that states that the date of occurrence of the insured event is the date on which the insured first becomes eligible, or the date on which the insured was discharged from a general or rehabilitation hospital, whichever is later. In May 2019, Dikla filed a motion in the Supreme Court for permission to appeal the decision.

Note 39 – Contingent liabilities and commitments (contd.)

D. Actions settled after the Reporting Period

3. (contd.)

In June 2019, the plaintiff in the motion for certification filed an appeal in the Supreme Court against the District Court's ruling not to certify litigation of the claim as a class action according to which non-payment of the insurance benefits for the hospitalization period contravenes the Commissioner's instructions and also that, as argued by the plaintiff, the court did not rule on the additional argument of breach of contract. At the hearing, which took place at the Supreme Court on May 10, 2021, the motion for permission to appeal and the appeal were dismissed, after the parties accepted the Supreme Court's recommendation to withdraw them, while preserving all their arguments. In January 2022, the parties informed the court of their agreement to enter into a mediation process. The mediation between the parties was unsuccessful and litigation of the action was returned to the court. On June 26, 2024, the parties filed a motion for certification of a settlement agreement at the Tel Aviv District Court, in which it was agreed that the eligible class members, as defined in the settlement agreement, will be paid a financial remedy of completing insurance benefits as set out in the settlement agreement. In February 2025, the court gave validity to a judgment for the settlement agreement, subject to amendments of the court. Among other things, the court approved the parties' agreement that the eligible class members, as defined in the settlement agreement, would be awarded financial relief in the form of supplemental insurance benefits as set out in the settlement agreement, subject to the modifications set out in the judgment.

E. Agreements

1. Commissioner's permit for the agreed outline regarding the group long-term care policy for members of Clalit Health

On December 13, 2023, permission was received from the Commissioner to operate the group long-term care policy for members of Clalit Health Services, for 12 months (starting on January 1, 2024 and ending on December 31, 2024), in accordance with the agreed outline reached by Harel Insurance and Clalit Health Services ("Clalit")

On December 22, 2024, the Authority published an amendment to the Supervision of Financial Services Regulations (Insurance) (Group Long-term Care Insurance for HMO Members) (Amendment), 2024. In accordance with the provisions, among other things, the definition of an insurance case will be updated to grant coverage only to insured individuals who are unable to perform independently a significant part of at least four out of six daily activities (Activities of Daily Living – ADL) or, alternatively, three activities, one of which is continence control; the ADL applicability tests for some of the ADL will not apply if the insured is able to perform them independently with the use of assistive devices or adapted clothing; and the eligibility for insurance benefits for an insured receiving care at home is subject to the presentation of documentation proving that they are assisted by personal caregivers for most hours of the day. The provisions further stipulate that starting in 2027, if the policy is not renewed for all insured members with any insurer at the end of the insurance period, the insurer will not be obligated to include insured members in a continuation group policy or any other policy, and the balance in the insured member's fund at that time will be used for the benefit of the insured members as approved by the Commissioner.

Subsequently, Harel Insurance and Clalit signed an agreement to extend the group insurance period for members of the Clalit Health Fund by 24 months (from January 1, 2025 to December 31, 2026). On December 26, 2024, approval was received from the Commissioner for the implementation of the policy.

Note 39 – Contingent liabilities and commitments (contd.)

E. Agreements (contd.)

2. Agreement for the sale of Dikla to Clalit Health Services (“Clalit”)

   On August 31, 2024, the sale of 51% of Dekel's shares to Clalit was finalized. As a result, balances attributed to Dekel's financial statements were deconsolidated – see Annex C of the Cash Flow Report.

3. Undertaking to invest in investment funds

   The Company and its subsidiaries have an undertaking to invest in investment funds in the amount of NIS 22,327 million, of which NIS 20,894 million is from money in profit-sharing policies, pension, and provident activity.

4. Cancellation of the agreement for the acquisition of Isracard Ltd. (“Isracard”)

   On February 12, 2023, the Company entered into a binding agreement with Isracard and a fully owned special purpose subsidiary of the Company (“the Target Company”) according to which the Company will acquire all (100%) of the fully diluted issued share capital of Isracard, for the total consideration of NIS 3.3 billion (“the Agreement”). (“the Agreement”).

   As stipulated in the Agreement between the parties, completion of the transaction was subject to the fulfillment of a number of preconditions, including obtaining regulatory approvals from the Commissioner of Competition, the Supervisor of Banks and the Commissioner of the Capital Market, Insurance and Savings.

   The Company received two out of the three required regulatory approvals by the deadline set for completion of the transaction (approval from the Supervisor of Banks and approval from the Commissioner of the Capital Market, Insurance and Savings. On January 31, 2024, formal notice was received from the Commissioner of Competition stating that he opposed the merger between the Company and Isracard. Accordingly, the Company informed Isracard that the Agreement is cancelled.

5. Business combinations in the period

a. Completion of a transaction for the acquisition of the shares of Se-Fi Insurance Agency Ltd. (“Se-Fi”)

   On January 1, 2024, a transaction was completed for the acquisition of 70% of the shares of Se-Fi after fulfilling all of the preconditions set out in the agreement, including obtaining approval from the Competition Commissioner and a control permit from the Commissioner of the Capital Market.

   The contribution of Se-Fi to the Group's total profit and revenue in 2024 is immaterial.

   The transaction is a business combination and was accounted for according to the acquisition method. Accordingly, the Company recognized the fair value of the identified assets that were acquired and the liabilities undertaken as part of the business combination according to a valuation that was prepared.

Note 39 – Contingent liabilities and commitments (contd.)

E. Agreements (contd.)

5. Business combinations in the period (contd.)

The fair value of the identified assets and liabilities that were acquired is as follows:

	NIS millions
Cash and cash equivalents	16
Trade and other receivables	3
Intangible assets	74
Total assets	**93**
Deferred tax liabilities	(2)
Financial liabilities	(53)
Trade and other payables	(15)
Total liabilities	**(70)**
Total assets, net	**23**
Noncontrolling rights	**(7)**
Goodwill	25
Total acquisition cost	**41**

The total cost of the business combination amounted to NIS 41 million (of which an amount of NIS 16 million was converted from shareholder loans into equity investment in the Company). Additionally, the Company incurred direct acquisition costs attributed to the transaction in immaterial amounts, which were recognized as an expense and were included within general and administrative expenses.

	NIS millions
Cash arising from the acquisition (used for the acquisition):	
Cash and cash equivalents in Si-Fe as at the acquisition date	16
Cash paid for the acquisition	(25)
Total cash deducted due to the acquisition of Se-Fi	**(9)**

Note 39 – Contingent liabilities and commitments (contd.)

E. Agreements (contd.)

5. Business combinations in the period (contd.)

b. Acquisition of the entire shares Gamla Harel Residential Real Estate Ltd.

On September 29, 2024, Harel Credit Holdings Ltd., a wholly owned (100%) subsidiary of the Company ("the Buyer") entered into an agreement with Harel Finance Mergers Ltd., a subsidiary wholly owned by the Buyer ("the Target Company"), and Gamla Harel Residential Real Estate Ltd. ("Gamla"). Under the agreement, the Buyer will acquire all the shares of Gamla (100%) by way of a reverse triangular merger between the Target Company and Gamla, for a cash consideration of NIS 554 million, subject to adjustments ("the Merger Agreement"). Gamla is a publicly traded company that provides credit to residential real estate developers. Upon completion of the merger, the Buyer will hold all of Gamla's issued and paid-up share capital, Gamla will revert from a publicly traded company to a private company, its shares will be delisted, and it will no longer be a reporting company as defined in the Israel Securities Law, 1968.

Completion of the merger was subject to the fulfillment of standard preconditions as set out in the merger agreement, including the following main preconditions: (a) approval by a meeting of the shareholders of Gamla for the merger; (b) obtaining the regulatory approvals required by law for the merger, including approval from the Competition Authority for the merger and obtaining a permit to hold means of control from the Supervisor of Financial Service Providers; (c) obtaining approvals from Gamla's financing entities and other third parties; (d) the willingness of the parties, in all material respects, at the completion date, subject to exclusions and exceptions defined in the merger agreement; and (e) at the date of completion no material adverse change has occurred in Gamla (according to its definition in the merger agreement).

On October 30, 2024 and November 4, 2024, the Commissioner of Competition approved the merger and control permit was received from the Supervisor of Financial Service Providers, respectively. On November 12, 2024, the general meeting of Gamla approved the merger. In November 2024, all of Gamla's financing entities approved the merger and the resulting change in ownership and control of Gamla.

On December 12, 2024, all preconditions for completing the merger transaction were fulfilled and the merger transaction was completed. The contribution of Gamla to the Group's profit and revenue in 2024 is immaterial. The Company's management believes that, had the merger transaction been completed on January 1, 2024, its effect on the Group's total profit and revenue in 2024 would have amounted to NIS 42 million and NIS 142 million, respectively.

The merger transaction is a business combination and was accounted for according to the acquisition method. Accordingly, the Company recognized the fair value of the identified assets that were acquired and the liabilities undertaken as part of the business combination according to a valuation that was prepared. Final adjustment of the consideration for the acquisition as well as the fair value of the acquired assets and liabilities may be made up to 12 months from the date of the acquisition. The adjustments, if there are any, will be made by way of a restatement of the comparative figures reported in the past according to the temporary measurement.

Note 39 – Contingent liabilities and commitments (contd.)

E. Agreements (contd.)

5. Business combinations in the period (contd.)

(b) Acquisition of the entire shares Gamla Harel Residential Real Estate Ltd. (contd.)

The fair value of the identified assets and liabilities that were acquired is as follows:

	NIS millions
Cash and cash equivalents	1
Trade and other receivables	73
Intangible asset for customer relations	14
Intangible asset for brand	9
Non-marketable debt assets	1,018
Deferred tax assets	6
Total assets	**1,121**
Financial liabilities	(734)
Trade and other payables	(11)
Total liabilities	**(745)**
Total assets, net	**376**
Goodwill	178
Total acquisition cost	**554**

The total cost of the business combination amounted to NIS 554 million. Additionally, the Company incurred direct acquisition costs attributed to the transaction in immaterial amounts, attributed to the merger transaction, which were recognized as an expense and were included within general and administrative expenses.

	NIS millions
Cash arising from the acquisition (used for the acquisition):	
Cash and cash equivalents in Gamla as at the acquisition date	1
Cash paid for the acquisition	(554)
Total cash deducted due to the acquisition of Gamla	**(553)**

Note 39 – Contingent liabilities and commitments (contd.)

E. Agreements (contd.)

6. The Company's agreement with Michman Finance Ltd. ("Michman")

On July 16, 2024, the Company entered into a memorandum of understanding ("the MoU"), with Yaniv Biton, the controlling shareholder and director of Michman, a public Israeli company traded on the Tel Aviv Stock Exchange Ltd. and Doron Sapir, chairman of Michman's board of directors (hereinafter together with the controlling shareholder: "the Sellers") who are third parties (and are not related parties to the Company), summarizing the main terms for the acquisition of Michman shares from the Sellers at a rate of 25.01%, providing a credit line for Michman in the amount of NIS 100 million, issuing rights in Michman in the total amount of NIS 80 million, a put/call option for the acquisition of additional Michman shares from the Sellers, which will bring the Company's holdings in Michman to a rate of 52.5%, all subject to the fulfillment of a number of preconditions ("the Transaction"). The MoU is non-binding on the parties, except for conditions regarding exclusivity for a limited period and non-disclosure.

The Transaction was subject to due diligence by the Company within 45 days after signing the MoU and to the fulfillment of the relevant preconditions. After discussions between the parties, the parties decided to change the structure of the Transaction and the timetables for its completion, so that the Company will invest in Michman an amount of NIS 13.8 million for the allocation of Michman shares, accounting for 4.9% of Michman's issued capital (at a price per share of NIS 169.6) and will provide a credit limit of NIS 50 million for Michman.

F. Leases in which the Group is the lessor

The minimum lease fees due to be received in future for noncancellable commercial lease contracts as at December 31, 2024 and 2023, are:

	2024	2023
	NIS millions	NIS millions
First year	**236**	219
Second to fifth years	**482**	494
More than five years	**187**	240
	905	953

Note 40 – Material events after the Reporting Period

1. Agreement with Pama Leasing Ltd. ("Pama")

   In March 2025, the Company entered into a non-binding memorandum of understanding (MoU) with Pama, a company providing asset-backed retail credit (financing loans for vehicle purchases), for an investment in Pama in exchange for the allocation of 30% of Pama's share capital, based on a company valuation of NIS 400 million. Under the MoU, it was agreed, among other things, that the parties would negotiate the drafting of detailed agreements within 60 days after signing the MoU or for a longer period as agreed in writing ("the Interim Period"). In the Interim Period, Harel will conduct business, legal, tax, and accounting due diligence on Pama. Additionally, Pama and its shareholders or their representatives will refrain from negotiating or engaging with any third parties. At this stage, it is uncertain whether the agreements will be finalized.

2. On the affirmation of a Midroog rating concerning the financial strength of the Company and subordinated liability notes that were issued by Harel Finance & Issues, see Note 24.
3. On principal approval for the issue of bonds (Series 21) by means of a second-tier subsidiary - Harel Finance & Issues, see Note 24.
4. On affirmation of a rating for the Company by Midroog, see Note 24.
5. On the approval of an additional share buyback plan for the Company's shares, see Note 15.

Note 41 – Application of IFRS 17, Insurance Contracts ("the Standard" or "IFRS 17") and IFRS 9, Financial Instruments (“IFRS 9”) (“the New Standards”)

IFRS 17 establishes principles for the recognition, measurement, presentation, and disclosure of insurance contracts and replaces the existing provisions under IFRS 4 and the guidelines of Capital Market, Insurance and Savings Authority.

IFRS 9 establishes principles for the classification and measurement of financial instruments, focusing on financial assets, and replaces the existing provisions under IAS 39.

Application of the New Standards is expected to lead to significant changes in the Company's financial reporting.

As set out in Note 2A above, in accordance with the Roadmap, the date of initial application of the New Standards, for insurance companies in Israel will apply as from quarterly and annual periods starting on January 1, 2025. Accordingly, the transition date will be January 1, 2024.

According to the Roadmap, as part of the annual financial statements for 2024, insurance companies are required to include a separate note relating to application of the New Standards, disclosure regarding the items in the statement of financial position (pro forma balance sheet) as at January 1, 2024 (the opening balance data as at the transition date to the New Standards), including disclosure of the amount of the contractual service margin (CSM), the risk adjustment (RA) amount for each operating segment separately, and provision for credit losses according to the disclosure format attached to the Roadmap. Moreover, under the Note, insurance companies are required to provide supplementary qualitative disclosure that will refer, among other things, to the issues set out in the Roadmap. Th quantitative and qualitative disclosure is described below in this Note. According to the Roadmap, companies are also required to report certain items from the pro forma statement of comprehensive income for the six months ended June 30, 2024 "Pro Forma Performance Information"). However, companies are permitted to present Pro Forma Performance Information within the Board of Directors' Report instead of including it in the Note. The Group chose this option.

Additionally, the updated road map sets out the revised key preparatory measures and time schedules which, in the opinion of the Capital Market, Insurance and Savings Authority (“the Authority”) are required to ensure quality deployment by Israel’s insurance companies for the proper application of the Standard, including regarding adapting their information systems and their operation, implementation and review of the adequacy of controls, project management and documentation, completion of formulating the accounting policy and deployment for the different reports required, performing quantitative tests, preparation for calculating the risk adjustment for non-financial risk (RA), and deployment for the audit of the auditors.

On December 22, 2024, the Commissioner published an amendment to the Consolidated Circular for Measurement, regarding Professional Issues Relating to Implementation of IFRS 17 in Israel to allow insurance companies in Israel to prepare for adoption of IFRS 17, (“the Circular). The circular addresses key issues that are a central to the Standard, including the division of insurance contracts into portfolios; separation of components in certain insurance contracts; aggregation of insurance contracts; definition of contract boundaries in health and life insurance policies; classification of liabilities for insurance contracts where claim payment depends on the occurrence of two insurance risks; discounting interest for the standard, including clarifications on the calculation of the weighted illiquidity premium; guidelines for determining the fair value of Hetz earmarked bonds; and measurement at the transition date, including the application of the fair value approach at the transition date. The significant accounting policies described in this Note below are based, among other things, on the Circular.

Note 41 – Application of IFRS 17, Insurance Contracts ("the Standard" or "IFRS 17") and IFRS 9, Financial Instruments (“IFRS 9”) (“the New Standards”) (contd.)

Preparation of Harel Insurance for implementation of the New Standards

For several years, Harel Insurance has been in the process of applying and assimilating computerized information systems, which are necessary for implementation of the provisions of the New Standards. Harel Insurance is also in the process of mapping, designing, and implementing the new controls and processes arising from implementation of the New Standards, including everything related to the flow of data from the operational systems to the financial reporting (end to end). In January 2024, Harel Insurance submitted to the Authority a list of key controls, which were implemented by the end of 2023, along with its work plan for the remaining controls that are expected to be implemented before the first reporting date of Harel Insurance in accordance with the New Standards. As part of the preparation for implementation of the New Standards, and in accordance with the Authority's guidelines, in December 2023, Harel Insurance submitted to the Authority an update of its methodology document for the RA calculation. In addition, in March 2024, Harel Insurance submitted to the Authority an updated draft of the principals of its significant accounting policy related to the New Standards.

At the beginning of July 2024, Harel Insurance submitted to the Authority a draft calculation of the opening balances as at the transition date of the Standard (January 1, 2024) for some insurance contracts, and in September 2024, Harel Insurance reported to the Authority the results of the second quantitative impact study ("QIS-2") to assess the effect of initial application of the New Standards on the sections of the statement of financial position as at January 1, 2024 and March 31, 2024, and on the sections of the statement of comprehensive income for the three months ended March 31, 2024, as set out in the Roadmap. In December 2024, Harel Insurance reported to the Authority the results of the third Quantitative Impact Survey ("QIS-3") to assess the effect of initial application of the New Standards on the sections of the statement of financial position as at January 1, 2024 and June 30, 2024, and on the sections of the statement of comprehensive income for the six months ended June 30, 2024, as set out in the Roadmap.

The Group continues to review and refine the required controls and the flow of information to the financial statements, based on parallel runs and is preparing for the application of the New Standards in accordance with the timelines set out in the Roadmap.

Below is a breakdown of the significant accounting policies selected by the Group for a number of key topics in the New Standards. It should be emphasized that everything specified below regarding the significant accounting policy is accurate as of the publication date of this report and it may still change by the time of the Group’s first financial reporting under the New Standards:

1. Applicability of the Standard:

   The Standard applies to contracts that meet the definition of an insurance contract, which include:

   - Insurance contracts, including reinsurance contracts, issued by the Group
   - Reinsurance contracts held by the Group
   - Investment contracts with discretionary participation features issued by the Group, provided it also issues insurance contracts

   An insurance contract may include one or more components that would fall under the scope of another standard if they were separate contracts. For example, insurance contracts may include: an investment component, a service component other than insurance contract services ("Service Component"), embedded derivatives.

   Under the Standard, an investment component and a Service Component will be separated from the insurance contract only if they are distinct. An embedded derivative will only be separated if it meets the criteria set out in IFRS 9. If these components are separated from the insurance contract, they will be accounted for under the scope of the relevant standard.

Note 41 – Application of IFRS 17, Insurance Contracts ("the Standard" or "IFRS 17") and IFRS 9, Financial Instruments (“IFRS 9”) (“the New Standards”) (contd.)

1. Applicability of the Standard: (contd.)

The Group estimates that the application of the Standard is not expected to have a material impact on the classification of contracts as insurance contracts compared with IFRS 4. Additionally, the Group does not anticipate separating components from the insurance contract that would be accounted for under the scope of another standard.

The Group intends to apply IFRS 9 to mortgage insurance contracts previously issued by EMI, which also meet the definition of financial guarantee contracts, and for transactions for financial guarantees and operating services for mortgage portfolios insured by third parties through EMI and Harel Insurance.

2. Allocation of insurance contracts to portfolios:

Under the Standard, insurance contracts are aggregated into groups for measurement purposes. Groups of insurance contracts are determined by identifying portfolios of insurance contracts, each comprising contracts subject to similar risks and managed together.

Below are the insurance portfolios identified by the Group. These portfolios were determined in accordance with the provisions of the Standard and consistently with the Commissioner’s position as published in the circular:

- Life insurance portfolios: policies that include a non-yield dependent savings component; policies that include a yield-dependent savings component with variable management fees; policies that include a yield-dependent savings component with fixed management fees only; insurance in the event of death; work disability insurance; annuity policies;
- Health insurance portfolios: personal long-term care; group long-term care; personal medical and disability expenses; group medical and disability expenses, including dental; critical illness; short-term foreign workers, overseas travel, and personal accident; long-term foreign workers, overseas travel, and personal accident;
- Non-life insurance portfolios: Business (including insurance of aircraft, shipping vessels, and cargo); apartments; compulsory motor including policies sold through the Pool; motor property; professional liability; contractors; Sale Law guarantees.

Each identified portfolio is segregated into three profitable groups: (1) contracts that are onerous at initial recognition; (2) contracts that at initial recognition have no significant possibility of becoming onerous – at this stage, the Group has not identified any contracts that are associated with this group; and (3) the remaining contracts in the portfolio. In addition, insurance contracts issued more than one year apart in the same group cannot be included.

The Standard allows contracts to be included in the same group if they would otherwise belong to different groups only because a law or regulation specifically constrains the Group’s practical ability to set different prices or levels of benefits for policyholders with different characteristics. The Group’s proportional share in compulsory motor insurance policies issued through the Pool meets this requirement. Accordingly, the Group has elected to include its proportional share of these policies in the same group as the regular compulsory motor insurance policies it sells directly.

Note 41 – Application of IFRS 17, Insurance Contracts ("the Standard" or "IFRS 17") and IFRS 9, Financial Instruments ("IFRS 9") ("the New Standards") (contd.)

3. Measurement model that the Company plans to apply for each of the insurance portfolios identified by the Group:

The Standard includes three models for measuring the liability for insurance contracts:

- General measurement model (GMM)

In accordance with this model, which is the default model of the standard, liabilities for insurance groups should be measured on initial recognition, as the present value of the estimated cash flows from the insurance contracts discounted at the present interest rate plus explicit risk adjustment for non-financial risk (RA). The estimated profit factored into insurance contracts, arising from the calculations, will be recognized as a liability – contractual service margin (CSM), which will be recognized in profit or loss over the coverage period of the group of insurance contracts. If a predicted loss occurs, it will be recognized immediately in profit or loss. The liability components are classified into two types of liabilities: Liability for remaining coverage (LRC) and liability for incurred claims (LIC). In subsequent periods, the CSM will be adjusted for changes in non-financial assumptions related to future service. If the CSM is reduced to zero due to these changes, any future change is recognized immediately in profit or loss. On the other hand, changes arising from the time value of money and financial changes will be recognized immediately in profit or loss under financing expenses for insurance contracts.

In reinsurance contracts held, the CSM may be an asset or a liability and it represents the net contractual cost or the net contractual profit, respectively. If the reinsurance contract exists when recognizing the loss component for a group of insurance contracts covered by the reinsurer, the Company will recognize an immediate profit for the reinsurance contract (loss recovery component) against adjustment of the contractual service margin. The Company plans to apply the GMM in the following insurance portfolios (by segment):

Issued insurance contracts:

- Life insurance: policies that include a non-yield dependent savings component; insurance in the event of death; work disability insurance;
- Health insurance: personal lines long-term care; personal lines medical and disability; group medical expenses, including dental; critical illness; foreign workers; overseas travel, and long-term personal accidents

Reinsurance contracts held:

- Life insurance: All reinsurance;
- Health insurance: All reinsurances, other than travel reinsurance contracts, which will be measured in accordance with the premium allocation approach (see below).

- Variable fee approach (VFA)

This model constitutes adjustment to the GMM and applies to contracts with direct participation features. Direct participating contracts are insurance contracts that meet the criteria established in the Standard, and include the Company's promise of an investment return based on underlying items. In other words, the contract includes substantial service referring to investments.

In accordance with the VFA model, the cash flows for maintaining the contract consist of the obligation to pay the insured an amount equal to the fair value of the underlying items minus the variable fee for the service. Any change in the obligation to pay the insured an amount equal to the fair value of the underlying items is recognized directly in financing expenses for insurance contracts. The contractual service margin is adjusted for changes in non-financial assumptions, similar to the GMM, as well as financial changes that affect the variable fee (unlike the GMM).

Note 41 – Application of IFRS 17, Insurance Contracts ("the Standard" or "IFRS 17") and IFRS 9, Financial Instruments (“IFRS 9”) (“the New Standards”) (contd.)

3. Measurement model that the Company plans to apply for each of the insurance portfolios identified by the Group: (contd)

   - Variable fee approach (VFA) (contd.)

     Risk mitigation option in VFA contracts

     As part of its business operations and regulatory obligations, the Company is required to manage investment portfolios of assets held for yield-dependent policies. The Company may actually hold as part of such portfolios financial assets whose volume exceeds the aggregate nominal value of the yield-dependent policies treated under the VFA approach., This strategy aims to hedge the effects of additional financial exposures arising from these policies, including the effect of guaranteed annuity factors, in accordance with the Company's financial risk mitigation objectives and strategy.

     The Company intends to apply the risk mitigation option permitted by the Standard for changes in cash flows required to fulfill contracts arising from changes in the effect of the time value of money and financial risks in the relevant insurance liabilities, which are hedged through these assets. Accordingly, such changes will be recognized in profit or loss under net financing expenses (revenue) arising from insurance contracts, alongside the revenue or expenses generated from these assets. It should be noted that the Company assesses and may periodically reassess the extent of surplus assets held within the participating portfolio to hedge yield-dependent liabilities, if any.

     The Company plans to apply this measurement model in the following insurance portfolios (by segment):

     Issued insurance contracts:

     - Life insurance: Policies that include a yield-dependent savings component and variable management fees; policies that include a yield-dependent savings component and include only fixed management fees; annuity policies;
     - Health insurance: group long-term care

   - Premium allocation approach (PAA)

     In accordance with this model, the liability for remaining coverage is determined as the total the premiums received minus any insurance acquisition cash flows and minus the premium amounts and insurance acquisition cash flows recognized in profit or loss for the previous coverage period. Premiums received and cash flows for insurance acquisition are recognized in profit or loss over the coverage period on the basis of the passage of time. If there is a significant financing component for insurance contracts in the Group, the Company adjusts the time value of money and the effect of financial risk in accordance with the interest rate curve at the initial recognition date, calculated as described in this Note.

     For insurance groups under PAA, the Standard permits the recognition of cash flows for insurance acquisition costs as expenses when such costs are incurred, provided that the coverage period of each contract in the Group does not exceed one year. The Group is not expected to apply this alternative.

     If facts and circumstances indicate that a group of insurance contracts is onerous, the Company measures the present value of the future cash flows plus the risk adjustment for non-financial risks similar to the principles of the general model. If this amount exceeds the carrying amount of the liability for the remaining coverage, the Company will increase the liability for the remaining coverage against recognition of an immediate loss in the statement of income.

Note 41 – Application of IFRS 17, Insurance Contracts ("the Standard" or "IFRS 17") and IFRS 9, Financial Instruments (“IFRS 9”) (“the New Standards”) (contd.)

3. Measurement model that the Company plans to apply for each of the insurance portfolios identified by the Group: (contd.)

- Premium allocation approach (PAA) (contd.)

If the reinsurance contract exists when recognizing the loss component for a group of insurance contracts covered by the reinsurer, the Company will recognize an immediate profit for the reinsurance contracts (loss recovery component) against adjustment of the carrying amount of the asset for the remaining coverage.

The liability for claims incurred is calculated in accordance with the same principles as the GMM. The Standard permits cash flows for incurred claims to remain undiscounted if they are expected to be paid or received in one year or less from the date the claims are incurred. The Group does not apply the exemption.

The Company may first apply the PAA if, and only if, on creation of the group:

- The coverage period of each group contract is one year or less; or
- The Company reasonably anticipates that such simplification will produce a measurement of the obligation for the remaining coverage period for the group, which will not be materially different from that measured under the general model. The Company may apply the PPA for groups of reinsurance contracts held, with adjustments reflecting the features of the reinsurance contracts held that differ from issued insurance contracts.

The Company plans to apply this measurement model in the following insurance portfolios (by segment):

Issued insurance contracts

- Health insurance: foreign workers, overseas travel, and short-term personal accidents
- Non-life insurance: all portfolios

Reinsurance contracts held

- Health insurance: travel reinsurance
- Non-life insurance: all reinsurance

4. Separating components from insurance and reinsurance contracts, unbundling contracts, and combining insurance contracts

The Company did not identify embedded derivatives, goods, and services or distinct investment components that require accounting that is separate from the insurance contract or the relevant reinsurance.

In most cases, the Company will account for the legal contract and its components as a single insurance contract. Accordingly, the Company will not separate components from typical insurance policies such as: a policy that includes a savings component together with add-on provisions and riders, a medical expenses policy marketed before or after February 2016, and service notes attached to health and property policies. A health policy sold as a package to a number of family members in a single legal contract will be accounted for as a single insurance contract.

However, the Company plans to account for following policies and coverages separately even if they are sold together to the insured: a policy that includes medical expenses insurance alongside long-term care insurance; a policy that includes compulsory motor insurance together with comprehensive motor insurance; a critical illness component sold as additional cover in health insurance.

Business policies in non-life insurance, which usually include property cover alongside liability cover, which are sold to the same party as separate legal policies, which are issued with an overall view, including for pricing and customer benefit, within a reasonable time gap between the issuance dates, and sometimes also with a contractual relationship between them, will be combined and accounted for as a single insurance contract.

Note 41 – Application of IFRS 17, Insurance Contracts ("the Standard" or "IFRS 17") and IFRS 9, Financial Instruments (“IFRS 9”) (“the New Standards”) (contd.)

5. Discount interest rates for the Standard:

   Under the Standard, future cash flow estimates must be adjusted to reflect the time value of money and the financial risks associated with these flows.

   The Group determines the interest curves for all groups of insurance contracts using the bottom-up approach, which is the default method outlined in the Commissioner’s circular. Under this approach, the discount rate is calculated by adding the illiquidity premium (reflecting the illiquidity of the measured liability) to the risk-free interest rate curve. The risk-free interest rate curve is derived from the yield-to-maturity of marketable government bonds. The last liquid point is set at year 25. Beyond this point, the Company determines the risk-free interest rate curves using the Smith-Wilson method until reaching the ultimate forward rate, which is set for 60 years. The full illiquidity premium is based on the average spread of the bonds included in the Tel-Bond 60 index. This premium is partially or fully added to the risk-free interest rate curve, depending on the illiquidity characteristics of the relevant cash flows. With reference to the illiquidity premium rate, the Group applies the weights established by the Commissioner under the Circular that was published.

6. Risk adjustment for non-financial risk (RA):

   The RA reflects the compensation the Company requires for bearing non-financial risk arising from the uncertain amount and timing of the cash flows, including insurance risk and other non-financial risks such as cancellation risk and expense risk. The Company adjusts the estimated present value of the future cash flows for this amount, which is reflected separately in the total amount of the Company's liabilities.

   The Standard does not specify the techniques used to determine the risk adjustment for non-financial risk.

   In life and health insurance, the Group elected to calculate the risk adjustment (RA) using the value at risk (VaR) method, which represents the expected loss due to the materialization of adverse scenarios relevant to the characteristics of the various coverages. Similar to solvency principles, the scenarios reflect events that may occur within the next year (a one-year time horizon) and may affect cash flows both in and beyond the year. The confidence interval selected for calculating VAR in the life and health segment is 75%, other than the personal lines long-term portfolio, in which, due to the significant underlying risk characteristics and in accordance with the Commissioner's Circular, a confidence interval of 90% was set, with strict application of the example in the Circular. For non-life insurance, the Company applies best practice principles, which are based on the VAR technique with a long-term time horizon. The confidence level for calculating the VAR in the non-life insurance segment is 95%. The reinsurance risk will be adjusted as a function of the SCR for reinsurance and will apply only to reinsurance coverage.

7. Contract boundaries:

   For insurance contracts, cash flows are within the boundary of an insurance contract if they arise from substantive rights and obligations that exist during the reporting period in which the entity can compel the insured to pay the premiums or in which the entity has a substantive obligation to provide the insured with services. A substantive obligation ends when the entity has the practical ability to reassess the risks of the insured (individual insured) or of the portfolio of insurance contracts At this point, the entity has the practical ability to set a new price or change the terms of the benefits that fully reflect the risks, provided that the pricing of the premium does not include the cost of the future risk. The practical ability of the entity to set a price at a future date, which fully reflects the risks in the contract from that date, exists when there are no restrictions that prevent the entity from repricing the contract in the same way as the entity would price a new contract with the same characteristics.

   In determining the contract boundary of insurance contracts, the Group assesses each separate contract and considers the entire substantive rights and obligations, whether they arise from a contract, law, or regulation, and disregarding terms that have no commercial substance.

Note 41 – Application of IFRS 17, Insurance Contracts ("the Standard" or "IFRS 17") and IFRS 9, Financial Instruments (“IFRS 9”) (“the New Standards”) (contd.)

7. Contract boundaries: (contd.)

For reinsurance contracts held, cash flows are within the boundary of an insurance contract if they arise from substantive rights and obligations that exist during the reporting period in which the entity is required to pay sums to the reinsurer or it has a substantive right to receive services from the reinsurer. A substantive right to receive services from the reinsurer ends when the reinsurer has the practical ability to reassess the risks transferred to it, and can set a new price or change the terms of the benefits to fully reflect those risks, or alternatively, when the reinsurer has a substantive right to end coverage.

Identified contract boundaries for significant policies:

- Private health insurance policies issued from 2016 onward:

  Although these policies are renewed every two years, the Company does not have the practical ability to reassess portfolio risks and accordingly, set new prices that accurately reflect those risks. As a result, periods beyond the renewal date are included within the contract boundaries.

- Life insurance policies with a savings component without a guaranteed annuity factor at issuance

  Life insurance policies that include a savings component up to retirement age, along with disability and/or risk coverage, are classified as insurance contracts that often provide additional coverage for annuity ("the Annuity Option"). The Annuity Option is excluded from contract boundaries, as the Company has the practical ability to reassess the contract risks and determine an annuity factor that accurately reflects those risks. Once the Annuity Option is exercised, it will be recognized as an insurance contract in accordance with the recognition rules of the Standard.

- Reinsurance contracts held:

  Under IFRS 4, measurement of reinsurance contracts is limited to the underlying contracts transferred to the reinsurer as at the balance sheet date. Under IFRS 17, in addition to these cash flows, the boundary of a reinsurance contract might include cash flows related to underlying contracts that the Company expects to sell (and transfer to the reinsurer) in the contract term. Neither the Company nor the reinsurer has the right to cancel or reprice the obligation to transfer these anticipated future contracts.

  Under the Standard, the Group will not include cash flows in the contract boundaries that are not directly attributable to an insurance contract portfolio, including costs related to training, research and development, branding, and sponsorships. The Group will include investment management costs within the contract boundaries for profit-sharing contracts or contracts involving investments that benefit the insured.

8. Coverage units and release from the contractual service margin (CSM):

CSM represents the liability for the unrealized profit relating to future services. In accordance with the Standard, CSM will be recognized in profit or loss over the coverage period to reflect the insurance service provided by the Company under the contracts included in the group of insurance contracts. This is determined on the basis of the coverage units provided in the period and the coverage units expected to be provided in the future for the group of insurance contracts. The number of coverage units in a group is the quantity of insurance contract services provided by the contracts in the group, determined by considering, for each contract, the quantity of the benefits provided under a contract and its expected coverage duration.

The Group determines default coverage units according to insurance amount in products that include an insurance amount in the contract. Regarding products that include an investment management service, the Group’s position is that the scope of the service changes depending on the size of the savings. The coverage units for reinsurance contracts held are consistent with the coverage units for the underlying contracts, with adjustments for differences in services provided. IFRS 17 does not determine whether the time value of money should be taken into account when allocating CMS to the coverage units to reflect the expected timing of the coverage units to be provided. To allocate the contractual service margin to the coverage units, the Company elected not to discount the coverage units.

Note 41 – Application of IFRS 17, Insurance Contracts ("the Standard" or "IFRS 17") and IFRS 9, Financial Instruments ("IFRS 9") ("the New Standards") (contd.)

9. Insurance acquisition cash flows

Insurance acquisition cash flows arise from sales costs, underwriting, and initial activities of a group of insurance contracts directly attributable to the insurance contract portfolio to which the Group belongs. When these cash flows can be directly attributed to a specific group of insurance contracts, they are allocated to that group and, where applicable, to groups expected to include insurance contracts from renewals within the same group. Cash flows directly attributable to the insurance contract portfolio are allocated to all relevant groups in the portfolio, including those for insurance contracts not yet recognized. If the Company allocates acquisition cash flows to insurance contracts not yet recognized, the allocated amount will be recorded as a separate asset.

Insurance acquisition cash flows for recognized insurance contracts will be included in the measurement of these contracts as part of the present value of future cash flows and will reduce the value of the CSM (in the GMM/VFA model), or the carrying amount of the liability for remaining coverage under the PAA. This is a significant change compared to the policy under IFRS 4, according to which all insurance acquisition cash flows were recognized and measured as a separate asset in the statement of financial position. It should be noted that accordingly, under the GMM and VFA, insurance acquisition cash flows will be recognized in profit or loss based on the timing of the release of the CSM, instead of the current straight-line amortization method, including accounting for actual cancellations.

10. Presentation:

Under IFRS 17, the Company will separate the amounts recognized in the statement of profit or loss and other comprehensive income into:

- Insurance services results, including insurance revenue and insurance service expenses
- Insurance financing revenue or expenses

The separation will increase transparency regarding the Company's sources of profit

Insurance service results

Insurance service revenue for a group of contracts represents the consideration received for these contracts, adjusted for financing effects.

Under GMM/VFA, revenue from insurance services is calculated on the basis of the reduction in the liability for the remaining coverage attributable to the services provided in the period plus the allocation of premiums related to recovering insurance acquisition cash flows for the reporting periods. The allocation is based on the coverage units used to release the CSM. Under PAA, revenue from insurance services is recognized over the coverage period based on the passage of time.

Investment components that are not separated from insurance contracts will not be recognized as part of insurance service revenue or expenses. These components represent amounts that the insured will receive back regardless of whether insured event occurs, serving as a deposit made by the insured. Therefore, this amount are not considered part of the Company's service consideration and its return is not part of the Company's expenses. The main identified investment components relate to products with a savings component. Accordingly, the Company expects a significant reduction in revenue and expense cycles in the transition to IFRS 17, without affecting comprehensive income.

Expenses that are directly attributable to the sale and existence of insurance contracts will be included in the measurement of the insurance contracts and recognized as part of insurance service expenses. Expenses that are not directly attributable to insurance contracts are recognized as an expense as incurred, outside of the insurance service results.

Insurance finance revenue or expenses

Changes in the carrying amount of a group of insurance contracts arising from the effect of the time value of money and changes in the time value of money, as well as the effect of financial risk and changes in financial risk, are recognized as insurance finance revenue or expenses.

Note 41 – Application of IFRS 17, Insurance Contracts ("the Standard" or "IFRS 17") and IFRS 9, Financial Instruments (“IFRS 9”) (“the New Standards”) (contd.)

10. Presentation: (contd.)

Under the Standard, the Company is required to choose one of the following accounting policies:

a. Inclusion of insurance finance revenue and expenses for the period in profit or loss

b. Dividing insurance finance revenue and expenses for the period between profit or loss and other comprehensive income

This choice is made at the insurance contract portfolio level.

The Company elected to recognize all insurance finance revenue and expenses in profit or loss for all portfolios. This policy, together with the policy to designate financial assets under IFRS 9, avoids measurement mismatch between assets and liabilities.

The Standard does not require dividing changes in the RA between insurance service results and insurance finance revenue or expenses. The Company expects not to apply this exemption and intends to separate the changes in RA between insurance service results and insurance finance revenue or expenses.

11. Transitional provisions:

The Standard is to be applied retrospectively (“Full Retrospective Application”) unless impracticable. In Full Retrospective Application, the Company identifies, recognizes, and measures each group of insurance contracts and any assets for insurance acquisition cash flows as at the transition date, as if the Standard had always applied. In addition, the Company will derecognize any existing balances that would not exist if the Standard had not always applied. Any resulting differences are recognized in equity. The transition date is January 1, 2024, such that at the date of initial application, the Company will restate comparative information for 2024.

If Full Retroactive Application for a group of insurance contracts and/or an asset for insurance acquisition cash flows is impractical, the Company will apply one of the following approaches:

a. Modified retrospective approach (MRA): to achieve the closest possible result for Full Retrospective Application using reasonable and supportable information, which can be achieved without undue cost or effort; or

b. The fair value approach (FVA) – Under this approach, the Company determines the contractual service margin or loss component of the liability for remaining coverage at the transition date as the difference between the fair value of a group of insurance contracts at that date and the fulfillment cash flows measured at that date.

Transition approaches for insurance portfolios implemented by the Group:

Full Retroactive Application:

- For non-life insurance portfolios
- For short-term health insurance portfolios measured in accordance with the PAA model
- For reinsurance contracts measured in accordance with the PAA, consistently to address the gross contracts underlying the reinsurance contracts

The Group believes that it is impractical to retroactively apply the Standard to the remaining insurance portfolios, primarily for the following reasons:

- It is not possible to determine the effect of full retrospective application due to the unavailability of required information, such as expectations regarding the profitability of insurance contracts and the risk of them becoming onerous, historical cash flow data, and information on changes in estimates and assumptions due to IT system replacements, data retention policies, or other reasons.
- The full retrospective application approach requires assumptions about the Group’s intentions in past periods or significant accounting estimates, which determined without the use of hindsight – for example, assumptions about RA for prior periods, where these assumptions were not required by the Group.

Note 41 – Application of IFRS 17, Insurance Contracts ("the Standard" or "IFRS 17") and IFRS 9, Financial Instruments (“IFRS 9”) (“the New Standards”) (contd.)

11. Transitional provisions: (contd.)

Accordingly, below is a breakdown of the transition approaches applied to the other insurance portfolios:

Modified retrospective approach (MRA):

- For insurance coverage in the event of death – 2019-2023 underwriting years
- For personal lines medical and disability insurance – 2019-2023 underwriting years
- For critical illness – 2019-2023 underwriting years

In implementing MRA, the Group applied the following permitted adjustments to determine the CSM at the transition date:

- The future cash flows for each group of insurance contracts are estimated at the initial recognition date as the estimated amount of future cash flows at the Group’s transition date, adjusted for cash flows that have already transpired between the initial recognition date and the transition date (including for cash flows associated with insurance contracts that terminated prior to the transition date).
- The RA is determined at the Group’s initial recognition date as the amount of the RA at the transition date, adjusted for the expected release from the risk prior to the transition date. The expected release from risk is determined by reference to the release of risk for similar insurance contracts issued by the Group at the transition date.
- The CSM determined at the initial recognition date, as described above, is reduced by the transition date through a comparison of the coverage units provided up to the transition date with the remaining expected coverage units as at the transition date.

Fair value approach (FVA):

Other life and health insurance portfolios will be measured in accordance with the fair value approach (FVA) at the transition date, based on the valuation of external assessors (“the Valuation”).

In accordance with the Commissioner’s circular, the fair value assessment (FVA) of life and health insurance portfolios is carried out using the appraisal value (AV) method. Calculations under this method are based, to the extent possible, on calculations carried out when applying the Standard and on calculations carried out within the framework of the solvency reports of Harel Insurance.

Under the fair value approach, insurance contracts issued with a time gap of more than one year may be included within the same group of contracts. The Group opted to apply this exemption and not to separate groups into those comprising only contracts issued within a time gap of one year or less.

Main assumptions underlying the valuation:

- In principle, the valuation under the AV approach determines the fair value of groups of insurance contracts by assessing the compensation a market participant would require for assuming such portfolios. This required compensation reflects the need for the market participant to allocate capital to meet economic solvency requirements, in addition to maintaining the base amounts necessary to cover the expected cash flows for settling the insurance liabilities;
- The valuation assumes that the amounts of assets held by the market participant against insurance liabilities and the additional capital buffers required under the economic solvency regime will be invested at a risk-free interest rate until distributed as dividends;
- In accordance with the Commissioner's directives, the valuation assumes that the capital buffers held against the insurance liabilities in each group will be 121% of the solvency capital requirements (SCR) in the year following the transition date, increasing to 135% by the end of 2032 (when the transitional provisions for the economic solvency regime end);
- The valuation assumes that 40% of the capital requirements will be fulfilled through the issuance of Tier 2 capital instruments;

Note 41 – Application of IFRS 17, Insurance Contracts ("the Standard" or "IFRS 17") and IFRS 9, Financial Instruments ("IFRS 9") ("the New Standards") (contd.)

11. Transitional provisions: (contd.)

Fair value approach (FVA): (contd.)

- In principle, the valuation is based on cash flow projections, including expense forecasts, which the Company uses for its economic solvency regime, in accordance with the Commissioner's guidelines and under the assumption they reflect the perspective of a market participant;
- The required capital allocation for the portfolio is affected, among other factors, by its diversification level. In accordance with the Commissioner's guidelines, the valuation is based, as a starting point, on the current diversification level in the Company's portfolios as at the transition date, assuming this level reflects the perspective of a market participant. To estimate future capital requirements for the assessed portfolios, the valuation assumes that a market participant will introduce new insurance products of a similar scope and type to those marketed by the Company in 2023, which will affect the forecasted diversification effect. The resulting dispersion effect is evenly allocated across the capital requirements of the assessed insurance portfolios;
- The valuation assumes that a market participant will require a total target return on equity of 13.6%, based mainly on the CAPM.

12. Measurement of financial instruments in accordance with IFRS 9:

It should be noted that from January 1, 2023, the Group applies the provisions of IFRS 9 for financial instruments not related to subsidiaries that meet the definition of an insurer. Harel Insurance, EMI, and the management companies of pension and provident funds in the Group ("the Management Companies") applied the provisions of IFRS 9 starting from January 1, 2025. For further information about the Group's significant accounting policies related to financial instruments, see also Notes 3E and 3I. Application of IFRS 9 will affect the classification and measurement of the financial assets of subsidiaries that meet the definition of an insurer and the Management Companies as follows:

Participating portfolio

Underlying items of insurance contracts with participating savings features and other profit-sharing insurance contracts will be measured at fair value through profit or loss, similar to the current accounting policy under IAS 39.

Nostro portfolio

- Investments in equity instruments will be measured at fair value through profit or loss instead of fair value through other comprehensive income under IAS 39.
- Derivative instruments will be measured at fair value through profit or loss, similar to IAS 39.
- Investments in debt instruments that stand against insurance liabilities, including designated bonds, will be measured at fair value through profit or loss to prevent accounting inconsistency with the measurement of insurance contract liabilities.
- Investments in debt instruments backing capital and other non-insurance liabilities, including investments in marketable and non-marketable debt instruments managed at fair value , are measured at fair value through profit or loss. Other investments will be measured at amortized cost subject to meeting the principal and interest (SPPI) test under IFRS 9.

Regarding investments in financial assets measured at amortized cost and investments in debt assets measured at fair value through other comprehensive income, IFRS 9 includes a new model for the recognition of credit losses, which replaces the current impairment model of IAS 39 with the expected credit loss model. For further information, see also Note 9. On adoption of the New Standards, most of the Group's financial assets will be measured at fair value through profit or loss. The Group is not expected to include a material provision for expected credit loss.

Financial liabilities

The classification and measurement of financial liabilities will remain unchanged.

Note 41 – Application of IFRS 17, Insurance Contracts ("the Standard" or "IFRS 17") and IFRS 9, Financial Instruments ("IFRS 9") ("the New Standards") (contd.)

Expected effect of application of the New Standards on items in the statement of financial position as at January 1, 2024:

	As at December 31, 2023 as previously reported	Effect of initial application of the New Standards	Pro-forma balance sheet as at the transition date - January 1, 2024
	NIS millions	NIS millions	NIS millions
Assets			
Cash and cash equivalents for yield-dependent contracts	**6,733**	**-**	**6,733**
Other cash and cash equivalents	**5,733**	**-**	**5,733**
Financial investments for yield-dependent contracts measured at fair value	**71,117**	**-**	**71,117**
Other financial investments measured at fair value (1)	**21,091**	**9,068**	**30,159**
Other financial investments measured at amortized cost (2)	**18,020**	**(7,671)**	**10,349**
Trade and other receivables	**1,793**	**(549)**	**1,244**
Premiums due (3)	**1,699**	**(1,699)**	**-**
Current tax assets	**76**	**-**	**76**
Insurance contract assets (5)	**-**	**2,104**	**2,104**
Reinsurance contract assets (6)	**5,605**	**(2,897)**	**2,708**
Investments accounted for at equity	**1,516**	**-**	**1,516**
Investment property for yield-dependent contracts	**1,898**	**-**	**1,898**
Other investment property	**2,548**	**-**	**2,548**
Fixed assets	**1,391**	**-**	**1,391**
Intangible assets	**2,452**	**64**	**2,516**
Costs to obtain customer management service contracts (7)	**545**	**-**	**545**
Deferred acquisition costs (7)	**2,569**	**(2,569)**	**-**
Deferred tax assets	**20**	**-**	**20**
Total assets	**144,806**	**(4,149)**	**140,657**
Total assets for yield-dependent contracts	**80,608**	**(394)**	**80,214**
Liabilities			
Borrowings and credit	**10,878**	**-**	**10,878**
Liabilities for derivative instruments	**6,168**	**-**	**6,168**
Trade and other payables	**5,703**	**(3,881)**	**1,822**
Current tax liabilities	**31**	**-**	**31**
Liabilities for yield-dependent investment contracts	**19,122**	**-**	**19,122**
Liabilities for non-yield-dependent investment contracts (4)	**143**	**-**	**143**
Liabilities for insurance contracts (5)	**92,598**	**(844)**	**91,754**
Liabilities for reinsurance contracts	**-**	**181**	**181**
Liabilities for employee benefits, net	**263**	**-**	**263**
Deferred tax liabilities	**947**	**135**	**1,082**
Total liabilities	**135,853**	**(4,409)**	**131,444**

Note 41 – Application of IFRS 17, Insurance Contracts ("the Standard" or "IFRS 17") and IFRS 9, Financial Instruments ("IFRS 9") ("the New Standards") (contd.)

Expected effect of application of the New Standards on items in the statement of financial position as at January 1, 2024: (contd.)

	As at December 31, 2023 as previously reported	Effect of initial application of the New Standards	Pro-forma balance sheet as at the transition date - January 1, 2024
	NIS millions	NIS millions	NIS millions
Equity			
Share capital and share premium	**359**	**-**	**359**
Treasury shares	**(304)**	**-**	**(304)**
Capital reserves	**540**	**(287)**	**253**
Retained earnings	**8,298**	**547**	**8,845**
Total equity attributed to the Company's owners	**8,893**	**260**	**9,153**
Noncontrolling interests	**60**	**-**	**60**
Total equity	**8,953**	**260**	**9,213**
Total equity and liabilities	**144,806**	**(4,149)**	**140,657**

(1) The change is due to the transition to measurement of designated bonds and non-marketable debt assets at fair value instead of at amortized cost

(2) Of which: provision for credit losses in the amount of NIS 3 million

(3) Under IFRS 17, the premium for collection is included under liabilities for insurance contracts

(4) This item also includes liabilities for contracts for the management of yield- guaranteed provident funds

(5) Of which: the contractual service margin (CSM) amounts to NIS 6,268 million for the life insurance and long-term savings segment and NIS 10,743 million for the health insurance segment, respectively (mainly due to risk rider and long-term care portfolios, medical expense portfolios, and private disability portfolios within the life and health insurance segments, respectively); the risk adjustment (RA) amounts to NIS 1,196 million, NIS 3,145 million, and NIS 208 million for the life insurance and long-term savings, health insurance, and non-life insurance sector, respectively.

(6) Of which: the contractual service margin (CSM) amounts to NIS 183 million for the life insurance and long-term savings segment and NIS 924 million for the health insurance segment (mainly due to life and disability reinsurance portfolios and long-term care in life and health insurance portfolios, respectively. The risk adjustment (RA) amounts to NIS 68 million, NIS 1,026 million, and NIS 65 million allocated to the life insurance and long-term savings segment, the health insurance segment, and the non-life insurance segment, respectively.

(7) In accordance with IFRS 17, acquisition expenses are part of the cash flows of insurance contracts. Accordingly, deferred acquisition costs in the life and health sector were deducted at the transition date, offsetting a decrease in equity. In the non-life insurance sector, these costs were included under liabilities related to insurance contracts. On the assets side of the balance sheet, costs for obtaining customer management service contracts remain, reflecting deferred acquisition costs associated with pension and provident fund contracts

HAREL INSURANCE INVESTMENTS & FINANCIAL SERVICES LTD.

Annexes to the Financial Statements

Annex A - Harel Insurance Company Ltd., additional information about other financial investments

A. Marketable debt assets

	As at December 31			
	2024	2024	2023	2023
	Carrying amount	Amortized cost	Carrying amount	Amortized cost
	NIS millions	NIS millions	NIS millions	NIS millions
Government bonds				
Available for sale	**6,325**	**7,035**	4,815	5,512
Total government bonds	**6,325**	**7,035**	4,815	5,512
Other non-convertible debt assets				
Available for sale	**2,773**	**2,945**	3,070	3,326
Total other non-convertible debt assets	**2,773**	**2,945**	3,070	3,326
Total marketable debt assets	**9,098**	**9,980**	7,885	8,838
Outstanding impairments recognized in profit or loss for debt assets presented as available-for-sale	**-**		9	

B. Shares

	As at December 31			
	2024	2024	2023	2023
	Carrying amount	Cost	Carrying amount	Cost
	NIS millions	NIS millions	NIS millions	NIS millions
Marketable	**1,368**	**1,011**	1,336	1,162
Non-marketable	**639**	**480**	558	363
Total shares	**2,007**	**1,491**	1,894	1,525
Outstanding impairments recognized in profit or loss for shares presented as available-for-sale	**192**		190	

* The Annex refers to Harel Insurance separate financial statements and to investee companies that are not insurance companies

Annex A - Harel Insurance Company Ltd, additional information about other financial investments (contd.)

C. Other financial investments

	As at December 31			
	2024	2024	2023	2023
	Carrying amount	Cost	Carrying amount	Cost
	NIS millions	NIS millions	NIS millions	NIS millions
Marketable				
Presented at fair value through profit or loss designated upon initial recognition	**19**	**18**	22	21
Available for sale	**344**	**291**	305	258
Derivative instruments	**1**	**1**	6	-
Total marketable financial investments	**364**	**310**	333	279
Non-marketable				
Presented at fair value through profit or loss designated upon initial recognition	**36**	**30**	24	18
Available for sale	**3,998**	**3,003**	3,724	2,754
Derivative instruments	**260**	**-**	272	-
Total non-marketable financial investments	**4,294**	**3,033**	4,020	2,772
Total other financial investments	**4,658**	**3,343**	4,353	3,051
Outstanding impairments for other financial investments presented as available-for-sale	**212**		200	
Derivative instruments presented in financial liabilities	**30**		37	

* The Annex refers to Harel Insurance separate financial statements and to investee companies that are not insurance companies

Annex B - EMI Ezer Mortgage Insurance Ltd., additional information about other financial statements

A. Marketable debt assets

	As at December 31			
	2024	2024	2023	2023
	Carrying amount	Amortized cost	Carrying amount	Amortized cost
	NIS millions	NIS millions	NIS millions	NIS millions
Government bonds				
Available for sale	**116**	**117**	92	95
Total government bonds	**116**	**117**	92	95
Other non-convertible debt assets				
Available for sale	**45**	**46**	64	65
Total other non-convertible debt assets	**45**	**46**	64	65
Total marketable debt assets	**161**	**163**	156	160

B. Shares

	As at December 31			
	2024	2024	2023	2023
	Carrying amount	Cost	Carrying amount	Cost
	NIS millions	NIS millions	NIS millions	NIS millions
Marketable shares	**36**	**26**	37	33
Total shares	**36**	**26**	37	33
Outstanding impairments recognized in profit or loss for shares presented as available-for-sale	**3**		4	

C. Other financial investments

	As at December 31			
	2024	2024	2023	2023
	Carrying amount	Cost	Carrying amount	Cost
	NIS millions	NIS millions	NIS millions	NIS millions
Marketable				
Available for sale	**-**	**-**	1	-
Total marketable financial investments	**-**	**-**	1	-
Non-marketable				
Available for sale	**30**	**8**	28	8
Total non-marketable financial investments	**30**	**8**	28	8
Total other financial investments	**30**	**8**	29	8
Outstanding impairments for other financial investments presented as available-for-sale	**-**		-	

Annex B - EMI Ezer Mortgage Insurance Ltd., additional information about other financial statements

D. Other financial investments

	As at December 31			
	2024	2024	2023	2023
	Carrying amount	Cost	Carrying amount	Cost
	NIS millions	NIS millions	NIS millions	NIS millions
Marketable				
Available for sale	**-**	**-**	1	-
Total marketable financial investments	**-**	**-**	1	-
Non-marketable				
Available for sale	**30**	**8**	28	8
Total non-marketable financial investments	**30**	**8**	28	8
Total other financial investments	**30**	**8**	29	8
Outstanding impairments for other financial investments presented as available-for-sale	**-**		-	

Harel Insurance Investments and Financial Services Ltd.

Chapter 4

Separate Financial Information for the Company

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Financial information from the Consolidated Statements of Financial Position as at December 31

	Note	2024 NIS million	2023 NIS million
Assets			
Intangible assets		**2**	2
Fixed assets		**16**	18
Investments in equity accounted investees		**6,401**	6,101
Loans to investees	7	**1,393**	673
Investment property		**36**	34
Other receivables		**88**	63
Assets for employee benefits		**25**	27
Other financial investments	4		
Marketable debt assets		**208**	-
Non-marketable debt assets		**32**	96
Shares		**421**	112
Other		**1,853**	36
Total other financial investments		**2,514**	244
Cash and cash equivalents	3	**196**	3,092
Total assets		**10,671**	10,254
Equity			
Share capital and share premium		**392**	359
Treasury stock		**(430)**	(304)
Capital reserves		**699**	540
Retained earnings		**8,456**	8,298
Total equity		**9,117**	8,893
Liabilities			
Deferred tax liabilities	6	**25**	2
Liabilities for employee benefits		**42**	41
Trade and other payables		**321**	44
Current tax liabilities	6	**3**	14
Financial liabilities	5	**1,163**	1,260
Total liabilities		**1,554**	1,361
Total liabilities and equity		**10,671**	10,254

Yair Hamburger	Nir Cohen	Arik Peretz
Chairman of the Board of Directors	CEO	CFO

Date of Approval of the Financial Statements: March 25, 2025

Financial information from the Consolidated Statements of Income for the year ended December 31

	Note	2024 NIS million	2023 NIS million	2022 NIS million
Profit from investments, net, and financing income		**191**	125	35
Income from management fees		**135**	144	140
Other income		**7**	-	-
Total income		**333**	269	175
General and administrative expenses		**52**	50	45
Financing expenses		**51**	37	14
Total expenses		**103**	87	59
Company's share of profits of equity accounted investees		**769**	340	823
Profit before taxes on income		**999**	522	939
Taxes on income	6	**53**	37	33
Profit for the year attributed to shareholders of the Company		**946**	485	906

Financial information from the Consolidated Statements of Comprehensive Income (Loss) for the year ended December 31

	2024	2023	2022
	NIS million	NIS million	NIS million
Profit for year	**946**	485	906
Other comprehensive income (loss) items that after initial recognition as part of comprehensive income were or will be transferred to profit or loss			
Net change in fair value of financial assets classified as available-for-sale	**-**	-	(73)
Net change in fair value of financial assets classified as available-for-sale transferred to the statement of income	**-**	-	(4)
Loss from impairment of financial assets classified as available for sale transferred to the statement of income	**-**	-	8
Foreign currency translation differences for foreign activity	**(8)**	(9)	11
Group's share of comprehensive income (loss) of investees	**175**	86	(958)
Tax benefit attributable to available-for-sale financial assets	**-**	-	16
Taxes on income attributable to other items of other comprehensive income	**-**	-	(1)
Total other comprehensive income (loss) for the year that after initial recognition as part of comprehensive income was or will be transferred to profit or loss, net of tax	**167**	77	(1,001)
Other comprehensive income (loss) items that will not be transferred to profit or loss			
Revaluation reserve for fixed asset items in investees	**33**	53	20
Remeasurement of a defined benefit plan	**(2)**	1	1
Taxes on income for other comprehensive income items that will not be transferred to profit or loss	**(11)**	(16)	(3)
Other comprehensive income for the year that will not be transferred to profit or loss, net of tax	**20**	38	18
Other comprehensive income (loss) for the year, net of tax	**187**	115	(983)
Total comprehensive income (loss) for the year attributed to shareholders of the Company	**1,133**	600	(77)

Financial information from the Statements of Changes in Equity

	Share capital and premium	Capital reserve for assets available for sale	Translation reserve for foreign activity	Capital reserve for share-based payment	Treasury Stock	Capital reserve for transactions with non-controlling shareholders	Capital reserve for revaluation of fixed assets	Retained earnings	Total
	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million
Balance as at January 1, 2024	359	287	(130)	56	(304)	(49)	376	8,298	8,893
Total comprehensive income for the year									
Profit for year	-	-	-	-	-	-	-	946	946
Other comprehensive income	-	166	(13)	-	-	-	22	12	187
Total comprehensive income (loss) for the year	-	166	(13)	-	-	-	22	958	1,133
Dividends declared	-	-	-	-	-	-	-	(800)	(800)
Share-based payment	-	-	-	17	-	-	-	-	17
Purchase of treasury stock	-	-	-	-	(126)	-	-	-	(126)
Exercise of options	33	-	-	(33)	-	-	-	-	-
Balance as at December 31, 2024	392	453	(143)	40	(430)	(49)	398	8,456	9,117

Financial information from the Statements of Changes in Equity

	Share capital and premium	Capital reserve for assets available for sale	Translation reserve for foreign activity	Capital reserve for share-based payment	Treasury Stock	Capital reserve for transactions with non-controlling shareholders	Capital reserve for revaluation of fixed assets	Retained earnings	Total
	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million
Balance as at January 1, 2023	359	222	(154)	31	(237)	(49)	339	7,824	8,335
Effect of initial application of IFRS 9*	-	18	-	-	-	-	-	(18)	-
Balance as at January 1, 2023 subsequent to initial application of IFRS 9	359	240	(154)	31	(237)	(49)	339	7,806	8,335
Total comprehensive income for the year									
Profit for year	-	-	-	-	-	-	-	485	485
Other comprehensive income	-	47	24	-	-	-	37	7	115
Total comprehensive income (loss) for the year	-	47	24	-	-	-	37	492	600
Share-based payment	-	-	-	25	-	-	-	-	25
Purchase of treasury stock	-	-	-	-	(67)	-	-	-	(67)
Balance as at December 31, 2023	359	287	(130)	56	(304)	(49)	376	8,298	8,893

Financial information from the Statements of Changes in Equity (contd.)

	Share capital and premium	Capital reserve for assets available for sale	Translation reserve for foreign activity	Capital reserve for share-based payment	Treasury Stock	Capital reserve for transactions with non-controlling shareholders	Capital reserve for revaluation of fixed assets	Retained earnings	Total
	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million
Balance as at January 1, 2022	359	1,347	(252)	6	(163)	(49)	321	7,292	8,861
Total comprehensive income (loss) for the year									
Profit for the year	-	-	-	-	-	-	-	906	906
Other comprehensive income (loss)	-	(1,125)	98	-	-	-	18	26	(983)
Total comprehensive income (loss) for the year	-	(1,125)	98	-	-	-	18	932	(77)
Dividends for shareholders	-	-	-	-	-	-	-	(400)	(400)
Share-based payments	-	-	-	25	-	-	-	-	25
Purchase of Treasury Stock	-	-	-	-	(74)	-	-	-	(74)
Balance as at December 31, 2022	359	222	(154)	31	(237)	(49)	339	7,824	8,335

Financial information from the Consolidated Statements of Cash Flows for the year ended December 31

	Annex	2024 NIS million	2023 NIS million	2022 NIS million
Cash flows from operating activity				
Before taxes on income	A	**159**	145	144
Taxes paid		**(41)**	(28)	(33)
Net cash provided by operating activities		**118**	117	111
Cash flows from investing activities				
Investment in investees		**(113)**	(50)	(72)
Proceeds from sale of an investment in an equity-accounted investee		**-**	-	20
Investment in fixed assets		**(2)**	(1)	(1)
Proceeds from sale of fixed assets		**1**	-	1
Dividend and interest from investees		**762**	1,028	317
Financial investments, net		**(2,203)**	1,107	70
Repayment (provision) of loans and capital notes provided to investees		**(660)**	221	40
Cash received from capital reduction of an investee		**7**	-	-
Net cash from (used for) investment activity		**(2,208)**	2,305	375
Cash flows from financing activity				
Buyback of Company shares by the Company		**(126)**	(67)	(74)
Proceeds of issue of liability notes, net		**-**	793	-
Repayment of loans from banks and others		**(27)**	(27)	(27)
Repayment of liability notes		**(92)**	(101)	(9)
Repayment of lease liabilities		**(3)**	(3)	(3)
Loan provided to related parties		**(8)**	-	-
Dividend to shareholders		**(550)**	(100)	(400)
Net cash from (used for) financing activity		**(806)**	495	(513)
Net increase (decrease) in cash and cash equivalents		**(2,896)**	2,917	(27)
Cash and cash equivalents at beginning of the period		**3,092**	175	202
Cash and cash equivalents at end of the period		**196**	3,092	175

Financial information from the Consolidated Statements about cash flows for the year ended December 31 (contd.)

	2024	2023	2022
	NIS million	NIS million	NIS million
Annex A - Cash flows from operating activity			
Profit for year	**946**	485	906
Items that do not involve cash flows:			
Company's share of profits of equity accounted investees	**(769)**	(340)	(823)
Net profits (losses) from financial investments	**(106)**	1	17
Change in fair value of investment property	**(2)**	(5)	(3)
Financing expenses (income), net	**11**	2	(18)
Taxes on income	**53**	37	33
Depreciation and amortization	**3**	3	3
Changes in other statement of financial position items			
Trade and other receivables	**(25)**	(34)	22
Trade and other payables	**45**	(6)	7
Liabilities for employee benefits, net	**3**	2	-
Total adjustments required to present cash flows from operating activity	**(787)**	(340)	(762)
Total cash flows from operating activity before taxes on income	**159**	145	144

NOTE 1 - General

Below is a summary of financial information from the Group's Consolidated Financial Statements at December 31, 2024 ("Consolidated Financial Statements"), published as part of the Periodic Report, pertaining to the Company itself ("Separate Financial Information"), which is presented pursuant to Regulation 9C ("the Regulation") and the Tenth Schedule to the Securities (Periodic and Immediate Reports) Regulations, 1970 ("the Tenth Schedule"), with respect to separate financial information for the Company. This separate financial information should be read together with the Consolidated Financial Statements.

In this Separate Financial Information -

The Company	-	Harel Insurance Investments & Financial Services Ltd.
Investee companies	-	Subsidiaries and companies, including partnerships where the Company's investment therein is included, directly or indirectly, in the financial statements on the equity basis.
The Commissioner	-	The Commissioner of Insurance, according to its meaning in the Supervision Law, or the Commissioner, according to its meaning in the Provident Funds Law, as applicable.
Date of the Report	-	The date of the Statement of Financial Position

NOTE 2 - Significant accounting policies applied in the Separate Financial Information

The accounting policies that were specified in the Consolidated Statements were applied consistently by the Company for all the periods presented in the Separate Financial Information, including the method for classifying financial information in the Consolidated Statements, with the necessary changes:

A. Presentation of the financial information

1. Information about the financial position

These data include information about the amounts of the assets and liabilities included in the Consolidated Financial Statements attributable to the Company itself (other than for investees) according to categories of assets and liabilities. Additionally, these data also include information about the net amount, based on the Consolidated Financial Statements, attributable to the Company's owners, of the total assets, net of the total liabilities in respect of investees, including goodwill.

2. Information about profit and loss and other comprehensive income

These data include information about the amounts of the assets and liabilities included in the Consolidated Financial Statements, allocated between profit or loss and other comprehensive income, attributable to the Company itself (other than in respect of investees), while specifying the categories of income and expenses. Furthermore, the data include information about the net amount, based on the Consolidated Financial Statements, attributable to the Company's owners, of total income net of total expenses in respect of the operating results of investees, including impairment of goodwill, impairment of an investment in an associate or its reversal and impairment of an investment in an equity accounted jointly controlled entity or its reversal.

NOTE 2 - Significant accounting policies applied in the separate financial information (contd.)

A. Presentation of the financial information (contd.)

3. Information about cash flows

These data include information about the cash flows included in the separate consolidated financial statements (other than for investees), based on the consolidated statement of cash flows, classified according to flows from operating activities, investment activity and financing activity with details of their composition. Cash flows from operating activities, investment activity and financing activity in respect of transactions with investees are presented separately on a net basis, as part of the relevant type of activity, based on the nature of the transaction.

B. Transactions between the Company and investees

1. Presentation

Intra-group balances and income and expenses arising from intra-group transactions, that were eliminated in the preparation of the Consolidated Financial Statements, were presented separately from the balance for investees and the profit relating to investees, together with similar third-party balances. Unrealized gains and losses attributed to transactions between the Company and its investees, were presented as part of the balance relating to investees and as part of the profit relating to investees.

2. Measurement

Transactions between the Company and its subsidiaries were measured in accordance with the principles of recognition and measurement set out in International Financial Reporting Standards ("IFRS"). These principles outline the accounting treatment for third-party transactions.

NOTE 3 - Cash and cash equivalents

	As at December 31	
	2024	**2023**
	NIS million	**NIS million**
Cash and call deposits in banks	**159**	185
Short-term deposits	**37**	2,907
	196	3,092

Cash in banks at December 31, 2024 and 2023 bear daily interest at an annual rate of 4.15% and 4.34% respectively, in annual terms.

Short-term deposits deposited in banks are for periods of between one week and three months. The deposits bear interest at a rate of 4.33% and 4.64% in annual terms at December 31, 2024 and 2023 respectively.

NOTE 4 - Financial instruments

A. Segmentation by groups of financial assets

All the Company's other financial investments are classified and measured at fair value through profit or loss.

B. Information about linkage

	As at December 31, 2024				
	Non-monetary financial instruments	NIS unlinked	NIS CPI-linked	Foreign currency or linked to FC	Total
	NIS million	NIS million	NIS million	NIS million	NIS million
Marketable debt assets	**-**	**73**	**135**	**-**	**208**
Non-marketable debt assets	**-**	**-**	**12**	**20**	**32**
Shares	**421**	**-**	**-**	**-**	**421**
Other financial investments	**1,851**	**2**	**-**	**-**	**1,853**
Total	**2,272**	**75**	**147**	**20**	**2,514**

	As at December 31, 2023				
	Non-monetary financial instruments	NIS unlinked	NIS CPI-linked	Foreign currency or linked to FC	Total
	NIS million	NIS million	NIS million	NIS million	NIS million
Non-marketable debt assets	-	63	13	20	96
Shares	112	-	-	-	112
Other financial investments	31	5	-	-	36
Total	143	68	13	20	244

NOTE 5 – Financial liabilities

	Carrying amount		Fair value	
	As at December 31		As at December 31	
	2024	2023	2024	2023
	NIS million	NIS million	NIS million	NIS million
Bank loans	**294**	321	**258**	278
Bonds	**869**	937	**859**	928
Derivatives	**-**	2	**-**	2
	1,163	1,260	**1,117**	1,208

1. Partial redemptions of Series 1 bonds of the Company

   In 2024, the Company made partial redemption of Series 1 bonds of the Company in the amount of 91,165,790, in accordance with the terms of these bonds.

2. Partial redemption of a loan to the Company from Bank Hapoalim

   On March 5, 2024 and September 5, 2024, the Company made partial redemption in the total amount of NIS 27 million of a loan to the Company from Bank Hapoalim, in accordance with the loan schedule.

3. Financial covenants

   A. On September 5, 2021, the Company took a bank loan in the amount of NIS 375 million, with a carrying amount of NIS 295 million. As part of the aforementioned loan agreement, the Company undertook to comply with the following financial covenants: (1) an undertaking not to pledge material assets; (2) not to transfer control in material companies; (3) the ratio of net financial debt to investment in investee companies will not be more than 0.35; (4) the ratio of net financial debt to equity will not be more than 0.5; (5) cash balances, investments in Makam (short-term), shekel and/or government funds and government bonds must be maintained in the amount of NIS 100 million; if the Company falls below this amount, it undertakes to deposit within seven business days from the date of breach of this undertaking, shekel deposits the principal of which is not less at any time than the amount equal to the limit of the current maturities (principal and interest) for the 12 months following the date of the breach. At December 31, 2024, and at the date of publication of the financial statements, the Company is in compliance with the prescribed financial covenants.

   B. As part of the deed of trust of the Company's Series 1 bonds, the Company undertook that as long as the Series 1 bonds have not been fully paid up, it will not create a floating charge on all its assets, unless it received, in advance, the consent of the bond holders or, alternatively, at that date the Company creates such a lien for the Series 1 bond holders as well, of the same ranking. Additionally, regarding the Series 1 bonds, the Company undertook limitations pertaining to the distribution of a dividend, expansion of the Series 1 bond series and it also undertook to meet financial covenants in which the Company's equity, according to its financial statements, will not be less than NIS 3 billion and that the Company's net debt to asset ratio according to its separate financial statements will not be more than 50 percent. At the date of publication of the report, the Company is in compliance with the prescribed financial covenants. At December 31, 2024, and at the date of publication of the financial statements, the Company is in compliance with the prescribed financial covenants.

NOTE 6 - Income tax

A. Composition of income tax expenses

	For the year ended December 31		
	2024	2023	2022
	NIS million	NIS million	NIS million
Current tax expenses	**30**	40	31
Deferred taxes relating to the creation and reversal of temporary differences (see also Section B below)	**23**	(3)	1
Taxes for previous years	**-**	-	1
	53	37	33

B. Deferred tax assets and liabilities that were recognized

	Employee benefits	Securities	Carryforward capital losses	Property and other	Total
	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions
Outstanding deferred tax asset (liability) as at January 1, 2023	3	4	-	(12)	(5)
Changes recognized in profit or loss	-	(4)	9	(2)	3
Outstanding deferred tax asset (liability) as at January 1, 2024	3	-	9	(14)	(2)
Changes recognized in profit or loss	**-**	**(20)**	**(1)**	**(2)**	**(23)**
Outstanding deferred tax asset (liability) as at December 31, 2024	**3**	**(20)**	**8**	**(16)**	**(25)**

NOTE 7 - Material relationships, agreements and transactions with investees

A. Principal loans and capital notes provided by the Company to the investees

Borrowing company	Grant date	Par value as at December 31, 2024	Balance as at December 31 2024	Balance as at December 31 2023
		NIS million	NIS million	NIS million
Bar Tavai Property Company Ltd. (1)	June 30, 2010	1	**1**	1
Harel Finance Holdings Ltd. (1)	July 1, 2004	61	**61**	61
Harel Finance Holdings Ltd. (1)	March 20, 2012	16	**16**	16
Harel Finance Holdings Ltd. (1)	January 1, 2012	17	**17**	17
Harel Finance Holdings Ltd. (1)	April 4, 2013	108	**108**	108
Harel Mutual Funds Ltd. (1)	September 9, 2008	54	**54**	80
Harel Insurance Company Ltd. (2)	March 31, 2014	50	**58**	56
Harel Insurance Company Ltd. (2)	December 15, 2014	300	**346**	334
Harel Pension and Provident Ltd. (3)	December 29, 2024	100	**100**	-
Se-Fi (3)	April 20, 2023	13	**14**	-
Se-Fi (3)	May 1, 2023	7	**7**	-
Se-Fi (3)	August 20, 2023	13	**14**	-
Se-Fi (3)	December 7, 2023	12	**12**	-
Se-Fi (3)	October 10, 2023	12	**13**	-
Se-Fi (3)	October 16, 2023	9	**9**	-
Se-Fi (3)	December 2, 2024	3	**3**	-
Harel Credit Holdings (1)	December 5, 2024	560	**560**	-
		1,336	**1,393**	673

(1) Non-linked and interest free

(2) CPI-linked and bearing interest

(3) Non-linked and interest free

NOTE 7 - Material relationships, agreements and transactions with investees (contd.)

B. Material transactions with investees

1. Loans and capital notes for investee companies

   A. In the Reporting Period, Harel Mutual Funds Ltd., a subsidiary of Harel Finance, a company wholly owned by the Company, made partial repayment of a capital note in the amount of NIS 25 million. The repayment was made from the independent sources of Harel Mutual Funds Ltd.

   B. Loan to Harel Pension & Provident

   In December 2024, a loan agreement was signed, according to which the Company will provide Harel Pension and Provident with a loan of NIS 100 million. Harel Pension & Provident will pay the Company annual interest for the loan under Section 3(j) of the Income Tax Ordinance [New Version] which at the date of signing the agreement was 5.18%. If the interest rate under Section 3(j) of the Income Tax Ordinance is updated, the interest on the loan will be updated accordingly. The loan will be repaid on January 1, 2027. However, the loan will be repaid in full, plus the interest differences accrued up to that date, within seven business days of the date on which the Company asks Harel Pension & Provident to repay the loan. Harel Pension & Provident is also entitled to repay the loan in full at any time, subject to giving seven business days advance notice.

2. On agreements for the provision of services, see Note 37 to the Consolidated Financial Statements.

3. On the acquisition of the entire share capital of Gamla Harel Residential Real Estate by a subsidiary of the Company and completion of the transaction to acquire shares of Se-Fi Insurance Agency Ltd., see Note 37 to the Consolidated Financial Statements.

4. Distribution of a dividend to the Company

   A. On March 3, 2024, Marpet (a subsidiary held by the Company at a rate of 51%) distributed a dividend in the amount of NIS 4.7 million (the Company's share is NIS 2.4 million). The dividend was paid on April 9, 2024.

   B. On May 21, 2024, June 27, 2024, and September 4, 2024, Harel UK distributed dividends in the amount of USD 179 thousand, USD 83 thousand, and USD 131 thousand, respectively. The dividends were paid on June 3, 2024, July 10, 2024, and September 13, 2024, respectively.

   C. In August 2024, Mortgage Holdings Ltd. distributed a dividend in the amount of NIS 50 million. The dividend was paid in cash on September 1, 2024.

   D. In August and December 2024, Harel Insurance distributed a dividend in the amount of NIS 200 million and NIS 500 million, respectively. The dividends were paid in cash on September 26, 2024 and December 17, 2024, respectively.

   E. In August 2024, Dikla distributed a dividend in the amount of NIS 9 million. The dividend was paid in cash and marketable securities on August 11, 2024.

   F. In November 2024, ICIC distributed a dividend in the amount of NIS 7.5 million. The dividend was paid in cash on December 24, 2024.

   G. On February 18, 2025, after the Reporting Period, the Board of Directors of Harel UK approved the distribution of a dividend in the amount of USD 94 thousand. The dividend was paid on February 28, 2025.

NOTE 8 - Equity requirements for investees

In accordance with a permit to control and hold the means of control in insurers and fund management companies, the Company undertook, at all times, to supplement the equity of the insurance companies that are included among the financial institutions it controls, including ICIC, to the amount prescribed in the Supervision of Financial Services (Insurance) (Minimum Equity Required of Insurers) Regulation, 1998, or any other regulation or law that may replace them, and also to supplement at all times the equity of the provident fund and pension fund management companies it controls, to the amount prescribed in the Income Tax (Rules for the Approval and Management of Provident Funds) Regulations, 1965, or any other regulation or law that may replace them. This undertaking is irrevocable and will remain in force as long as the Company controls the financial institutions, directly or indirectly.

NOTE 9 – Material events in the Reporting Period

1. On affirmation of a rating for the Company and Series 1 bonds issued by the Company, by Midroog, see Note 24 to the Consolidated Financial Statements.
2. On the partial redemption of Series 1 bonds of the Company, see Note 5.
3. On the partial redemptions of a loan to the Company from Bank Hapoalim, see Note 5.
4. On an agreement with an architect, see Note 37 to the Consolidated Financial Statements.
5. On approval to extend a D&O liability insurance policy, see Note 37 to the Consolidated Financial Statements.
6. On a bonus for 2024 and 2023 for Company officers, see Note 37 to the Consolidated Financial Statements.
7. On the termination of the term of office of the Company's CEO and appointment of a new CEO, see Note 37 to the Consolidated Financial Statements.
8. On a revised compensation policy for the Company, see Note 37 to the Consolidated Financial Statements.
9. On a revised compensation policy for the financial institutions, see Note 37 to the Consolidated Financial Statements.
10. On approval of the employment conditions of the Company's controlling shareholders, see Note 37 to the Consolidated Financial Statements.
11. On the plan to buy back shares, see Note 15 to the Consolidated Financial Statements.
12. On cancellation of the agreement to acquire Isracard Ltd., see Note 39 to the Consolidated Financial Statements.
13. On the distribution of a dividend by the Company, see Note 15 to the Consolidated Financial Statements.

NOTE 10 – Material Events After the Reporting Period

1. On application of IFRS 17 and IFRS 9, see Note 41 to the Consolidated Financial Statements.
2. On a dividend received from Harel UK, see Note 7.
3. On affirmation of a rating for the Company by Midroog, see Note 24 to the Consolidated Financial Statements.
4. On the approval of an additional share buyback plan for the Company's shares, see Note 15 to the Consolidated Financial Statements.

Harel Insurance Investments and Financial Services Ltd.

Chapter 5

Additional Information About the Company

Contents

Additional Information about the Company

Name of the Company:	**Harel Insurance Investments and Financial Services Ltd.**
Company Registration Number:	52-003398-6
Address:	3 Abba Hillel Street, Ramat-Gan, Israel
Telephone:	03-7547575
Fax:	03-7547100
Date of Statement of Financial Position:	December 31, 2024
Date of Report:	March 25, 2025

Regulation 10A – Quarterly Financial Statements

Condensed Consolidated Quarterly Statements of Income for 2024 (NIS million)

	2024	Q4	Q3	Q2	Q1
Premiums earned, gross	15,926	3,962	3,942	4,139	3,883
Premiums earned by reinsurers	2,223	575	565	534	549
Premiums earned in retention	13,703	3,387	3,377	3,605	3,334
Profits from investments, net, and financing income	11,081	2,269	3,933	1,095	3,784
Income from management fees	1,795	489	458	430	418
Income from commissions	472	112	119	122	119
Other income	110	32	29	25	24
Total Income	27,161	6,289	7,916	5,277	7,679
Payments and changes in liabilities for insurance contracts and investment contracts, gross	21,119	4,654	6,195	4,044	6,226
Reinsurers' share in payments and changes in liabilities for insurance contracts	1,343	351	376	357	259
Payments and changes in liabilities for insurance contracts and investment contracts, in retention	19,776	4,303	5,819	3,687	5,967
Commissions, marketing expenses and other acquisition costs	3,558	938	929	831	860
General and administrative expenses	1,753	534	421	394	404
Other expenses	80	28	19	18	15
Financing expenses, net	654	166	181	184	123
Total expenses	25,821	5,969	7,369	5,114	7,369
Company’s share in profits (losses) of equity-accounted investees	15	(34)	11	12	26
Profit before income tax	1,355	286	558	175	336
Income tax	395	62	179	32	122
Profit for period	960	224	379	143	214

Condensed Consolidated Statements of Comprehensive Income (Loss) for 2024 (NIS million)

	2024	Q4	Q3	Q2	Q1
Profit for period	960	224	379	143	214
Other comprehensive income (loss) items that after initial recognition under comprehensive income were or will be transferred to profit or loss					
Net change in fair value of financial assets available for sale	252	469	249	(444)	(22)
Net change in fair value of financial assets available for sale transferred to statement of income	(56)	(50)	-	8	(14)
Loss from impairment of financial assets classified as available for sale transferred to statement of income	59	8	8	10	33
Foreign currency translation difference for foreign operations	(17)	(46)	2	21	6
Tax benefit (taxes on income) attributed to available-for-sale financial assets	(89)	(146)	(90)	148	(1)
Tax benefit (taxes on income) attributed to other components of comprehensive income that after initial recognition under comprehensive income were or will be transferred to profit or loss	4	13	(1)	(6)	(2)
Total other comprehensive income (loss) for the period that after initial recognition under comprehensive income was or will be transferred to profit or loss, net of tax	153	248	168	(263)	-
Other comprehensive income (loss) items that will not be transferred to profit or loss					
Revaluation fund for fixed asset items	33	1	1	4	27
Re-measurement of a defined benefit plan	14	(8)	-	22	-
Income tax for other comprehensive income items that will not be transferred to profit or loss	(13)	1	1	(10)	(5)
Other comprehensive income (loss) for the period that will not be transferred to profit or loss, net of tax	34	(6)	2	16	22
Total other comprehensive income (loss) for the period	187	242	170	(247)	22
Total comprehensive income (loss) for the period	1,147	466	549	(104)	236

Regulation 11 - List of Investments in Subsidiaries and Related Companies

Information about investments in subsidiaries and related companies whose value in the separate financial statement at December 31, 2024, is more than NIS 1 million:

Company name		Class of share	No. of shares (thousands)	Par value (thousands)	Value in separate FS (NIS million)	Percentage holding (%)
Harel Insurance Company Ltd.	Shares	Ord.	104,291	104,291	3,714	100
	Capital notes				404	-
Yehuda Insurance Company Ltd.		Ord.	4,500	450	15	100
A. B. C. Automotive Ltd.	Shares	Ord.	0.5	0.5	33	50
	Loan		-	-	2	-
	Capital note		-	-	0.4	-
Advance Planning - Pension Insurance Agency (2013) Ltd.		Ord.	100	100	3	100
Tzva Hakeva (regular army) Savings Fund - Provident Fund Management Company Ltd.		Ord.	44	44	18	100
Leatid Pension Funds Management Company Ltd.		Ord.	8	8	15	79
HAREL SURREY STREET COMPANY (Nostro)1 LMT		Ord.	0.1	0.01	18	100
HAREL SURREY STREET COMPANY (Nostro) 2 LMT		Ord.	0.1	0.01	7	100
Harel Leipzig BV		Ord.	18	324	188	100
Harel 3990 ESSEX LP		Partnership - no shares	-	-	7	28
Harel IDS Minneapolis		Partnership - no shares	-	-	43	36
Harel 200 West Monroe LP		Partnership - no shares	-	-	7	17
Harel 50 Beale Street SF, LP		Partnership - no shares	-	-	131	60
Harel Westwood NJ, LP		Partnership - no shares	-	-	52	100
HGHQK 2 Sarl		Ord.	6	6	53	41
Harel 7700 Parmer LP		Partnership - no shares	-	-	30	10
Harel Acc LP		Partnership - no shares	-	-	10	11
Leonardo Haymarket Ltd		Ord.	1	1	9	5
Harel LPKC		Partnership - no shares	-	-	25	21
Harel Turtle Creek LP		Partnership - no shares	-	-	13	8
Harel Fuse 9 LP		Partnership - no shares	-	-	67	100
Harel Student Housing Corp.		Ord.	0.1	0.1	12	6
Harel - 20 Times Square - General Partnership		Partnership - no shares	-	-	18	8
Harel MSP Portfolio Blocker LP		Partnership - no shares	-	-	43	4
Fattal European Partnership II LP		Partnership - no shares	-	-	53	3
Harel Mill Creek VAF Blocker LP		Partnership - no shares	-	-	19	6
Vitania Ltd.		Ord.	2,271	23	54	4.8
Azo-Rit Bilu Center Ltd.		Ord.	1	0.001	82	8

Company name		Class of share	No. of shares (thousands)	Par value (thousands)	Value in separate FS (NIS million)	Percentage holding (%)
Everest		Partnership - no shares	-	-	3	5
All You Need Ltd.		Ord.	1,116	1,116	109	30
Harel 55 2nd LP		Partnership - no shares	-	-	3	17
LRC RE-2		Partnership - no shares	-	-	1	3
Europa UK Debt II LP		Partnership - no shares	-	-	4	8
Almog CDAY Ltd.		Ord.	0.2	0.2	16	2
Almog Meifa Housing for Rent LP		Partnership - no shares	-	-	3	3
Etz Hashaked Real Estate		Ord.	32	32	9	2
Harel Tidhar Menivim Ltd.		Ord.	0.4	0.001	35	4
CDH UK Holdings		Partnership - no shares	-	-	2	4
JH&H Venture RH LP		Partnership - no shares	-	-	12	17
LRC RE-3		Partnership - no shares	-	-	24	2
Mortgage Holdings Israel Ltd.		Ord.	10	10	37	100
EMI – Ezer Mortgage Insurance Company Ltd.		Ord.	13	13	193	100
Harel Pension and Provident Ltd.	Shares	Ord.	13,291	13,291	990	100
	Loan				100	-
ICIC Israel Credit Insurance Company Ltd.		Ord.	7,782	7,782	173	50
Interasco Societe Anonyme General Insurances S.A.G.I		***	***	***	43	94
Turk Nippon Sigorta A.S		***	***	***	18	100
Hamishmar Insurance Agency Ltd.		Ord.	26	26	12	100
Dikla Insurance Agency Ltd.		Ord.	1,960	1,960	6	49
Harel Finance Holdings Ltd.						
	Shares	Ord.	226	226	381	100
	Capital notes				257	-
Harel Traded Indexes Ltd.		Ord.	1	1	30	100
Harel Sal Madbeot Ltd.		Ord.	2	2	8	100
Harel Mutual Funds Ltd. (1)		Ord.	808	808	399	100
Harel Finance Investment Management Ltd.		Ord.	23	23	7	100
Harel Finance Operating Services Ltd.		Ord.	1	1	7	100
Harel Finance Strategies Ltd.		Ord.	3	3	54	100
Harel Finance Alternative Ltd.		Ord.	1	0.01	48	100
Harel Exchange Traded Deposit Ltd.		Ord.	0.1	0.1	2	100
Harel Interest and Deposits Ltd.		Ord.	0.1	0.1	2	100
Harel UK Ltd.		***	***	***	2	100
Madanes Insurance Agency Ltd.		Ord.	345	345	19	24.7

Company name		Class of share	No. of shares (thousands)	Par value (thousands)	Value in separate FS (NIS million)	Percentage holding (%)
S. Madanes Insurance Agency (1989) Ltd.		Ord.	0.3	0.3	4	24.7
Medical Consultants International (M.C.I.) Ltd. Ltd.		Ord.	1	1	7	24.7
Zion Holdings Ltd.		Ord.	709	709	50	100
Zion Real Estate Ltd.		Ord.	43	0.043	49	100
Bar Tavai Property Company Ltd.		Ord.	60	0.06	50	100
Yedidim Pension Arrangements Insurance Agency Ltd.		Ord.	1	1	23	100
Kidma Y.N. Insurance Agency (2008) Ltd.		Ord.	0.1	0.1	0.7	51
Omri Insurance Agency Ltd.		Ord.	22	22	4	36
Beit Yisrael LeNeemanut Ltd.		Ord.	182	182	2	100
Harel Credit Holdings Ltd.	Shares	Ord.	100	100	150	100
	Capital notes				560	-
Provident		Ord.	83,251	-	353	100
Hamazpen Shutaphim Laderech Ltd.		Ord.	0.7	0.7	150	70
Harel Security Building LP		Partnership - no shares	-	-	56	100
Harel Greenwich Studio LP		Partnership - no shares	-	-	38	100
Marpet Ltd.		Ord.	51	0.5	24	51
Se-Fi	Shares	Ord.	11	0.1	35	70
	Loan		-	-	72	-

(*) Not applicable - foreign company.

Regulation 12 – Changes in Investments in Subsidiaries and Related Companies

See Note 8 to the Financial Statements.

Regulation 13 – Revenues of Subsidiaries and Related Companies and the Company's Income From Them

Information about profit (loss), before and after tax, dividends, management fees and interest and linkage received by the Company, or which it is entitled to from subsidiaries and related companies whose value in the separate financial statement at December 31, 2024, is more than NIS 1 million:

Company name	Profit (loss) for year (A) before tax	Other comprehensive income (loss) (A) before tax	Other comprehensive income (loss) (A) after tax	Dividend (B)	Management fees	Interest and linkage
Harel Insurance Company Ltd.	823	288	759	700	74	-
Yehuda Insurance Company Ltd.	0.5	-	0.4	-	-	-
A. B. C. Automotive Ltd.	10	-	7	-	-	-
Advance Planning - Pension Insurance Agency (2013) Ltd.	(1)	-	(1)	-	-	-
Tzva Hakeva (regular army) Savings Fund - Provident Fund Management Company Ltd.	1	0.3	1	-	0.5	-
Leatid Pension Funds Management Company Ltd.	4	0.3	3	-	-	-
HAREL SURREY STREET COMPANY (Nostro)1 LMT	(1)	-	(1)	-	-	1
HAREL SURREY STREET COMPANY (Nostro) 2 LMT	(0.5)	-	(0.5)	-	-	0.3
Harel Leipzig BV	14	-	14	-	-	-
Harel 3990 ESSEX LP	(3)	-	(3)	-	-	0.05
Harel IDS Minneapolis	(40)	-	(40)	0.01	-	-
Harel 200 West Monroe LP	(12)	-	(12)	-	-	0.02
Harel 50 Beale Street SF, LP	(73)	-	(73)	2	-	1
Harel Westwood NJ, LP	7	-	7	0.006	-	14
HGHQK 2 Sarl	(3)	-	(3)	-	-	1
Harel 7700 Parmer LP	4	-	4	-	-	0.1
Harel Acc LP	5	-	5	0.5	-	-
Leonardo Haymarket Ltd	60	-	60	-	-	0.1
Harel LPKC	(11)	-	(11)	-	-	0.3
Harel Turtle Creek LP	(18)	-	(18)	-	-	0.4
Harel Fuse 9 LP	1	-	1	1	-	-
Harel Student Housing Corp.	32	-	32	-	-	-
Harel - 20 Times Square - General Partnership	(53)	-	(53)	-	-	-
Harel MSP Portfolio Blocker LP	(57)	-	(57)	0.02	-	-
Fattal European Partnership II LP	55	-	55	0.003	-	-
Harel Mill Creek VAF Blocker LP	(79)	-	(79)	0.02	-	0.4
Vitania Ltd.	65	-	65	2	-	-
Azo-Rit Bilu Center Ltd.	10	-	10	-	-	-
Everest	83	-	83	-	-	-
All You Need Ltd.	9	-	9	4	-	-
Harel 55 2nd LP	(34)	-	(34)	-	-	0.2
LRC RE-2	(345)	-	(345)	-	-	-
Europa UK Debt II LP	12	-	12	0.4	-	0.2
Almog CDAY Ltd.	1	-	1	-	-	-
Almog Meifa Housing for Rent LP	(0.1)	-	(0.1)	-	-	-
Etz Hashaked Real Estate	0.2	-	0.2	-	-	-
Harel Tidhar Menivim Ltd.	64	-	64	-	-	-
CDH UK Holdings	(3)	-	(3)	-	-	-

Company name	Profit (loss) for year (A) before tax	Other comprehensive income (loss) (A) before tax	Other comprehensive income (loss) (A) after tax	Dividend (B)	Management fees	Interest and linkage
JH&H Venture RH LP	(1)	-	(1)	-	-	0.5
LRC RE-3	28	-	28	-	-	2
Mortgage Holdings Israel Ltd.	64	7	47	50	-	-
EMI – Ezer Mortgage Insurance Company Ltd.	64	6	46	-	0.3	-
Harel Pension and Provident Ltd.	107	1.6	71	-	53	-
ICIC Israel Credit Insurance Company Ltd.	101	-	67	8	-	-
Interasco Societe Anonyme General Insurances S.A.G.I	4	(2)	4	-	-	-
Turk Nippon Sigorta A.S	(52)	(6)	(40)	-	-	-
Hamishmar Insurance Agency Ltd.	2	-	2	-	-	-
Dikla Insurance Agency Ltd.	2	(0.3)	1	9	-	-
Harel Finance Holdings Ltd.	2	-	2	-	-	-
Harel Traded Indexes Ltd.	6	-	4	-	-	-
Harel Sal Madbeot Ltd.	5	-	4	-	-	-
Harel Mutual Funds Ltd. (1)	79	-	51	-	-	-
Harel Finance Investment Management Ltd.	8	-	8	-	-	-
Harel Finance Operating Services Ltd.	1	-	0.3	-	-	-
Harel Finance Strategies Ltd.	6	-	4	-	-	-
Harel Finance Alternative Ltd.	(2)	-	(2)	-	-	-
Harel Exchange Traded Deposit Ltd.	0.5	-	0.4	-	-	-
Harel Interest and Deposits Ltd.	(0.04)	-	(0.03)	-	-	-
Harel UK Ltd.	2	-	2	1	-	-
Madanes Insurance Agency Ltd.	13	-	9	-	0.5	-
S. Madanes Insurance Agency (1989) Ltd.	2.1	-	1.6	-	-	-
Medical Consultants International (M.C.I.) Ltd. Ltd.	1	-	1	-	-	-
Zion Holdings Ltd.	(3)	-	(3)	-	-	-
Zion Real Estate Ltd.	(3)	-	(3)	-	-	-
Bar Tavai Property Company Ltd.	(2)	-	(3)	-	-	-
Yedidim Pension Arrangements Insurance Agency Ltd.	(5)	1	(3)	-	-	-
Kidma Y.N. Insurance Agency (2008) Ltd.	7	-	5	-	-	-
Omri Insurance Agency Ltd.	(0.2)	-	(0.2)	-	-	-
Beit Yisrael LeNeemanut Ltd.	(0.002)	-	(0.002)	-	-	-
Harel Credit Holdings Ltd.	8	-	8	-	-	-

Company name	Profit (loss) for year (A) before tax	Other comprehensive income (loss) (A) before tax	Other comprehensive income (loss) (A) after tax	Dividend (B)	Management fees	Interest and linkage
Hamazpen Shutaphim Laderech Ltd.	32	-	25	-	-	-
Harel Security Building LP	3	-	3	-	-	6
Harel Greenwich Studio LP	(2)	-	(2)	-	-	(0.4)
Marpet Ltd.	10	-	7	2	-	-
Se-Fi	(11)	-	(7)	-	-	-

(A) Reflects the investee's profits (losses) in full.
(B) A dividend distributed by the investee directly to the Company.

Regulation 20 – Trade on the TASE – Listed Securities - Dates and Reasons for Suspension of Trading

In the reporting year trading in the Company's securities on the TASE was not suspended.

In the reporting period, the Company's shares arising from the exercise of options granted to Company employees under the options plan approved by the Company in 2021 were listed for trading.

Regulation 21(A) – Compensation for Interested Parties and Officers

(1) Compensation for senior officers of the Company

Particulars of the compensation recipient				Compensation for services [1,2]							Other compensation			
Name	**Title**	**Scope of position**	**Holding in company equity (%) [(3)]**	**Salary**	**Bonus**	**Share-based payment [(4)]**	**Management fees**	**Consulting fees**	**Commission**	**Other [(5)]**	**Interest**	**Rental**	**Other**	**Total**
Nir Cohen	Company CEO and CEO of Harel Insurance	100%		2,868		778				218				3,864
Yair Hamburger	Chairman of the Company's Board of Directors and Director in Harel Insurance	100%	18.74%	2,663						1,111				3,774
Alon Eliraz	Deputy CEO of Harel Insurance and Head of Health and Life Division at Harel Insurance	100%		2,355	493	285				581				3,714
Hagit Levin	CEO of Harel Finance Holdings	100%		2,005	820	285				432				3,542
Arik Peretz	Company CFO, Deputy CEO of Harel Insurance, and Head of Finance & Resources Division in Harel Insurance.	100%		2,099	803	315				301				3,518

(2) Compensation for other interested parties

Particulars of the compensation recipient				Compensation for services [1,2]							Other compensation			
Name	**Title**	**Scope of position**	**Holding in company equity (%) [(3)]**	**Salary**	**Bonus**	**Share-based payment [(4)]**	**Management fees**	**Consulting fees**	**Commission**	**Other [(5)]**	**Interest**	**Rental**	**Other**	**Total**
Yoav Manor	Director in the Company, Director in Harel Insurance, and Chairman of Harel Hamishmar Computers	100%	13.79%	2,169						660				2,829
Gideon Hamburger	Director in the Company and President of Harel Group	100%	13.79%	2,173						660				2,833

Notes to tables

(1) Guaranteed bonuses and other fixed compensation components are included as part of salaries.
(2) The compensation listed in the table is for holding office in all Harel Group companies. Some of the officers receive their salary from subsidiaries that are a "financial institution". The above data do not include wage tax paid by the financial institutions.
(3) The holding is mostly through G.Y.N. Financial Consulting & Management Ltd. 2017, Limited Partnership. For additional information see Regulation 21A below.
(4) In accordance with the stock options plan approved by the Group, as specified in Section 8 below, options were granted to officers for which the accounting cost was calculated by an external appraiser. For additional information about the stock options plan, see Note 38 to the Financial Statements.
(5) The amount includes provision for adjustment fees, severance pay and the cost of increasing the severance factor which was approved for the Deputy CEOs of Harel Insurance under the Company's compensation policy.

Compensation policy and general employment conditions

1. The Company's compensation policy for senior officers

In view of the experience gained regarding the Company's compensation policy, on November 30, 2023, after having been approved by the Compensation Committee and Board of Directors, the Company's general meeting approved the revised compensation policy of the Company ("Compensation Policy"). The Compensation Policy is in compliance with the limitations prescribed in the Compensation for Executives of Financial Institutions (Special Approval and Non-allowance of an Expense for Tax Purposes on account of Extraordinary Compensation) Law, 2016 ("Wage Limitation Law").

The purpose of the compensation policy is to motivate and direct the senior managers in line with the Company's goals and strategic plan, emphasizing increased competition in the recruitment and retention of quality manpower in the Group's senior management positions. All this with the goal of creating long-term economic value for the Company and its shareholders. The compensation policy was devised, taking into account, among other things, the size of the Company and the nature of its operations, advancement of the Company's goals, strategy, long-term work plan and risk-management policy, as well as the employment conditions and bonuses that were Company practice in previous years, generally accepted levels of salary and compensation among Israel's insurance and finance companies in Israel and other large companies in the Israeli economy, and based on additional organizational considerations.

The compensation policy relates to different categories of officers, and also the manner of compensating the Company's serving directors.

The compensation policy addresses a range of employment conditions for officers who are not directors, including the following components: (a) the compensation to be determined for each officer in line with their seniority, knowledge, experience, qualifications and contribution to the Group's results, and based on the defined benchmark group; (b) it was determined that a margin will be maintained between the CEO's salary and that of the other officers who are subordinate to the CEO; (c) minimum ratios were defined between the fixed components in the employment conditions and the overall employment conditions; (d) it was determined that a fixed salary component may be paid which does not entitle the recipient to social benefits; (e) provisions were prescribed concerning performance-linked annual bonuses, including the maximum amount of such bonuses for the CEO and for officers who are subordinate to the CEO; (f) provisions were prescribed regarding the possibility of paying special bonuses that are not connected with the annual bonuses, and this for exceptional performance on special projects; (g) provisions were prescribed regarding a lump-sum bonus the purpose of which is to encourage continuation of the work of the officers and to create a sense of identifying with the Company's interests; (h) provisions were prescribed concerning insurance and indemnity for officers and directors; (i) the Compensation Policy includes a limitation on the maximum cost of employment for officers in the Company; (j) provisions were prescribed concerning termination of employment conditions, including regarding the following components: (i) severance pay at a maximum rate of up to 200% (double that required by law), subject to meeting conditions of seniority and other conditions; (ii) an advance notice period (of termination) of no more than 6 months; (iii) an adjustment bonus of up to 6 monthly salaries;

(iv) compensation for a non-competition commitment. It was determined that a non-competition agreement will be drawn up in exceptional cases only and subject to the conditions set out in the compensation policy.

Information about the annual bonuses: the annual performance-linked bonus plan will consider the Company's financial position. Accordingly, payment of the annual bonus will be contingent on satisfying the threshold conditions set out in the Compensation Policy. Furthermore, to prevent the taking of short-term risks, the scope of the performance-linked bonuses was limited by a multiple of the salaries. It was also determined that the annual performance-linked bonus will be based, among other things, on long-term measurement. The Compensation Policy therefore stipulates that some of the parameters, as will be determined in advance, will be measured with respect to the current annual bonus (50%) and also with respect to the two years preceding it (30% for the previous year and 20% for the year before that).

The annual performance-linked bonus includes a discretionary component which allows a supplement of 20% of the amount of the performance-linked bonus. The sum of this component will not exceed three monthly salaries and it may also be paid even if the threshold conditions for payment of the performance-linked bonus are not satisfied.

Under the Compensation Policy, as a rule, the Company will honor existing agreements, even if they deviate from the Compensation Policy, unless the Compensation Policy specifically prescribes a different provision.

For additional information about the Company's Compensation Policy, see the Company's immediate reports of October 25, 2023 and November 14, 2023, Ref.: 2023-01-098035 and 2023-01-124170, respectively).

The Company's compensation policy stipulates that it will serve as a guideline (but not binding) also for the Company's key subsidiaries. For information about the compensation policy that was adopted by the Group's financial institutions, see Section 2 below.

2. Compensation policy of the Group's Financial Institutions

The Company's subsidiaries that are financial institutions ("the Financial Institutions"), adopted a compensation policy which is based on the Company's compensation policy. The compensation policy for the Group's financial institutions has been revised several times over the years in accordance with updated regulatory provisions that were published, including the publication of a Commissioner's circular amending the provisions of the Consolidated Circular, Part 1, Section 5, Chapter 5, entitled "Compensation" ("the Circular"), which updated and abolished the circular "Compensation Policy in Financial Institutions" and the circular "Compensation Policy in Financial Institutions - Amendment" ("Compensation Policy Circular"), and integrates them in the Consolidated Circular, in accordance with the relevant regulations formulated in this sector, including in accordance with the provisions of the Wage Limitation Law and its regulations, and the directives of the Supervisor of Banks that were revised accordingly.

The compensation policy of the financial institutions also applies to some of the executives in the Company who also serve as senior officers in the subsidiaries that are financial institutions.

Following are the main points of the Compensation Policy of the financial institutions:

The Compensation Policy addresses the employment conditions of the officers and functionaries in their entirety, including the following components : (a) the fixed compensation to be determined for each officer and key functionary will be determined in accordance with their seniority, knowledge, experience and qualifications and their contribution to the Group's results, and based on the defined benchmark group; (b) the compensation may comprise several key components: fixed salary, annual, performance-linked bonus, guaranteed bonus, lump-sum bonus, special bonuses as well as indemnification and insurance costs; (c) minimum ratios were defined between the fixed components of the employment conditions and the total employment conditions; (d) provisions were prescribed concerning the composition of the annual bonus consisting of a measurement-based component as well as a discretionary component which allows a supplement of up to 20% of the amount of the performance-linked bonus; (e) provisions were prescribed concerning the possibility of paying special bonuses, which are unrelated to the annual bonuses, for exceptional performance on special projects; (f) provisions were prescribed regarding a lump-sum bonus the purpose of which is to encourage continuation of the work of the Company officers and to create a sense of identity with the Company's interests; (g) provisions were prescribed concerning insurance and indemnity for officers and directors; (h) the policy includes provisions concerning the nature of the spread and deferral of the annual bonus as well as provisions concerning reimbursing the Company for amounts that were paid as annual bonuses; (i) the Compensation Policy includes a limitation on the maximum cost of employment for officers and key functionaries in the Company; (j) provisions were prescribed concerning termination of the employment conditions, which include reference to the following components: (1) severance pay will be at a maximum rate of up to two 200%) (100% over and above the amount required by law), subject to meeting certain seniority and other conditions; (2) an advance notice period which will not be more than 6 months; (3) an adjustment bonus of up to 6 salaries; and (4) compensation for a non-competition undertaking.

Information about the annual bonuses: the annual performance-linked bonus plan will consider the Company's financial position. Accordingly, payment of the annual bonus will be contingent on satisfying the threshold conditions set out in the Compensation Policy. Furthermore, to prevent the taking of short-term risks, the scope of the performance-linked bonuses was limited by a multiple of the salaries. It was also determined that the annual performance-linked bonus will be based, among other things, on long-term measurement. The Compensation Policy therefore stipulates that some of the parameters, as will be determined in advance, will be measured with respect to the current annual bonus (50%) and also with respect to the two years preceding it (30% for the previous year and 20% for the year before that).

Additionally, the policy includes provisions concerning compensation for Company directors as well as compensation for Company employees who are not officers or key functionaries.

The Compensation Policy prescribes a provision whereby as a rule, the Company will honor existing agreements and employment conditions, even if they deviate from the Compensation Policy, unless the Compensation Policy specifically prescribes a different provision.

In view of the experience gained in applying the Compensation Policy of the financial institutions, in 2023 the Compensation Committee and boards of directors of the financial institutions approved updates to the compensation policies. The updated compensation policy of the financial institutions appears on Harel's website.

3. Employment conditions − the Controlling Shareholders

The Company's General Meeting, which took place on November 30, 2023, re-approved the employment conditions of the Company's controlling shareholders. The approval of the general meeting was preceded by the approval of the Compensation Committee and Board of Directors on October 23, 2023 and October 25, 2023, respectively. The re-approval did not involve any change in the employment conditions of the controlling shareholders. The employment conditions that were approved are consistent with the Company's compensation policy. The provisions of the new employment conditions for the controlling shareholders will be valid from December 1, 2023, for an unlimited period. Notwithstanding the foregoing, the parties may terminate the agreement at any time, by giving 30 days advance notice.

Under existing law at the date of this report, the agreement with Yair Hamburger, Gideon Hamburger and Yoav Manor must be re-approved three years after the commencement of the agreement (December 1, 2023), given that they are controlling shareholders in the Company, unless the law changes and/or Yair Hamburger, Gideon Hamburger and Yoav Manor are no longer included among the controlling shareholders.

A. Employment conditions – Yair Hamburger

Yair Hamburger has been head of Harel Insurance and Finance Group since its establishment. Yair Hamburger has served as Chairman of the Company's Board of Directors since its establishment and as a director in Harel Insurance.[1] Additionally, Yair Hamburger holds the following positions in Harel Group: member of the board of directors of Interasco Societe Anonyme General Insurance Company S.A.G.I. (an insurance company with an insurer license in Greece focusing on non-life and health insurance); member of the board of directors of Turk Nippon Sigorta S.A. in Turkey (an

[1] Yair Hamburger served as Chairman of the Board of Directors of Harel Insurance until June 30, 2021.

insurance company with an insurer license in Turkey , focusing on non-life insurance, including non-life business insurance); Chairman of the board of directors of Harel Finance & Issues; member of the board of directors of Harel Finance Holdings Ltd.; member of the board of directors of Harel Mutual Funds Ltd.; member of the non-yield dependent (Nostro) investment committee of the Group's financial institutions and a director in other companies in the Group. Yair Hamburger serves the Company and its subsidiaries in a full-time capacity and does not hold any other business positions beyond those in Harel Group.

Yair Hamburger's salary: For serving the Company, and in accordance with his employment conditions approved by the Company's general meeting on November 30, 2023, Yair Hamburger is entitled to a monthly salary of NIS 160,000 (NIS 179,634 correct to the date of the report). The monthly salary is CPI-linked and revised in accordance with the increase in the CPI once a year, for the January salary each year. Linkage to the CPI is possible subject to the restrictions of the Compensation of Company Officers Law. The current salary does not reflect the full increase in the CPI due to the restrictions of the Compensation of Company Officers Law.

Fringe benefits: Yair Hamburger is entitled to a Company car at a cost of up to NIS 650,000, linked to the CPI of December 2011 (NIS 771,329 at December 31, 2024). Should Hamburger choose to buy a more expensive car, he will pay the difference in cost. Yair Hamburger is not entitled to full grossing up of the cost of his vehicle. The Company makes provision for social benefits in respect of the monthly salary according to generally accepted standards for pension, severance pay and work disability or, if he so chooses, pays the value of these social benefits. Likewise, Yair Hamburger is entitled to contributions to an education fund in respect of his salary (7.5% of his salary at the employer's expense, and 2.5% at the employee's expense). Yair Hamburger is entitled to 13 days convalescence a year and to 22 days paid vacation a year. Unutilized vacation days, including in respect of the period of Yair Hamburger's employment from the commencement date of his employment for the Company will be accumulated and may be redeemed when his employment terminates. Yair Hamburger is entitled to 30 days annual paid sick leave, and these days may also be accumulated, although he will not be entitled to redeem them when his employment for the Company terminates. Yair Hamburger is not entitled to participate in the Company's stock options plan. Additionally, it is stipulated that Yair Hamburger is not entitled to any additional remuneration for serving as a director in Group companies. Yair Hamburger is entitled to a letter of indemnity which was first granted to him as part of the resolutions passed by the Company and approved by the general meeting in July 2006 and like the Company's other senior officers, and it is included in the D&O insurance drawn up by the Company, under the same conditions as the Company's other directors and senior officers..

Annual bonus: Yair Hamburger is not entitled to an annual bonus.

Post-employment conditions: Upon termination of the employment relationship for any reason whatsoever, Yair Hamburger will be entitled to compensation in the amount of severance to which he is entitled by law in the event of dismissal, less any amounts accrued on his behalf for severance pay in the provident fund/managers' insurance policy, and ownership of the provident fund/managers insurance fund into which the contributions were paid will be transferred to Hamburger ("Severance Pay"). Upon terminating his employment in the Company, Yair Hamburger is entitled to double severance pay, such as an additional 100% compensation (over and above the statutory compensation). Pursuant to the provisions of the Compensation Policy of the Group's financial institutions, part of the additional compensation (over and above the 100%) ("retirement bonus") that is accrued for the period of employment after December 31, 2016, will be paid in installments, in accordance with the provisions of the Compensation Policy of the Group's financial institutions, as follows: a third of the deferred amount will be paid 12 months from the end of the year in which Yair Hamburger retires; a third of the deferred amount will be paid 24 months from the end of the year in which Yair Hamburger retires; a third of the deferred amount will be paid 42 months from the end of the year in which Yair Hamburger retires. Deferred amounts will be paid on the dates noted above, subject to meeting all the following conditions: (1) no errors are found in the calculation of the amount of the bonus and it did not emerge that the bonus was given based on a risk level that, in retrospect, was found did not materially reflect the actual exposure of the financial institution or the members' monies; (2) based on the last financial statements published before the date of payment, Harel Insurance is in compliance with the capital requirements that apply to it; (3) Harel Insurance presented comprehensive income in the last financial statements (quarterly or annual) published prior to the date of payment. If either of the last two conditions noted above are not met, the payment will be postponed to such time as the conditions are met. It is stipulated that the advance notice period is 30 days only. Yair Hamburger will not be entitled to any adjustment period or adjustment fee.

Non-competition undertaking: Yair Hamburger undertook not to compete with the Company and its business, including through employment by or the rendering of services to a corporation in competition with the Company, for a period of 36 months from the termination of his employment in the Company.

B. Employment conditions – Gideon Hamburger:

Gideon Hamburger has held senior positions in Harel Group since its establishment. Gideon Hamburger currently holds the following key positions in Harel Group: member of the Company's Board of Directors and Company president; member of the board of directors of Interasco Societe Anonyme General Insurance Company S.A.G.I. (an insurance company with an insurer license in Greece focusing on non-life and health insurance); member of the board of directors of Harel Finance Holdings Ltd.; member of the board of directors of Harel Finance & Issues. Additionally, Gideon Hamburger in involved in reinsurance matters both for Harel Insurance and the Group's other insurance companies. Gideon Hamburger serves the Company and its subsidiaries in a full-time capacity and does not hold any other business positions other than those in Harel Group.

Gideon Hamburger's salary: For serving the Company, and in accordance with his employment conditions approved by the Company's general meeting on November 30, 2023, Gideon Hamburger is entitled to a monthly salary of NIS 127,000 (NIS 145,524 correct to the reporting date). The monthly salary is CPI-linked and revised in accordance with the increase in the CPI once a year, for the January salary each year. Linkage to the CPI is possible subject to the restrictions of the Compensation of Company Officers Law.

Fringe benefits: Gideon Hamburger is entitled to a Company car at a cost of up to NIS 650,000, linked to the CPI of December 2011 (NIS 771,329 at December 31, 2024). Should Gideon Hamburger choose to buy a more expensive car, he will pay the difference in cost. Gideon Hamburger is not entitled to full grossing up of the cost of his vehicle. The Company makes provision for social benefits in respect of the monthly salary according to generally accepted standards for pension, severance pay and work disability or, if he so chooses, pays the value of these social benefits. Likewise, Gideon Hamburger is entitled to contributions to an education fund in respect of his salary (7.5% of his salary at the employer's expense, and 2.5% at the employee's expense). Gideon Hamburger is entitled to 13 days convalescence a year and to 22 days annual paid vacation. Unutilized vacation days, including in respect of the period of Gideon Hamburger's employment from the date his employment for the Company commenced, will be accumulated and may be redeemed when his employment terminates. Gideon Hamburger is entitled to 30 days annual paid sick leave, and these days may also be accumulated, although he will not be entitled to redeem them when his employment for the Company terminates. Gideon Hamburger is not entitled to participate in the Company's stock options plan. Additionally, it is stipulated that Gideon Hamburger is not entitled to any additional remuneration for serving as a director in Group companies. Gideon Hamburger received a letter of indemnity as part of the resolutions passed by the Company and approved by the general meeting in July 2006 and it is included in the D&O insurance drawn up by the Company, under the same conditions as the Company's other directors and senior officers.

Annual bonus: Gideon Hamburger is not entitled to an annual bonus.

Post-employment conditions: Upon termination of the employment relationship for any reason whatsoever, Gideon Hamburger will be entitled to double the severance pay he is entitled to by law, in the event of dismissal, net of any amounts accrued on his behalf for severance pay in the provident fund/managers' insurance policy, and ownership of the provident fund/managers insurance fund into which the contributions were paid will be transferred to Gideon Hamburger ("Severance Pay"). Upon termination of his employment in the Company, Gideon Hamburger is entitled to double severance pay, such as an additional 100% compensation (over and above the compensation stipulated by law). Pursuant to the provisions of the revised compensation policy for the Group's financial institutions, part of the additional compensation (over and above the 100%) ("retirement bonus") that is accrued for the period of employment after December 31, 2016, will be paid in installments, as follows: a third of the deferred amount will be paid 12 months after the end of the year of Gideon Hamburger's retirement; a third will be paid 24 months after the end of the year of his retirement, and a third will be paid 42 months from the end of the year of his retirement Deferred amounts will be paid on the dates noted above, subject to meeting all the following conditions: (1) no errors are found in the calculation of the amount of the bonus and it did not emerge that the bonus was given based on a risk level that in retrospect was found did not materially reflect the actual exposure of the financial institution or the members' monies; (2) based on the last financial statements published before the date of payment; (3) Harel Insurance is in compliance with the capital requirements applicable to it; Harel Insurance presented comprehensive income in the last financial statements (quarterly or annual) published prior to the date of payment. If either of the last two conditions noted above are not met, the payment will be postponed to such time as the conditions are met. It is stipulated that the advance notice period is only 30 days. Gideon Hamburger will not be entitled to any adjustment period or adjustment fee.

Non-competition undertaking: Gideon Hamburger undertook not to compete with the Company and its business, including through employment by or the rendering of services to a corporation in competition with the Company, for a period of 36 months from the termination of his employment in the Company.

C. Employment conditions – Yoav Manor:

Yoav Manor has held executive positions in the Group since its establishment. Yoav Manor holds the following positions in Harel Group: Executive Chairman of the board of directors of Harel Hamishmar Computers Ltd.; member of the board of directors of the Company; member of the board of directors of Harel Insurance Ltd.; member of the board of directors of Harel Finance Holdings Ltd.; member of the board of directors of Harel Finance & Issues and a director in other Group companies. Yoav Manor serves in the Company and its subsidiaries in a full-time capacity and does not hold any other business positions beyond those in Harel Group.

Yoav Manor's salary: For serving the Company and in accordance with his employment conditions approved by the general meeting on November 30, 2023, Yoav Manor is entitled to a monthly salary of NIS 127,000 (NIS 145,524 correct to the reporting date). The monthly salary is CPI-linked and revised in accordance with the increase in the CPI once a year, for the January salary each year. Linkage to the CPI is possible subject to the restrictions of the Compensation of Company Officers Law.

Fringe benefits: Yoav Manor is entitled to a Company car at a cost of up to NIS 650,000, linked to the CPI of December 2011 (NIS 771,329 at December 31, 2024). Should Yoav Manor choose to buy a more expensive car, he will pay the difference in cost. Yoav Manor is not entitled to full grossing up of the cost of his vehicle. The Company makes provision for social benefits in respect of the monthly salary according to generally accepted standards for pension, severance pay and work disability or, if he so chooses, pays the value of these social benefits. Likewise, Yoav Manor is entitled to contributions to an education fund in respect of his salary (7.5% of his salary at the employer's expense, and 2.5% at the employee's expense). Yoav Manor is entitled to 13 days convalescence a year and to 22 days annual paid vacation. Unutilized vacation days, including in respect of the period of Yoav Manor's employment from the commencement date of his employment for the Company, will be accumulated and may be redeemed when his employment terminates. Yoav Manor is entitled to 30 days annual paid sick leave, and these days may also be accumulated, although he will not be entitled to redeem them when his employment in the Company terminates. Yoav Manor will not be entitled to participate in the Company's stock options plan. Additionally, it is stipulated that he is not entitled to any additional remuneration for serving as a director in Group companies. Yoav Manor received a letter of indemnity as part of the Company's decisions as approved by the general meeting in July 2006 and he is included in the directors and officers insurance (D&O) drawn up by the Company, under the same conditions as the other directors and officers of the Company.

Annual bonus: Yoav Manor is not entitled to an annual bonus.

Post-employment conditions: Upon termination of the employment relationship for any reason whatsoever, Yoav Manor will be entitled to the severance pay due by law if he is dismissed, less the amounts accrued on his behalf in respect of severance pay in provident funds / managers insurance, and ownership of the provident funds / managers insurance into which payments were made on his behalf will be transferred to him ("Severance Pay"). Upon termination of his employment in the Company, Yoav Manor is entitled to double severance pay, such as an additional 100% compensation (over and above the compensation stipulated by law). Pursuant to the provisions of the Compensation Policy of the Group’s financial institutions, part of the additional compensation (over and above the 100%) (“the Retirement Bonus”) that is accrued in the period of employment after December 31, 2016, will be paid in installments, in accordance with the provisions of the revised compensation policy of the Group’s financial institutions, as follows: a third of the deferred amount will be paid 12 months after the end of the year of Yoav Manor's retirement; a third will be paid 24 months after the end of the year of his retirement, and a third will be paid 42 months after the end of the year of his retirement Deferred amounts will be paid on the dates noted above, subject to meeting all the following conditions: (1) no errors are found in the calculation of the amount of the bonus and it did not emerge that the bonus was given based on a risk level that in retrospect was found did not materially reflect the actual exposure of the financial institution or the members’ monies; (2) based on the last financial statements published before the date of payment, Harel Insurance is in compliance with the capital requirements applicable to it; (3) Harel Insurance presented comprehensive income in the last financial statements (quarterly or annual) published prior to the date of payment. If either of the last two conditions noted above are not met, the payment will be postponed to such time as the conditions are met. It is stipulated that the advance notice period is only 30 days. Yoav Manor will not be entitled to any adjustment period or adjustment fee.

Non-competition undertaking: Yoav Manor undertook not to compete with the Company and its business, including through employment by or the rendering of services to a corporation in competition with the Company, for a period of 36 months from the termination of his employment in the Company.

4. Employment conditions of Michel Siboni, who served as CEO of the Company and chairman of Harel Insurance until January 31, 2024

Michel Siboni served as the CEO of the Company and chairman of the board of Harel Insurance up to January 31, 2024. Under the agreement with Michel Siboni, the advance notice period began on February 1, 2024.

In December 2023, the compensation committee and the Company's Board of Directors approved all payments made Michel Siboni after the end of his term as CEO of the Company.

Michel Siboni continues to serve as a director in Harel Insurance and as chairman of the board of directors of Hamazpen – Shutaphim Laderech Ltd., a subsidiary that provides credit for medium-sized businesses, and Michel Siboni was appointed as a director in the Company from February 5, 2024.

On February 5, 2024, the Company's general meeting approved an amendment to the termination conditions of Michel Siboni's employment, which extended the advance notice period to nine months (the six months set out in Michel Siboni's employment agreement have passed). The other termination conditions of Michel Siboni's employment (set out below) remain unchanged.

In addition, Michel Siboni is entitled to directors' compensation for his position as a director in the Company and in Harel Insurance, starting from the termination date of his employment as CEO of the Company (February 1, 2024).

Michel Siboni's employment conditions were approved by the Company's general meeting on June 30, 2021, for his term of office that began on July 1, 2021. The employment conditions were approved in view of the organizational change in his position in the Group at the time, when Michel Siboni ended his term as CEO of Harel Insurance at the end of June 2021 and was appointed Chairman of the Board of Directors of Harel Insurance from July 1, 2021 (together with the continuation of his position as CEO of the Company). The employment conditions that time were approved without any change from Michel Siboni’s current terms, for the organizational change.

Details of Michel Siboni’s employment conditions:

Employment period:

The provisions of the employment agreement applied to an indefinite period. The advance notice period was nine months. It should be clarified that the Company's general meeting approved the extension of the advance notice period to nine months (six months have passed) on February 5, 2024.

Current salary:

Michel Siboni received a monthly salary of NIS 248 thousand.

Fringe benefits:

Michel Siboni was entitled to fringe benefits as is standard for the Company's management members and officers.

Termination of employment:

Michel Siboni was entitled to a salary for an 8-month adjustment period.

Michel Siboni was entitled to severance pay of 200% (double the statutory severance pay) for the period commencing August 1, 2009 until the date of the revision of the employment agreement (October 2016). For the period from the start of his employment in the Company and up to July 31, 2009 (the date of his appointment as CEO of Harel Insurance), Michel Siboni will be entitled to 150% severance pay.

Michel Siboni undertook not to compete with the Company when his employment ends, for a period of 7 years from the termination of his employment in the Company, in return for a non-competition bonus of NIS 5,000,000. Under the non-competition commitment, Michel Siboni undertook that during the non-competition period he will not serve as the CEO of an insurance company in Israel, either as a salaried employee or as a service provider, and he also undertook not to utilize the knowledge he gained and will gain in the Company in the health insurance segment, and accordingly he undertook not to serve as a consultant to insurance companies in the health insurance sector.

Past rights accumulated by Michel Siboni in his position as CEO of Harel Insurance and for which provision was made in the past in the financial statements of Harel Insurance, in respect of the increased severance pay to which Michel Siboni is entitled up to the revision date as well as the adjustment fees, were deposited in trust in a savings policy on behalf of Michel Siboni, and they were released upon termination of his employment in Harel Insurance. Upon making this deposit, Harel Insurance was exempted from all its obligations towards Michel Siboni in connection with these amounts, when the date of termination of his employment is reached.

Stock options:

Within the framework of a stock options plan for officers and employees of the Group that was approved in August 2021, 180,000 stock options were granted to Michel Siboni which may be exercised for 180,000 ordinary NIS 0.1 par value shares of the Company, subject to adjustments, without any cash consideration. For additional information, see an Immediate Report of the Company dated August 30, 2021 (Ref. 2021-01-073378) and Section 8 below.

5. Employment conditions of Nir Cohen, who serves as CEO of the Company and CEO of Harel Insurance:

On February 1, 2024, Nir Cohen assumed his position as CEO of the Company. Nir Cohen, who serves as CEO of Harel Insurance since July 1, 2021, agreed to assume the position of CEO of the Company as well, without any further compensation for this additional office[2].

Prior to his appointment as CEO of Harel Insurance, he served as head of the HQ Division and Deputy CEO of Harel Insurance. Before that, he served as Senior Deputy Commissioner and Deputy Commissioner of the Capital Market, Insurance and Savings. The employment conditions of Nir Cohen as CEO of Harel Insurance were approved by the relevant organs of Harel Insurance prior to his appointment.

Nir Cohen also serves as chairman of the board of directors of the following financial institutions in Harel Group: Harel Pension & Provident Ltd. and the Tzva Hakeva Savings Fund - Provident Funds Management Company Ltd., and also he serves in a number of other private companies in Harel Group.

[2] Accordingly, Nir Cohen's compensation will not change if, for any reason, Nir Cohen is no longer CEO of the Company and continues to serve as CEO of Harel Insurance

On February 5, 2024, the Company's general meeting (after approval from the compensation committee and the Company's Board of Directors) approved the terms of Nir Cohen's compensation, which remain unchanged, for the period beginning on February 1, 2024, in which he will also serve as the CEO of the Company.

Details of Nir Cohen’s employment conditions:

Employment period:

The provisions of the employment agreement apply to an indefinite period. Notwithstanding the foregoing, each of the parties may terminate the agreement at any time, by giving nine months advance notice.

Current salary:

Nir Cohen receives a monthly salary of NIS 220 thousand. Nir Cohen's salary was calculated according to the maximum salary cost that may be approved, under the provisions of the Compensation of Officers Law, such that the cost of Nir Cohen's salary is equal to a ratio of 35 times the projected annual expense for to the lowest compensation, according to the cost of a full-time position paid to an employee of Harel Insurance, in the calendar year preceding the year for which Nir Cohen's projected employment cost is calculated. Any increase to Nir Cohen's salary, according to his employment conditions and according to the limit of the maximum employment cost, will be approved solely by the Company’s compensation committee and Board of Directors.

Fringe benefits:

Nir Cohen is entitled to a refund of reasonable expenses incurred while fulfilling his duties, including costs of a telephone / mobile phone, membership fees of professional associations, subscription to newspapers and professional literature, professional liability insurance, periodic medical examinations, group health / dental insurance for Harel Group employees, group term (life) assurance policy for senior Harel Group executives, group work disability policy for Harel Group employees, attending in-house training and incentive trips for agents (with partners), wellbeing activities as is standard in Harel Group (such as pre-festival gifts, vacation, meals, and team-building activities), purchase of Harel Group insurance products under conditions offered to the Group's employees, and purchase of Harel Finance financial products under conditions offered to Group employees.

Car:

Nir Cohen is entitled, at all times, to receive a company car, as is standard for the Company’s CEO. Should he decide to accept a company car for his own use, the tax value will be recognized as part of his ongoing salary and it will constitute part of the base for contributions under the provisions of the employment agreement.

Contributions for social benefits:

The Company will make contributions for social benefits according to generally accepted standards for pension, severance pay, and work disability. Likewise, Nir Cohen is entitled to contributions to an education fund in respect of his salary (7.5% of his salary at the employer's expense, and 2.5% at the employee's expense).

Convalescence days:

Nir Cohen is entitled to 10 convalesce days per year according to the rate published by the Coordinating Bureau of Economic Organizations

Vacation and sick days:

Nir Cohen is entitled to 30 days annual paid vacation. Nir Cohen is entitled to 30 days annual paid sick leave, and these days may also be accumulated up to a total of 180 days, although he will not be entitled to redeem them when his employment with the Company ends.

Indemnity and insurance:

Nir Cohen received a letter of indemnity as part of the resolutions passed by the Company and approved by the general meeting in July 2006 and March 2012. In addition, Nir Cohen is included in the collective D&O liability insurance policy.

Termination of employment:

Nir Cohen is entitled to a salary for a three-month adjustment period and an additional month for each year of employment as the CEO of Harel Insurance. The adjustment period will not exceed five months. It should be clarified that the entire adjustment payment is conditional upon the projected annual expense to the Company for the adjustment during his term of office as CEO being permitted for payment in accordance with the total projected annual cost of all compensation components under the Salary Cap Law.

Nir Cohen will be entitled to compensation of 150% (including a seniority supplement until June 30, 2021). From July 1, 2021, the compensation amounts to 100%.

Nir Cohen undertook that for two years from the end of his employment at Harel Insurance, he will not serve as CEO of an insurance company, in consideration of a grant in the amount of NIS 5,000,000. The arrangement is subject to the approval of the relevant bodies of the Company shortly before the termination of the CEO's employment.

Under the Company's compensation policy, Nir Cohen will be entitled, together with his family members, to continue to be included in the group insurance policies of Harel employees, after termination of employment, while paying the premiums, based on standard amounts for all Group employees.

Equity award:

Under the stock options plan for officers and employees of the Group that was approved in August 2021, 180,000 stock options were granted to Nir Cohen, exercisable for 180,000 ordinary shares of Harel Investments of NIS 0.1 par value shares each, subject to adjustments, without a cash consideration.

In addition, in September 2023, the Company's Board of Directors approved a private allotment of 180,000 stock options to Nir Cohen, exercisable for up to 180,000 ordinary shares of Harel Investments of 0.1 NIS par value each subject to adjustments, without a cash consideration.

6. Other senior officers:

6.1 Alon Eliraz

Alon Eliraz serves as Deputy CEO of Harel Insurance and Head of the Health and Life Insurance Division in Harel Insurance. The annual bonus for Alon Eliraz was determined in accordance with the parameters set out in the compensation policy and based on meeting various targets, including long-term targets set out in the compensation policy.

6.2 Hagit Chitayat-Levin

Hagit Chitayat-Levin serves as CEO of the subsidiary Harel Finance Holdings. The annual bonus for Hagit Chitayat-Levin is determined in accordance with the parameters set out in the compensation policy and based on meeting various targets, including long-term targets set out in compensation policy.

In January 2025, Hagit Chitayat-Levin announced her intention to end her position at the end of June 2025. After ending her position as CEO of Harel Finance, Hagit Chitayat-Levin is expected to be appointed as chair of the Board of Directors of Harel Finance Holdings.

6.3 Arik Peretz

Arik Peretz serves as the CFO of the Company, Deputy CEO of Harel Insurance, and Head of Finance & Resources Division in Harel Insurance. Arik Peretz also serves as CEO and director of Harel Finance & Issues, chairman of the board of EMI, director in Harel 60+, director in Mitzpen, and a director in other subsidiaries of the Harel Group. The annual bonus of Arik Peretz is determined in accordance with the parameters set out in the compensation policy and based on meeting various targets, including long-term targets set out in compensation policy.

7. Salary of directors who do not also serve as Company officers

The total salary paid to directors who serve the Company during the Reporting Period, for their service non the Company’s Board of Directors and on the various Board of Directors committees, amounted to NIS 3 million. This amount does not include payments to principal shareholders (Yair Hamburger, Gideon Hamburger, and Yoav Manor), who also serve as officers of the Company and its subsidiaries.

When the general meeting approved the Company's compensation policy on November 30, 2023, it was stipulated that the policy applies to directors serving in the Company and/or its subsidiaries, so that they are entitled to compensation for their service on the board of directors and on committees appointed by the board of directors, as defined in the Companies (Rules for the Compensation and Expenses of External Directors) Regulations, 2000, ("Compensation for External Directors Regulations") and they are not entitled to any bonus or additional compensation. In addition to the provisions prescribed in the Compensation for External Directors Regulations, the for external directors serving the Company and its subsidiaries, is also subject to the provisions prescribed in Regulation 2 of the Companies (Matters Not Constituting an Interest) Regulations, 2006 ("Interest Regulations"). Regarding directors who serve the Company and its subsidiaries and who are not external directors, the limitation prescribed in Regulation 2 of the Interest Regulations does not apply. If a director is appointed to another position which is not membership of the Board of Directors and/or committees appointed by the Board of Directors, the compensation will be determined in accordance with the nature of the position and will be submitted for the approval of the general meeting.

The salaries of directors who are not external directors will not be more than the salaries of the Company's external directors, other than directors who are controlling shareholders in the Company and their employment conditions are approved by the Company's general meeting, as specified in Section 3 above.

8. <u>Stock options plan for senior officers and employees of the Group</u>

On August 23 and 25, 2021, and on August 30, 2021, the Company's Compensation Committee and Board of Directors, respectively, approved a stock options plan for senior officers and employees of the Group. Under the plan, an outline plan was published which includes up to 8,548,000 stock options which may be exercised for 8,548,000 ordinary NIS 0.1 par value shares of the Company, subject to adjustments, without any cash consideration.

7,548,000 of all the options included in this stock options outline were offered to 158 employees, of which four are senior officers in the Company. The remaining options that were not allotted to specific recipients at that date (a reserve) were later allotted to other employees in the subsidiaries.

On the date of approval by the Company's Board of Directors and Compensation Committee, as noted above, an allotment of 250,000 options was approved to another executive with whom the Company has a consulting agreement, as well as to another advisor to the Company. These options are not part of the stock options outline or part of the allocation reports included in the plan, however the conditions for exercising these options are the same as those for exercising the options for the Group's senior officers and employees.

For additional information, see an Immediate Report of the Company dated August 30, 2021 (Ref. 2021-01-073378).

Additionally, on the date of approval by the Company's Board of Directors and Compensation Committee, as noted above, the Compensation Committee and Board of Directors approved an allotment of options for the Company's senior officers, which may be exercised for 3% of the shares in a private subsidiary.

On September 6, 2023, the Company's Board of Directors approved a private allotment of 180,000 options for Nir Cohen (who served at that time as CEO of Harel Insurance and currently serves as CEO of the Company) the same conditions as those of the 2021 options plan, as set out in Note 37 to the financial statements. The options were allotted on September 12, 2023, after receiving the approval of the Tel Aviv Stock Exchange Ltd.

On March 26, 2024 and on March 28, 2024, the compensation committee and the board of directors, respectively, approved another outline plan based on the option plan approved in August 2021. Under the outline, 994,000 options were offered to 29 employees in the Company's subsidiaries. In addition, 2,500,000 options were approved as a "reserve" for additional future allocations. In the Reporting Period, allotments of stock options from within this reserve were approved for additional subsidiary employees.

Regulation 21A – Control of the Corporation

The Company's controlling shareholders, Yair Hamburger, Gideon Hamburger and Nurit Manor ("the Controlling Shareholders"), hold 46.3% of the Company's voting rights and issued share capital. The Controlling Shareholders hold the Company through G.Y.N. Financial Consulting & Investment Management 2017 LP, which they fully own and control, and which they hold, as limited partners, through private, companies, wholly owned by each of the Controlling Shareholders ("GYN Partnership") and they also hold the general partner in the GYN Partnership.

Regulation 22 – Transactions with a Controlling Shareholder

Following is information, to the best of the Company's knowledge, about transactions with the Company's Controlling Shareholders or which the Controlling Shareholders have a personal interest in approving, in which the Company and/or the Group's companies entered into agreement during the reporting year or on a date after the end of the reporting year and up to the date of publishing this report, or that were approved before the Reporting Period, and are in force during the Reporting Period.

1. Agreement with an architect

   In January 2011, the Company entered into an agreement (which was amended in January 2016, in December 2017, December 2018, December 2019, December 2020, December 2021, December 2022, and December 2023) to obtain architectural services from Miki Kornhauser, who is the brother-in-law of Yair Hamburger, the controlling shareholder and Chairman of the Board of Directors of the Company ("the Agreement" and/or "the Engagement"). Under the Agreement, Miki Kornhauser provides on-going architectural services to the Company and its subsidiaries in various projects undertaken by the Company.

   The Company's Audit Committee and Board of Directors approved an amendment to the Agreement whereby the agreement period will be extended to December 31, 2025, and the monthly consideration for the architecture services will remain at NIS 28,000. For additional information about the Agreement, see the Company's Immediate Report dated December 31, 2024 (Ref: 2024--01-628947).

2. Entering into an employment agreement with a grandson of the controlling shareholder

   Idan Tamir, the grandson of Yair Hamburger, one of the controlling shareholders of the Company, has been employed by Harel Group since March 2019. As from this date, Idan Tamir is employed in a full time business development and marketing position at Harel Insurance.

   On May 22, 2023, May 29, 2023, and July 5, 2023, the compensation committees and boards of directors of the Company and Harel Insurance and the general meeting of the Company, respectively, approved the revised employment conditions for Idan Tamir.

   The agreements stipulated that Idan Tamir will receive a gross monthly salary of NIS 18 thousand. The Company may adjust the salary at a rate of up to 5% of the amount of salary in that year. In addition, Idan Tamir is entitled to fringe benefits as is standard in the Company, including an annual bonus, annual vacation, travel expenses, convalescence pay, contributions to an education fund, health insurance, meals, parking payment, and a mobile phone.

   For further information about the arrangement, see the Company's notice of a general meeting (Ref. 2023-01-057276).

3. Transactions listed in Section 270(4) of the Companies Law

   For information about the terms of employment of the controlling shareholders, see Regulation 21 above.

   3.1 Directors and Officers liability insurance (D&O)

   The Directors & Officers liability insurance policy (D&O) policy applies to incumbent senior officers of the Company and its subsidiaries and officers who may serve the Company and/or the subsidiaries from time to time (including senior officers who are deemed controlling shareholders or their relatives.

In accordance with the provisions of the Company's Compensation Policy, the Compensation Committee and Board of Directors approved renewal of the agreement between the Company and the subsidiary Harel Insurance regarding a D&O liability insurance policy, commencing October 31, 2024 for one year, which covers directors and officers of the Company and other companies in Harel Group, including individuals who may be considered controlling shareholders in the Company so that the sum insured will be USD 220 million and an additional Side A layer with a liability limit of USD 25 million. The cost of the annual premium for this cover and the deductible are in accordance with market conditions and were determined on the basis of proposals that Harel Insurance received from reinsurers. The cost is not material for the Company.

The main reasons given by the Compensation Committee and Board of Directors were: (a) the premium is defined according to the cost of the reinsurance of Harel Insurance, to which the insurance risk is transferred, so that by definition it reflects market conditions; (b) purchase of this policy is for the Company's good, given that it limits the Company's exposure on account of the letters of indemnity given to the directors and officers, and it allows the officers to fulfill their duties properly and for the benefit of the Company, taking into account the risks entailed and the responsibility that they bear by law; (c) the policy provides reasonable cover under the circumstances, when considering the size of the Company, scope and areas of its operations and its business plans; (d) this insurance cover was made in the normal course of the Company's business and it is accepted practice in public companies in Israel and in companies involved in insurance and financial services in particular; (e) purchase of the policy is consistent with the Company's compensation policy; (f) the cover will be given cover will be given to all the directors and officers serving the Group companies, under the same conditions, including for the controlling shareholders and their relatives; (g) the agreement is at market conditions and it will not significantly affect the Company's profitability, property or undertakings.

3.2 Indemnity

On July 12, 2006, a general meeting of the Company's shareholders approved several amendments to the Company's articles, including amendments pertaining to letters of indemnity for senior officers of the Company. Likewise, further to the approval of the Audit Committee and Board of Directors, the general meeting also approved giving an advance undertaking to indemnify the Company's officers and directors. The undertaking for indemnity is only after the rights under the insurance policy have been exhausted. The amount of indemnity is limited to 20% of the shareholders' equity in the last financial statements published before payment of the indemnity.

In January 2011, the Administrative Enforcement Law was published which, among other things, allows the Israel Securities Authority, to enforce the provisions of the Securities Law through various proceedings, including to impose various sanctions on the senior officers and directors of a company. Among other things, the Administrative Enforcement Law stipulates that despite the prohibition on insuring and indemnifying a senior officer in respect of financial penalties or fines that are imposed within the framework of administrative enforcement, a person can be insured or indemnified in respect of the following two categories of payment: (i) payment of compensation to the victims of a breach of the Securities Law imposed as part of an administrative enforcement procedure; (ii) expenses incurred by a person in connection with an administrative enforcement procedure that is conducted against him, including reasonable litigation expenses, and including lawyers' fees. The indemnity may also be given by way of giving an advance undertaking. The law stipulates that to enable the Company to insure or indemnify the aforementioned senior officers, the Company's articles must be amended to include the possibility of giving such insurance and indemnity.

As mentioned above, pursuant to a resolution of the Company's general meeting from July 12, 2006 (after being approved by the Audit Committee and Board of Directors), from time to time the Company gave its senior officers letters of indemnity in which it gave an advance undertaking to provide indemnity in respect of the matters specified therein, and subject to conditions stipulated therein, where the amount of the indemnity is limited to 20% of the Company's equity according to the last financial statement published prior to the actual date of payment of the indemnity, and this to the senior officers severally and together, for an individual case and in aggregate.

On January 29, 2012 and January 30, 2012, the Company's Audit Committee followed by the Board of Directors, respectively, approved amended letters of indemnity for its senior officers and directors, including directors who are the controlling shareholders of the Company. On March 5, 2012, the general meeting approved the granting of the amended letters of indemnity to the Company's senior officeholders and directors, including to controlling shareholders. There is no change to the Company's limit of liability in the amended letters of indemnity, but they include an option for indemnity based on the indemnity permitted under the Administrative Enforcement Powers Law. The letters of indemnity will be given to senior officers currently serving the Company and those who may serve the Company from time to time (including senior officers who are deemed controlling shareholders or their relatives, as well as senior officers where a controlling shareholder of the Company may be deemed to have a personal interest in granting them the letters of indemnity).

It is stipulated that the decision to approve the amended letters of indemnity does not nullify the previous letters of indemnity, but adds to them. Subsequent to the aforementioned decisions, letters of indemnity were issued for the Company's directors and senior officeholders, the text of which was approved as noted above.

4. <u>Procedures for approval of transactions with controlling shareholders</u>

The Companies Law prescribes procedures for approving extraordinary transactions with a company’s controlling shareholders and for approving transactions in which an officer of the company (including a director) has a personal interest. Accordingly, the Company and its subsidiaries approved work procedures that make it easier to identify transactions with such controlling shareholders, and prescribe the process for approving them, as follows:

4.1. <u>Transactions defined as negligible</u>

During the normal course of business, the Company and its investees perform transactions with the controlling shareholders as part of the services rendered by the Company to the controlling shareholders and their investees (for example: insurance, long-term savings products, and various financial services). On March 20, 2025 and March 25, 2025, respectively, the Company's Audit Committee and Board of Directors, respectively, determined that a transaction with a controlling shareholder shall be deemed negligible if it meets all the following conditions:

(a) It is not an extraordinary transaction (according to the meaning of this term in the Companies Law) and as noted in Section 4.2 below).

(b) Regarding insurance transactions, long-term savings and financial services: the same rules apply to these transactions as to the benefits given to all Group employees, as approved by the Board of Directors.

(c) The sum insured in the Company’s self-retention in each policy is no more than NIS 10 million, and the sum insured in each policy is no more than NIS 50 million. This limitation does not apply to savings policies.

(d) Other agreements, for which the cumulative annual cost to the Group is no more than NIS 100,000.

It is stipulated that any transaction for services provided by a controlling shareholder or his or her relative will not be classified as a negligible transaction.
It is further stipulated that separate transactions, which are interdependent, so that in practice they are part of the same agreement, shall be construed as a single transaction. Transactions that fall within the parameters of negligible transactions do not require special approval.

4.2. <u>Non-extraordinary transactions</u>

Pursuant to the provisions of Section 117 of the Companies Law, the audit committee of a public company is the organ authorized to make decisions concerning the categorization of transactions under Section 270 of the Companies Law, as extraordinary transactions or non-extraordinary transactions.

To the extent that the Audit Committee determined that this is not an extraordinary transaction, the Audit Committee will be the competent entity for approving the entering into such a transaction.

Pursuant to the provisions of Section 117(1A) of the Companies Law, the Audit Committee may decide whether to classify transactions as extraordinary or non-extraordinary transactions, based on criteria to be determined once a year, in advance.

Accordingly, on March 20, 2025, the Audit Committee of Harel Insurance and the Company determined that the following transactions with the Company's controlling shareholder or with companies that it controls or transactions with senior officers of the Company or with companies in which officers of the Company serve as directors or officers ("the principal shareholders / interested parties") including the relative of each of them, shall not be deemed an "extraordinary transaction" according to the meaning of this term in the Companies Law, and this – subject to a combination of the conditions listed below:

4.2.1. The transaction is one of the following: (1) commitments with the principal shareholders for the issue of insurance policies, in any of the policy categories offered by the Company, through the Company's subsidiaries (including group policies); (2) engagements with principal shareholders for the purchase of long-term savings products, including pension funds and provident funds; and including pension advice services carried out by agencies owned by the Group; (3) the opening of accounts for the principal shareholders in a portfolio management company that is part of the Group's companies; (4) investment in investment funds managed by the Group's companies; (5) entering into an agent’s agreement; (6) entering into a supplier’s agreement (it is stipulated that regarding a service provider who is a controlling shareholder in the Company or its relative, the approval of the Company’s audit committee and board of directors must be given, notwithstanding that mentioned in this clause); (7) loans provided to principal shareholders, including reverse mortgage loans; (8) the leasing of real estate assets owned by the Group.

These transactions are performed during the normal course of the Company's on-going business. The scope of each of the aforementioned transactions is insignificant to the Company, and the scope of the aforementioned transactions (excluding the group transactions) in aggregate is also not significant for the Company. It is stipulated that when calculating the scope of such transactions, all the consideration, premiums, commissions and management fees to be paid to the Company in connection with these transactions in the relevant year will be taken into account. In view of the volume of the Company's business, these aforementioned transactions do not significantly affect the Company's profits, assets or liabilities. It is clarified that a "significant amount for the Company" will be considered 5% of the annual profit (after taxes) of Harel Insurance.

Furthermore, when referring to the agreements mentioned in Section 4.2.1(6) above (supplier’s agreement) - the reference is to an agreement whose cost to the Company does not exceed NIS 1 million if it is a one-time agreement or, for an ongoing agreement, whose cost to the Company does not exceed NIS 5 million. The aforementioned limits of NIS 1 million and NIS 5 million do not apply when the reference is to an engagement with a law firm, firm of assessors or firm of investigators.

4.2.2. The transaction is to be performed under market conditions. In this instance, market conditions will be defined as follows:

4.2.2.1. Regarding the agreements noted in Sections 4.2.1 (1), (2) and (3) above, (issue of insurance policies, sale of long-term savings products, including pension and provident funds; opening principal shareholder accounts with a portfolio management company and pension advisor) - a transaction under market conditions shall be deemed a transaction the conditions of which are: (1) they are under the same rules of benefit as those given to all Group employees who wish to purchase the same product ("Group employee conditions"), or they are not more advantageous for the principal shareholder than the aforementioned conditions. It is stipulated that Group employee conditions are the same for all employees of the Group, and that the Group has agreements with business customers who receive benefits that are superior to those of the Group's employees. The Group therefore regards the Group employee conditions as market conditions. The conditions from which all Group employees benefit are prescribed in a resolution passed by the Audit Committee and approved by the Company’s Board of Directors, or (2) in the Company’s official price list. It is stipulated that the head of the relevant business division has the power to approve a 10% deviation from the price list defined for the employees, as accepted in negotiations, and to approve an overall deviation of 25% from the price list if there is a counter offer from another insurance company/ pension representative, provided that the price given is not less than the counter offer; or (3) on agreements as noted in Section 4.2.1(1) above, in relation to business insurance or insurance for luxury vehicles, a transaction at market conditions shall be deemed a transaction that the relevant manager (according to its definition in the Company’s procedures) confirms in writing is at market conditions, namely - at least one of the following conditions is satisfied: (1) there are at least two examples of similar transactions with unrelated parties, under the same conditions; or (2) there is a competing offer from another entity, under conditions that are not better for the insurer compared with the company’s offer; or (3) the transaction is covered by facultative reinsurance, under reasonable conditions; or (4) concerning commitments as noted in Section 4.2.1(1) above for a group policy, a transaction under market conditions shall be deemed a transaction that the relevant manager (according to its definition in the Company’s procedures) confirms in writing is under market conditions, namely - at least two of the following examples of similar transactions with unrelated parties, under the same conditions

4.2.2.2. Regarding the agreements as noted in Section 4.2.1(4) above (investment in investment funds managed by the Group's companies) – for ETFs investing in marketable securities, such transactions, when performed with the management company or the subsidiary as coordinated transactions during stock exchange trading, are performed at the same price for the principal shareholder and for any other investor. These transactions will therefore be deemed transactions under market conditions.

- Regarding transactions in investment funds managed by Harel Finance Alternative Ltd. or Harel Alternative Investment Funds Ltd. or through other Harel Group companies, under the terms of the Group's employees, or they are not more advantageous for the principal shareholder than the aforementioned conditions. It is stipulated that Group employee conditions are the same for all employees of the Group, and that the Group has agreements with business customers who receive benefits that are superior to those of the Group's employees. The Group therefore regards the Group employee conditions as market conditions. The conditions from which all Group employees benefit are prescribed in a resolution passed by the Audit Committee and approved by the Company’s Board of Directors.

4.2.2.3. Regarding the agreements as noted in Section 4.2.1(5) above (engagement in an agent’s agreement) - these engagements were made under conditions similar to the agreements with agents who are not an interested party, that the relevant manager (according to its definition in the Company’s procedures) confirmed were market conditions.

4.2.2.4. Regarding the agreements as noted in Section 4.2.1(6) above (supplier’s agreement) - such agreements are made under conditions that are similar to the conditions in which the Company enters into agreement with suppliers for other similar services, who are not interested parties in the Company, there is at least one offer or expert opinion from a third party, for providing the aforementioned service, under conditions that are not better for the Company. Regarding to agreements with law firms, firm of assessors or firm of investigators, it will not be necessary to receive a competing offer or expert opinion, and in this case written confirmation from the that the relevant manager (according to its definition in the Company’s procedures) that the conditions are market conditions will be sufficient.

4.2.2.5. Regarding the agreements as noted above in Section 4.2.1(7) above (Loans provided to interested parties (including "reverse mortgage" loans)), such loans are provided under the same conditions as the loans provided to the Company's employees and subject to that the CEO / Head of Department documents in writing that there at least two transactions under similar conditions to entities that are not interested parties.

4.2.2.6. Regarding the agreements as noted above in Section 4.2.1(8) (leasing of real estate assets) – these assets will be leased under the same conditions as real estate assets of the Group are leased to unrelated third parties, as approved by the head of the assets division in the investment division.

Transactions that take place within the range described above, and in accordance with the Company's procedures concerning interested party agreements, will not require individual approval by the Company's competent organs, and this for a limited period until the end of the year from the date of this approval. Any other transactions that are not extraordinary and not negligible must be approved individually, as noted in Section 4.3 below.

Notably, as mentioned in the procedure on agreements with interested parties in the Company: (1) the payment of bonuses in accordance with the compensation plan approved by the Company's Board of Directors and Board of Directors of Harel Insurance, as well as ongoing salary updates at rates which according to the Company's compensation policy do not require special approval, will not be deemed an extraordinary transaction and will not require special approval in addition to the approvals required under the Company's compensation policy and in accordance with the law; (2) the payment of a claim to an interested party by virtue of an existing policy in the Company which does not deviate from the policy conditions will not be deemed an agreement with an interested party and will not require special approval. Payment of a claim ex gratia in accordance with accepted claims settlement practice does not require individual approval, as long as the approval is for an amount of up to NIS 5,000. Any payment of a claim to an interested party that is not in accordance with the policy conditions and exceeds NIS 5,000 must be submitted for the approval of the Audit Committee prior to payment.

4.3. Transaction that is neither negligible nor extraordinary

Section 117(2A) of the Companies Law prescribes, among other things, that the Audit Committee must prescribe the manner of approving transactions that are not negligible, including transactions of this kind that may require its approval. On this, a "non-negligible transaction" is an extraordinary transaction between a public company and a controlling shareholder therein or with another person in which the controlling shareholder has a personal interest regarding which the Audit Committee has resolved that it is a non-extraordinary transaction and has categorized it as a non-negligible transaction.

On March 20, 2025, the Company's Audit Committee determined that transactions with controlling shareholders that are not extraordinary and are not negligible must be approved exclusively by the Company's Audit Committee. On the manner of approval and a competitive process that must be held - see Section 4.4 below.

It is stipulated that the foregoing is not intended to derogate from that mentioned in Section 4.2 above, concerning transactions approved in advance by the Audit Committee and Board of Directors, and that do not require additional approval, beyond the annual master approvals.

4.4. Holding a competitive process (tender) for transactions with a controlling shareholder

Section 117(1B) of the Companies Law stipulates that the audit committee must define the types of transaction with a controlling shareholder or in which the controlling shareholder has a personal interest, even if they are not extraordinary transactions, for which a competitive process (tender) must be held, under the supervision of the committee or the entity prescribed for this purpose, and the criteria that apply to the competitive process, or it must stipulate that "other procedures" were applied as defined by the audit committee before entering into a transaction, depending on the type of transaction. In this instance, the audit committee may define the criteria once a year in advance.

The amendment to the law does not include a definition of the substance of the competitive process, and it leaves this to the discretion of the audit committee. Even if the audit committee decides to conduct other processes, it must give these other processes content that corresponds with the purpose of the new obligation, which is to define a mechanism that ensures that the transaction entered into serves the best interests of the company, including that it examines the other options available to the company alongside the option proposed by the controlling shareholder.

<u>The approval processes defined by the Audit Committee and Board of Directors:</u>

It was determined that transactions between the Company and the controlling shareholders or with any other person in which the controlling shareholder has a personal interest, excluding transactions that are defined as negligible transactions (as noted in Section 4.1 above), and excluding transactions that were approved in advance as transactions that are not extraordinary and do not require additional approval (as noted in Section 4.2 above), will be approved as set out below:

If the total cost of the agreement to the Company, including the cost in respect of an option or extension period, is not more than NIS 10 million, the following provisions apply:

- When the transaction involves goods or services for which several supplies can provide the service to the same standard, availability and other parameters, as a rule the competitive process will take place through the relevant department in Harel contacting at least two additional suppliers for written price quotes. It is noted that the contact will be made in parallel (wherever possible) and in a manner that facilitates a proper, effective process to determine the price quote for the relevant agreement.
- If, due to the character or quality of the goods and services or due to considerations of quality, it is problematic to contact suppliers for written offers, one of the following options will be chosen:
    - An opinion will be obtained from two, expert independent entities in the relevant field with respect to the market conditions (who did see the price quote of the controlling shareholder or his or her relative beforehand).
    - Suppliers in the field will be contacted, giving weight in advance to quality parameters to be defined before the process begins by the Company's CFO.

  Subsequent to this process, the Audit Committee will be required to approve the transaction. The Audit Committee discussion will take place after the competitive process has been conducted by the entity in the Company or the subsidiary that initiated the agreement.

  Whenever the agreement involves more than NIS 10 million, the following provisions will apply:

- The Audit Committee will hold a preliminary discussion to determine the competitive process or the other process to be chosen in advance by the Audit Committee, for the purpose of reviewing the agreement.
- The competitive process or the other process defined by the Audit Committee will be carried out and it will be administered by the person charged with this responsibility in a resolution passed by the Audit Committee.
- The results of the competitive process will be submitted to the Audit Committee, which will discuss the agreement based on the results of the process that was carried out.
- After receiving the Audit Committee's approval, the agreement will be submitted for the approval of the Board of Directors and the general meeting, if required.

Regulation 24 – Shares Held by Interested Parties and Senior Officers in the Company

A. Company shares held by interested parties

See information in a report published by the Company on the Magna website on January 2, 2025, ref.: 2025-01-000850.

B. Agreements between interested parties of the Company

There are no agreements between the interested parties of the Company (except for partnership agreements that arrange the holdings of the controlling shareholders (indirectly) in the GYN Partnership). The controlling shareholders of the Company are Yair Hamburger, Gideon Hamburger and Nurit Manor. For additional information, see Regulation 21A above.

C. Shares and other securities held by an interested party of the Company, in subsidiaries and related companies

See information in a report which the Company published on the Magna website on January 6, 2025, ref.: 2025-01-001759.

D. Holdings in the Company by senior officers

See information in a report which the Company published on the Magna website on January 2, 2025, ref. 2025-01-000850.

Regulation 24A – Registered Capital, Issued Capital and Convertible Securities

The Company's registered share capital is 500,000,000 ordinary NIS 0.1 shares.

At the publication date of the report, the Company's issued share capital is 224,941,783 ordinary shares each of NIS 0.1 par value, of which 18,063,092 are dormant shares that do not confer any rights. The Company's issued share capital net of the dormant shares is 206,878,691 ordinary shares of NIS 0.1.

For information about the stock options plan for employees and officers, see Section 8 in Regulation 21 above.

Regulation 24B – Register of Shareholders of the Corporation

Name of registered shareholder	I.D. / company no.	Address	Class of share	Par value	Number of shares	Whether held as trustee
The Tel Aviv Stock Exchange Nominee Company Ltd.	515736817	2 Ahuzat Bayit, Tel Aviv	Ordinary	NIS 0.1	140,884,543	Yes
Gideon Hamburger	7048663	64 Pinkas St., Tel Aviv	Ordinary	NIS 0.1	680	No
Yair Hamburger	7048671	29 Derech Haganim, Kfar Shmaryahu	Ordinary	NIS 0.1	690	No
Nurit Manor	51171312	62 Pinkas St., Tel Aviv	Ordinary	NIS 0.1	680	No
G.Y.N. Financial Consulting and Investment Management 2017 LP	550272587	3 Abba Hillel Silver St., Ramat Gan	Ordinary	NIS 0.1	84,054,570	No
Yehudah Barlev	64837123	3A Tolkovsky St., Tel Aviv	Ordinary	NIS 0.1	410	No
Jacob Schlussel	54072079	52 Bilu St., Raanana, POB 453	Ordinary	NIS 0.1	10	No
Shaul Pasternak	1069144079	82 Herzl St., Lod	Ordinary	NIS 0.1	50	No
Michael Neumann	58463365	Yozma Insurance Agency, POB 2114, Jerusalem 91020	Ordinary	NIS 0.1	50	No
Arie Lavie	65385276	14 Nachshon St., Ramat Hasharon	Ordinary	NIS 0.1	50	No
Israel Pnini	10644995	53 HaEshel St., Herzliya	Ordinary	NIS 0.1	20	No
Amoren Gabrieli	059111195	8/8 Israel Galil St., Tel Aviv	Ordinary	NIS 0.1	30	No
Total					224,941,783	

Regulation 26 – The Company's Directors

In this Regulation:

1) The Group companies - the Company and its investees.
2) "Professional qualifications" and "financial and accounting expertise", as defined in the Companies Regulations (Conditions and Examinations regarding a Director with Accounting and Financial Expertise and a Director with Professional Qualifications), 2005 (“the Qualifications Regulations).

Name:	**Yair Hamburger**
I.D. no.	7048671
Date of birth:	June 27, 1946
Address for serving court documents:	29 Derech Haganim, Kfar Shmaryahu
Citizenship:	Israeli
Membership of Board of Directors committees:	Yes; committee for Non-yield-dependent investments (Nostro), Strategy Committee, Investments Committee
External Director:	No
Does the director have accounting and financial expertise:	Yes
Is the director an employee of the Company, a subsidiary, related company or interested party:	Yes; Chairman of the Company’s Board of Directors, director in Harel Insurance, Chairman of the Board of Harel Finance & Issues, director in Harel Finance, director in Harel-Mutual Funds, director in Interasco, chairman of the board of directors in Turk Nippon, director other companies in Harel Group
Date of commencement of office:	April 20, 1982
Qualifications:	BA in Economics and Political Science, The Hebrew University of Jerusalem
Occupation over the last five years:	Chairman of the Board of Directors of Harel Insurance (until June 2021) and served in Harel Group companies as detailed above
Corporations in which the director serves as a director (other than the Group's companies):	Chairman of Kadid Ltd., Chairman of Kaydan Ltd., Director in the Israel Philharmonic Foundation, Board of Governors of Tel Aviv University, member of the managing committee of Educating for Excellence (E4E), deputy chair of the German-Israeli Future Forum Foundation, Chairman of the Association of Life Insurance Companies, Honorary President of Maccabi World Union, member of the executive council of the Juvenile Diabetes Foundation in Israel
Is the director related to other principal shareholders in the Company:	Brother of Gideon Hamburger and Nurit Manor, brother-in-law of Yoav Manor

The Company's Board of Directors has determined that Yair Hamburger has financial and accounting expertise, in accordance with the Qualifying Regulations, in light of his professional education and experience.

Name:	**Gideon Hamburger**
I.D. no.	7048663
Date of birth:	June 9, 1944
Address for serving court documents:	64 Pinkas St., Tel Aviv
Citizenship:	Israeli
Membership of Board of Directors committees:	No
External Director:	No
Does the director have accounting and financial expertise::	No
Is the director an employee of the Company, a subsidiary, related company or interested party:	Yes; Director of the Company, President of Harel Insurance and Finance Group, director in Harel Finance, director in Harel Finance & Issues, director in Interasco, director in other Harel Group companies
Date of commencement of office:	April 20, 1982
Qualifications:	Academic. FCII – graduate and Fellow of the London Chartered Insurance Institute
Occupation over the last five years:	Served in Harel Group companies as noted above
Corporations in which the director serves as a director (other than the Group's companies):	HG SBT Ltd., H. G. Hamburger Investments Ltd., Weizmann Institute, member of the Board of Governors of Bar Ilan University, President of Israel Switzerland & Liechtenstein Chamber of Commerce, Honorary President and member of management of Variety Israel
Is the director related to other principal shareholders in the Company:	Brother of Yair Hamburger and Nurit Manor, brother-in-law of Yoav Manor

Name:	**Yoav Manor**
I.D. no.	00551168
Date of birth:	January 4, 1950
Address for serving court documents:	62 Pinkas St., Tel Aviv
Citizenship:	Israeli
Membership of Board of Directors committees:	No
External Director:	No
Does the director have accounting and financial expertise:	No
Is the director an employee of the Company, a subsidiary, related company or interested party:	Yes; Director of the Company, Chairman of the Board of Directors of Harel Hamishmar Computers, director in Harel Insurance, director in Harel Finance, director in Harel Finance & Issues, director in other Harel Group companies
Date of commencement of term of office:	April 20, 1982
Qualifications:	B.Sc. in Electronic & Computer Engineering, Tel Aviv University

Occupation over the last five years:	Served in Harel Group companies as noted above.
Corporations in which the director serves as a director (other than the Group's companies):	Manorim Ltd., I Dream GR Ltd., Kidvay Ltd., Metzudat Shimshon Ltd., The Lebanon Forest Ltd., Manox Ltd., Between the Alleys Ltd.,The House in Plonit Alley Ltd., Funzing Israel F.I. Ltd., and Salute Rehab Ltd.
Is the director related to other principal shareholders in the Company:	Husband of Nurit Manor and brother-in-law of Yair Hamburger and Gideon Hamburger

Name:	**Doron Cohen**
I.D. no.	069418945
Date of birth:	August 9, 1964
Address for serving court documents:	2 Egoz St., Reut 71908
Citizenship:	Israeli
Membership of Board of Directors committees:	Audit Committee.
External Director:	No
Does the director have accounting and financial expertise:	Yes
Is the director an employee of the Company, a subsidiary, related company or interested party:	No
Date of commencement of office:	July 12, 2006
Qualifications:	BA in Economics and Business Management, MBA (majored in financing), The Hebrew University of Jerusalem
Occupation over the last five years:	Director in the Company, director in Harel Finance, deputy chairman of Yield-Dependent (Members) Investment Committee of Harel Group, director in Harel Finance Alternative, Chairman of the Board in Harel Alternative Investment Funds Ltd., director in Emcol Ltd. (until March 31, 2021), director in El Al Israel Airlines Ltd. (until August 2021), financial consulting and management
Corporations in which the director serves as a director (other than the Group's companies):	Mivne Real Estate Ltd., Trigger D.C. Holdings Ltd., Trigger D.C. Ltd., and member of the management committee and member of the governing council of Open University
Is the director related to other principal shareholders in the Company:	No

The Board of Directors has determined that Doron Cohen has financial and accounting expertise in accordance with the Qualifications Regulations, in light of his professional qualifications and experience.

Name:	**Ben Hamburger**
I.D. no.	032254625
Date of birth:	March 14, 1975
Address for serving court documents:	13 HaTikva, Ramat HaSharon
Citizenship:	Israeli
Membership of Board of Directors committees:	Non-yield-dependent (Nostro) Investment Committee, Strategy Committee, Investment Committee
External Director:	No
Does the director have accounting and financial expertise:	Yes
Is the director an employee of the Company, a subsidiary, related company or interested party:	No
Date of commencement of office:	January 17, 2017
Qualifications:	BA in Economics and Accounting, Tel Aviv University. MBA specializing in financing, Columbia Business School, NY
Occupation over the last five years:	Deputy Chairman of the Company's Board of Directors, director in Harel Insurance, CEO of HLO Advisory Limited – a family real-estate firm in England
Corporations in which the director serves as a director (other than the Group's companies):	Director in other family real-estate firms in England
Is the director related to other principal shareholders in the Company:	Is the son of Gideon Hamburger and nephew of Yair Hamburger and Nurit Manor. Yair Hamburger, Gideon Hamburger and Nurit Manor are the Company's controlling shareholders.

The Board of Directors has determined that Ben Hamburger has financial and accounting expertise in accordance with the Qualifications Regulations, in light of his professional qualifications and experience.

Name:	**Eli Defes**
I.D. no.	052016631
Date of birth:	July 31, 1953
Address for serving court documents:	24 HaZayit, Mazkeret Batya
Citizenship:	Israeli
Membership of Board of Directors committees:	Audit Committee.
External Director:	No
Does the director have accounting and financial expertise:	Yes
Is the director an employee of the Company, a subsidiary, related company or interested party:	No
Date of commencement of office:	May 2, 2018

Qualifications:	BA in Political Science, Sociology and Anthropology, Bar Ilan University, and MA in Political Science / National Security from Haifa University and the IDF Israel National Defense College
Occupation over the last five years:	Director in the Company, director in Harel Insurance
Corporations in which the director serves as a director (other than the Group's companies):	Chairman of the Board of Directors' of Raphael Hospitals Ltd.
Is the director related to other principal shareholders in the Company:	No

The Board of Directors has determined that Eli Defes has financial and accounting expertise in accordance with the Qualifications Regulations, in light of his professional qualifications and experience.

Name:	**Michel Siboni**
I.D. no.	027065697
Date of birth:	April 9, 1959
Address for serving court documents:	44 Usshiskin St., Tel Aviv
Citizenship:	Israeli
Membership of Board of Directors committees:	Strategy committee
External Director:	No
Does the director have accounting and financial expertise:	Yes
Is the director an employee of the Company, a subsidiary, related company or interested party:	Yes, director in the Company, director in Harel Insurance
Date of commencement of office:	February 5, 2024 (served in various positions in Harel Group since 1993
Qualifications:	BA in Natural Sciences - Physics and Atmosphere, Hebrew University of Jerusalem, and diploma in Business Management for Engineers, M.L.N.
Occupation over the last five years:	CEO of the Company and Chairman of the Board of Harel Insurance (until January 2024); CEO of Harel Insurance (until June 2021), Chairman of the Board of Harel Pension and Provident and Tzva Hakeva Saving Fund (until August 2021), Chairman of the Board and shareholder in Hamazpen Shutaphim Laderech Ltd., director in Interasco, and director in other Harel Group subsidiaries
Corporations in which the director serves as a director (other than the Group's companies):	None
Is the director related to other principal shareholders in the Company:	No

The Board of Directors has determined that Michel Siboni has financial and accounting expertise in accordance with the Qualifications Regulations, in light of his professional qualifications and experience.

Name:	**Naim Najjar**
I.D. no.	028162824
Date of birth:	October 6, 1970
Address for serving court documents:	5093/20 Street, Nazareth
Citizenship:	Israeli
Membership of Board of Directors committees:	Audit Committee and Compensation Committee
External Director:	Yes
Does the director have accounting and financial expertise:	Yes
Is the director an employee of the Company, a subsidiary, related company or interested party:	No
Date of commencement of office:	June 1, 2020
Qualifications:	BA in Accounting and Economics – The Hebrew University of Jerusalem, MBA – Haifa University. Graduate of course "Training for Directors in Corporations" on behalf of the Institute of Certified Public Accountants in Israel
Occupation over the last five years:	External Director in the Company, Managing Partner in CPA firm Gerst, Sadeh, Kirson, Najjar, founder and CEO of investment consultancy N.N. Nazareth Ltd., member of the Bank of Israel's Supervisory Council, CFO in Polyphony Education Ltd., chairman of Al-Ittihad Football Club, Nazareth
Corporations in which the director serves as a director (other than the Group's companies):	Chairman of the Board of Directors' of Raphael Hospitals Ltd.
Is the director related to other principal shareholders in the Company:	No

The Board of Directors has determined that Naim Najjar has financial and accounting expertise in accordance with the Qualifications Regulations, in light of his professional qualifications and experience.

Name:	**Efrat Yavetz**
I.D. no.	058677881
Date of birth:	1964
Address for serving court documents:	71 HaVradim, Yahud
Citizenship:	Israeli
Membership of Board of Directors committees:	Audit Committee, Compensation Committee, Investments Committee
External Director:	Yes
Does the director have accounting and financial expertise:	Yes

Is the director an employee of the Company, a subsidiary, related company or interested party:	No
Date of commencement of office:	January 7, 2021
Qualifications:	B.Sc. (Cum Laude) in Biochemistry and Nutrition – The Hebrew University of Jerusalem, Faculty of Agriculture. MBA, Tel Aviv University as part of the Executive MBA program, Investment Consulting Diploma from the Israel Securities Authority
Occupation over the last five years:	External Director in the Company, strategic advisor at Tack Growth Strategies Ltd.
Corporations in which the director serves as a director (other than the Group's companies):	None
Is the director related to other principal shareholders in the Company:	No

The Board of Directors has determined that Efrat Yavetz has financial and accounting expertise in accordance with the Qualifications Regulations, in light of her professional qualifications and experience.

Name:	**Ayelet Ben-Ezer**
I.D. no.	058129842
Date of birth:	June 8, 1963
Address for serving court documents:	12 HaNarkissim, Kfar Shmaryahu
Citizenship:	Israeli
Membership of Board of Directors committees:	Audit Committee, Compensation Committee
External Director:	Yes
Does the director have accounting and financial expertise:	No
Is the director an employee of the Company, a subsidiary, related company or interested party:	No
Date of commencement of office:	September 5, 2022
Qualifications:	LL.B., LL.M. and Ph.D. from Tel Aviv University.
Occupation over the last five years:	Director in the Company, CEO and Vice President at Reichman University (IDC Herzliya), Chair of the Audit Committee of Habima - National Theater of Israel (Municipal Corporation), independent director in Shufersal Ltd. (until 2022)
Corporations in which the director serves as a director (other than the Group's companies):	None
Is the director related to other principal shareholders in the Company:	No

Name:	**Yochi Dvir**
I.D. no.	051583078
Date of birth:	July 27, 1952
Address for serving court documents:	15 Amirim St., Shikun Dan, Tel Aviv
Nationality:	Israeli
Membership of Board of Directors committees:	Audit Committee, Compensation Committee
External Director:	Yes
Does the director have accounting and financial expertise:	Yes
Is the director an employee of the Company, a subsidiary, related company or interested party:	No
Date of commencement of office:	May 30, 2024
Education:	BA in Economics and Statistics, University of Haifa Completed full studies for an MA in Statistics and Operations Research at the Hebrew University, without fulfilling the thesis requirement
Occupation over the last five years:	External director at Shomera Insurance Company Ltd. (until 2024), external director at Menora Mivtachim (until 2024), strategic business consultant for business development
Corporations in which the director serves as a director (other than the Group's companies):	Nice Systems
Is the director related to other principal shareholders in the Company:	No

The Company's Board of Directors has determined that Yochi Dvir has financial and accounting expertise, in accordance with the Qualifying Regulations, in view of her professional education and experience.

<u>External director who terminated his service in the Reporting Period:</u>

Name:	**The late Joseph Ciechanover**
I.D. no.	5991468
Date of commencement of office:	January 21, 1995 .
Date of termination of office	September 17, 2024

Regulation 26A – Senior Officers of the Company (Other than Directors)

Name:	**Nir Cohen**
I.D. no.	27969484
Date of birth:	March 17, 1971
Date of commencement of office:	February 1, 2024 (has held various positions in Harel Group since 2011)
Position in the Company, a subsidiary, or principal shareholder therein:	CEO of the Company, CEO of Harel Insurance Company Ltd.; Chairman of the Board of Harel Pension and Provident Ltd., Chairman of the Board of Tzva Hakeva Saving Fund - Provident Fund Management Company Ltd., director in other Harel Group companies
Is the director related to any other senior officer in the Company:	No
Qualifications:	BA in Economics and Management from the College of Management, MA in Economics from the Hebrew University of Jerusalem.
Occupation over the last five years:	CEO of Harel Insurance, Deputy CEO and Head of the HQ Division in Harel Insurance (until July 2021), Chairman of the Board of LeAtid (until July 2021), director in additional Harel Group companies

Name:	**Gilad Shapiro**
I.D. no.	016843385
Date of birth:	March 31, 1974
Date of commencement of office:	June 1, 2022
Position in the Company, a subsidiary, or principal shareholder therein:	Chief Legal Counsel, Deputy CEO of Harel Insurance
Is the director related to any other senior officer in the Company:	No
Qualifications:	LL.B. from Bar Ilan University. MBA, The Technion
Occupation over the last five years:	Legal Counsel for the Investment Division of Harel Insurance (until 2022)

Name:	**Sami Babecov**
I.D. no.	58378985
Date of birth:	September 10, 1963
Date of commencement of office:	2007
Position in the Company, a subsidiary, or principal shareholder therein:	Head of investments in Harel Group, Deputy CEO and head of the Investment Division in Harel Insurance, director in companies in Harel Group
Is the director related to any other senior officer in the Company:	No
Qualifications:	MBA, Bar Ilan University. BA in Economics, Tel Aviv University.
Occupation over the last five years:	Served in Harel Group as specified above.

Name:	**Hagit Levin**
I.D. no.	58424144
Date of birth:	September 13, 1963
Date of commencement of office:	November 1, 2022
Position in the Company, a subsidiary, or principal shareholder therein:	CEO of Harel Finance Holdings Ltd., director in I.C.I.C. Israel Credit Insurance Company Ltd, director in companies in the finance arm of Harel Group.
Is the director related to any other senior officer in the Company:	No
Qualifications:	BA and MA in Economics from Tel Aviv University.
Occupation over the last five years:	CEO of Harel Finance Holdings, CEO of I.C.I.C. - Israel Credit Insurance Company Ltd. (until September 2022)

Name:	**Arik Peretz**
I.D. no.	031761257
Date of birth:	July 22, 1974
Date of commencement of office:	April 15, 2017
Position in the Company, a subsidiary, or principal shareholder therein:	CFO of the Company, Head of Finance & Resources Division in Harel Insurance and Deputy CEO of Harel Insurance, Director and CEO of Harel Issues, Chairman of the Board of EMI, Chairman of the Board of Harel 60+ , Director in Hamatzpen and director in other Harel Group companies
Is the director related to any other senior officer in the Company:	No
Qualifications:	BA in Accounting and Economics, MBA, LL.B., LL.M, The Hebrew University of Jerusalem
Occupation over the last five years:	Served Harel Group as detailed above.

Name:	**Osnat Manor Zisman**
I.D. no.	23096233
Date of birth:	November 19, 1967
Date of commencement of office:	February 1, 2014
Position in the Company, a subsidiary, or principal shareholder therein:	Internal auditor of the Company and companies in Harel Group.
Is the director related to any other senior officer in the Company:	No
Qualifications:	BA in Economics and Business Administration, Tel Aviv University, qualified CPA, LL.M. from The Academic College of Law and Science
Occupation over the last five years:	Serves in Harel Group companies as detailed above.

Name:	**Tomer Goldberg**
I.D. no.	026660951
Date of birth:	May 27, 1980
Date of commencement of office:	March 1, 2021
Position in the Company, a subsidiary, or principal shareholder therein:	Head of Strategic Investments and Alternatives.
Is the director related to any other senior officer in the Company:	No
Qualifications:	LL.B Haifa University, MA in Management and Strategy, Columbia University, New York
Occupation over the last five years:	Served in Harel as set out above, investment manager in Cisco (until 2020)

Senior officer director who terminated his service in the Reporting Period:

Name:	**Michel Siboni**
I.D. no.	027065697
Position in the Company, a subsidiary, or principal shareholder therein:	CEO of the Company, Chairman of the Board of Directors of Harel Insurance
Date of commencement of office:	2009 (served in various positions in Harel Group since 1993)
Date of termination of office:	January 31, 2024

As set out in Regulation 26 above, Michel Siboni currently serves as a director of the Company as well as other positions in Harel Group.

Regulation 26B – Company's Authorized Signatories

The company does not have independent authorized signatories.

Regulation 27 – The Company's CPA

Somekh Chaikin

Millennium Tower, 17 Haarba'ah St., Tel Aviv 64739

Regulation 28 – Changes in the Articles and Memorandum of Incorporation

In the reporting year, no changes were made in the Memorandum or Articles of Incorporation of the Company.

Regulation 29 – Recommendations and Resolutions of the Board of Directors and Extraordinary General Meeting

A. **Resolutions of the Board of Directors which are not subject to the approval of the General Meeting**

On the distribution of dividends – see Note 15 to the Financial Statements.

B. **Resolutions of the General Meeting that were passed not in accordance with the recommendations of the Board of Directors**

None.

C. **Resolutions passed by Extraordinary General Meetings**

On February 5, 2024, a special general meeting of the Company was convened, with the following items on the agenda: (1) Appointment of Michel Siboni as a director of the Company; (2) approval of the conditions for termination of employment of the outgoing CEO, Michel Siboni; (3) approval of the employment conditions of the incoming CEO, Nir Cohen. The meeting approved all the items that were listed on the agenda. For further information about these resolutions, see the Company's immediate report dated December 31, 2023, Ref.: 2023-01-144024 and Regulation 21 above.

On May 30, 2024, a special general meeting of the Company was convened, with the following items on the agenda: (1) discussion of the Periodic Report for 2023; (2) reappointment of external auditors and appointing the Company's Board of Directors to determine their fee; (3) reappointment of the Company's incumbent directors, who are not external directors, for a further term of office (Yair Hamburger, Gideon Hamburger, Ben Hamburger, Yoav Manor, Michel Siboni, Doron Cohen, the late Josef Ciechanover and Eli Defes); (4) appointment of Yochi Dvir as an external director in the Company. The meeting approved all the items that were listed on the agenda. For further information about these resolutions, see the Company's immediate report dated April 18, 2024, ref.: 2024-01-039418.

Regulation 29 A – Corporate Decisions

The Company has entered into insurance contracts, whereby the senior officers and directors of the Company and its subsidiaries have Directors and Officers liability insurance (D&O). The sum insured is up to USD 220 million plus another layer of Side A with a liability limit of USD 25 million. At the date of approval of the report, the insurance policy is in force until October 30, 2025.

Ramat Gan, March 25, 2025

Harel Insurance Investments & Financial services Ltd.

By:

Yair Hamburger, Chairman of the Board of Directors ____________________

Nir Cohen, CEO ____________________

Harel Insurance Investments and Financial Services Ltd.

Corporate governance questionnaire

CORPORATE GOVERNANCE QUESTIONNAIRE[1]

BOARD OF DIRECTORS INDEPENDENCE

			YES	NO
1.		Throughout the Reporting Year, two or more external directors served the Company. *You may reply "Yes" to this question if the period in which the Company had less than two external directors did not exceed 90 days, as noted in Section 363A.(b)(10) of the Companies Law; nevertheless, for both replies (yes/no), the period (in days) in which the Company had less than two serving external directors in the Reporting Year must be specified (including a term of office approved retroactively, while differentiating between the various external directors);* Director A: **Naim Najjar** Director B: **Efrat Yavetz** Director C: **Ayelet Ben-Ezer** Director D: **Yochi Dvir** (from June 1, 2024) Number of external directors who serve in the Company at the date of publication of this questionnaire: **4**	✓	
2.		Percentage[2] of independent directors[3] serving the Company at the date of publication of this questionnaire: **4/11.** Percentage of independent directors defined in the Corporation's Articles of Association:[4] [5] **the Articles stipulate that the percentage of external directors shall be as defined in the Companies Law. The Companies law stipulates that at least two external directors shall serve in a public company.** ☐ Not applicable (no provision specified in the Articles).	_______	________

[1] Published as part of legislative bills to improve company reports on 16.3.2014.
[2] In this questionnaire, "percentage" – a specific number out of the total. For example 3/8.
[3] Including External Directors as they are defined in the Companies Law.
[4] Regarding this questionnaire – "Articles" including in accordance with specific statutory provisions that apply to the corporation (e.g. for banks – the instructions of the Supervisor of Banks).
[5] Bond issuing companies are not required to answer this section.

3.		During the Reporting Year, a survey was conducted of the external directors (and the independent directors) which found them to be in compliance with the provisions of Section 240(b) and (f) of the Companies Law regarding the absence of an "interest" between the external (and independent) directors holding office in the Company and that they are in compliance with the relevant conditions for serving as an external (or independent) director.	✓	
4.		None of the directors who served the Company in the Reporting Year are subordinate[6] to the general manager [CEO], directly or indirectly (other than a director who represents the employees, if the Company has employee representation). If your reply is "No" (i.e. the director is subordinate to the CEO) – please specify the number of directors who did not comply with this restriction: __________ .	✓	
5.		None of the directors who stated that they have a personal interest in approving a transaction on the agenda of a meeting, attended the meeting or cast a vote (other than a discussion and/or vote under circumstances that were satisfied under Section 278(b) of the Companies Law): If your reply is "No"- Was this to present a specific topic as noted at the end of Section 278(a) of the Companies Law : ☐ yes ☐ no Please specify the rate of attendance by directors at meetings and/or who cast votes, except for those circumstances noted in subsection A: _______	✓	
6.		The controlling shareholder (including his relative and/or representative) who is not a director or any other senior officer in the Company did not attend Board of Directors meetings held during the Reporting Year. If your reply is "No" (i.e. the controlling shareholder and/or his relative and/or representative who is not a Board member and/or senior officer in the Company attended the Board meetings) – please provide the following information about the presence of any other person at the Board meetings: Name ______________ .	✓	

[6] Regarding this question - serving as a director of an investee (subsidiary) company which is controlled by the Company, will not be considered "subordinate". In contrast, a director who is an officer (other than a director) and / or employee in an investee company controlled by the Company would be considered "subordinate" for the purpose of this question.

		Position in the Company (if any): _______________ . Details of the relationship with the controlling shareholder (if the attendee was not the actual controlling shareholder): ________________ . Was this due to the presentation of a particular topic: ☐ yes ☐ no His rate of attendance[7] at Board meetings held during the Reporting Year for the purpose of presenting a particular topic: _______. Other attendance: __________. ☐ *Not applicable (the Company has no controlling shareholder).*		

DIRECTORS' QUALIFICATIONS AND COMPETENCE

				YES	NO
7.		The Company's Articles of Association contain no provision limiting the possibility of immediately terminating the service of all Company directors who are not external directors (in this context – a resolution passed by a simple majority is not deemed a limitation).[8] If your reply is "No" (i.e. there is such limitation), please specify --		✓	
		A.	The term of office for a director specified in the Articles of Association: ________.		
		B.	The required majority defined in the Articles of Association for terminating the service of directors: ______ .		
		C.	The legal quorum for a general meeting defined in the Articles of Association for terminating the service of directors: __________ .		
		D.	The majority required to change these provisions in the Articles of Association: ________ .		

[7] Differentiating between a controlling shareholder, his relative and / or his representative.
[8] A bond issuing company is not required to answer this section.

8.		The Company has a training program for new directors, for its business activities and the laws applicable to the Company and its directors, as well as a plan for follow-up training for serving directors, which is tailored, *inter alia*, to the director's position in the Company. If your reply is "Yes" – please specify whether the program was run during the Reporting Year: ✓ **YES** ☐ NO		✓	
9.		A.	The Company has defined the minimum number of Board directors who must have accounting and financial expertise. If your reply is "Yes" please specify the minimum number defined: **4**	✓	
		B.	Number of directors who served the Company in the Reporting Year: With accounting and financial expertise:[9] **7** With professional qualifications:[10] **11** If changes were made in the number of directors, as aforementioned, in the Reporting Year, please provide the lowest number (except for the 60-day period from the date of the change) of each class of directors who held office during the Reporting Year.		
10.		A.	Throughout the Reporting Year, both men and women served on the Board of Directors. If your reply is "No" – please specify the time period (in days) in which this was not the case: __________. You may reply "Yes" to this question if the Company's Board of Directors did not include men and women for a period that did not exceed 60 days, however all replies (Yes / No) must specify the period (in days) in which the Board did not consist of both men and women: ___________	✓	

[9] After an assessment by the Board of Directors, based on the provisions of the Companies (Conditions and Examinations for Directors with Accounting and Financial Expertise and Directors with Professional Qualifications) Regulations, 2005.

[10] See Footnote 9.

		B.	At the date of publication of this questionnaire, the number of directors of each gender serving on the Board of Directors is: Men: **8**, Women: **3**.	______	______

BOARD OF DIRECTORS MEETINGS (AND CONVENING OF A GENERAL MEETING)

				YES	NO
11.		A.	Number of Board meetings held in each quarter of the Reporting Year: Q1 (2024): **7** Q2: **4** Q3: **9** Q4: **4**	____	____
		B.	Next to each of the names of the Board members who served the Company in the Reporting Year, please specify their rate[11] of attendance at Board meetings (in this subsection – including meetings of Board of Directors' committees on which they are members, and as noted below) which took place in the Reporting Year (and with reference to their term of office): *(Please insert additional lines according to the number of directors).* **A table listing the requirements of this section is attached to the questionnaire as Appendix A.**	____	____

Director's name	Rate of attendance at **Board meetings**	Rate of attendance at meetings of the **Audit Committee**[12]	Rate of attendance at meetings of the **Committee for the Review of the Financial Statements**[13]	Rate of attendance at meetings of the **Compensation Committee**[14]	Rate of participation at meetings of **other Board committees of which s/he is a member** (specifying the name of the committee)

[11] See Footnote 2.
[12] For a director who is a member of this committee.
[13] For a director who is a member of this committee.
[14] For a director who is a member of this committee.

12.		In the Reporting Year, the Board of Directors held at least one meeting concerning management of the Company's business by the CEO and his subordinate officers, at which they were not present, and they were given an opportunity to express their opinion.	✓	

SEGREGATION OF DUTIES OF THE CEO [GENERAL MANAGER] AND CHAIRMAN OF THE BOARD				
			YES	**NO**
13.		Throughout the Reporting Year the Company was served by a Chairman of the Board. You may reply "Yes" to this question if the period in which the Company had no Chairman of the Board did not exceed 60 days, as noted in Section 363(a)(2) of the Companies Law. However all replies (Yes / No) must specify the period (in days) in which there was no serving Chairman of the Board: _________.	✓	
14.		Throughout the Reporting Year the Company had a CEO. You may reply "Yes" to this question if the period in which the Company had no CEO did not exceed 90 days, as noted in Section 363(a)(6) of the Companies Law. However all replies (Yes / No) must specify the period (in days) in which there was no serving CEO: _________ .	✓	
15.		In a company in which the Chairman of the Board is also the company's CEO and/or exercises his powers, this dual service was approved in accordance with the provisions of Section 121(c) of the Companies Law.[15]	Not applicable	Not applicable

[15] In bond issuing companies – approval under Section 121(d) of the Companies Law.

			YES	NO
		✓ *Not applicable (insofar as there is no dual service of this kind in the Company).*		
16.		The CEO <u>is not</u> a relative of the Chairman of the Board. If your reply is "No" (i.e. – the CEO is related to the Chairman of the Board) -	✓	
	A.	Please specify the family relationship between the parties: _________________.	_____	_____
	B.	The position was approved under Section 121(c) of the Companies Law:[16] ☐ YES ☐ NO	_____	_____
17.		The Company's controlling shareholder or his relative <u>does not</u> hold the position of CEO or senior officer, other than a director. ☐ Not applicable (the Company has no controlling shareholder).	✓	

THE AUDIT COMMITTEE

			YES	NO
18		The following <u>did not serve</u> on the Audit Committee in the Reporting Year -	_____	_____
	A.	Controlling shareholder or his relative. ☐ Not applicable (the Company has no controlling shareholder).	✓	

[16] In bond issuing companies – approval under Section 121(d) of the Companies Law.

		B.	Chairman of the Board.	✓	
		C.	Director employed by the Company or by the Company's controlling shareholder or by another company under its control.	✓	
		D.	A director who regularly provides services to the Company or the controlling shareholder or a company under its control.	✓	
		E.	A director whose principal source of income is from the controlling shareholder. ☐ Not applicable (the Company has no controlling shareholder).	✓	
19.		Meetings of the Audit Committee were not attended by any person who is not eligible to be a member of the Audit Committee, including a controlling shareholder or his relative, during the Reporting Year, other than in accordance with the provisions of Section 115(e) of the Companies Law.		✓	
20.		The legal quorum for discussing and passing resolutions at all meetings of the Audit Committee held during the Reporting Year was a majority of the committee's members, where a majority of those present were independent directors and at least one was an external director. If your reply is "No" – please specify the percentage of meetings at which this requirement was not satisfied: _________ .		✓	
21.	The Audit Committee held at least one meeting in the Reporting Year concerning deficiencies in the Company's business administration which was attended by the Internal Auditor and external auditors and in which senior officers of the Company who are not Committee Members did not attend.			✓	
22.	At all meetings of the Audit Committee that were attended by persons who are not eligible to be a committee member, this was done with the approval of the committee chairman and/or as requested by the committee (with respect to the Corporate Counsel and Company Secretary who are not a controlling shareholder or his relative).			✓	
23.	In the Reporting Year, arrangements were in force determined by the Audit Committee with respect to the manner of handling complaints by Company employees in connection with deficiencies in its business administration and the protection to be provided to employees who filed such complaints.			✓	

24.	The Audit Committee (and/or the Committee for the Review of the Financial Statements) was satisfied that the scope of the external auditors' work and their fee in relation to the financial statements in the Reporting Year were reasonable for the purpose of conducting a proper audit and review.	✓	

DUTIES OF THE COMMITTEE FOR THE REVIEW OF THE FINANCIAL STATEMENTS ("THE COMMITTEE") PRIOR TO THE APPROVAL OF THE FINANCIAL STATEMENTS

** The Company's Audit Committee serves as the Committee for the Review of the Financial Statements **			YES	NO
25.	A.	Please specify the time period (in days) determined by the Board as reasonable for submitting the Committee's recommendations in preparation for the Board meeting to approve the financial statements: **2**.	———	———
	B.	The actual number of days which passed between submittal of the recommendations to the Board of Directors and the date of the Board meeting at which the financial statements were approved: Q1 (2024): **5** Q2: **10** Q3: **7** Annual report: **6**	———	———
	C.	The number of days which passed between submittal of the draft financial statements to the directors and the date of the Board meeting at which the financial statements were approved: Q1 (2024): **5** Q2: **7** Q3: **4** Annual report: **6**		

26.	The Company's external auditor attended all meetings of the Committee and Board of Directors that discussed the Company's financial statements relating to the periods included in the Reporting Year. If your reply is "No", please specify his rate of attendance: ______		✓	
27.	Throughout the Reporting Year, until the publication of the annual report, the Committee was in compliance with all the following conditions:		_____	_____
	A.	The number of Committee members was not less than three (on the date of the Committee meeting and approval of the statements).	✓	
	B.	The Committee satisfied all the conditions prescribed in Section 115(b) & (c) of the Companies Law (with respect to serving Audit Committee members).	✓	
	C.	The Audit Committee chairman is an external director.	✓	
	D.	All the Audit Committee members are directors, and the majority are independent directors.	✓	
	E.	All the Committee's members are capable of reading and understanding financial statements and at least one of the independent directors has accounting and financial expertise.	✓	
	F.	The Committee members provided declarations prior to their appointment.	✓	
	G.	The legal quorum for discussing and passing resolutions by the Committee is a majority of its members, provided that the majority of those present were independent directors, including at least one external director.	✓	
	If you reply "No" to one or more of the subsections in this question, please specify in relation to which report (Periodic / quarterly) the aforementioned condition was not met and the condition that was not met: ________________ .		_____	_____

COMPENSATION COMMITTEE

				YES	NO
28.		In the Reporting Year, the Committee included at least three members and the external directors formed a majority of the members (on the date of the Committee meeting). ☐ Not applicable (no meetings were held).		✓	
29.		The conditions of the service and employment of all members of the Compensation Committee in the Reporting Year are in accordance with the Companies (Rules Concerning Compensation and Expenses for External Directors) Regulations, 2000.		✓	
30.		In the Reporting Year, the following did not serve on the Compensation Committee -		_____	_____
		A.	The controlling shareholder or his relative. ☐ Not applicable (the Company has no controlling shareholder).	✓	
		B.	Chairman of the Board of Directors	✓	
		C.	A director employed by the Company or by the Company's controlling shareholder or by another company under its control.	✓	
		D.	A director who regularly provides services to the Company or to the Company's controlling shareholder, or to a company under its control.	✓	
		E.	A director whose principal source of income is from the controlling shareholder. ☐ Not applicable (the Company has no controlling shareholder).	✓	
31.		In the Reporting Year, the controlling shareholder or his relative did not attend meetings of the Compensation Committee, unless the Committee chair determined that one of them was required to attend to present a specific topic.		✓	

32.		The Compensation Committee and Board of Directors did not exercise their powers under Sections 267a(c), 272(c)(3) and 272(c1((1)(c) to approve a transaction or compensation policy, despite the objection of the general meeting. I your reply is "No", please specify – The type of transaction approved: _________________ The number of times in the Reporting Year that such powers were exercised: __________	✓	

INTERNAL AUDITOR

		YES	NO
33.	The Company's internal auditor reports to the Company's Chairman of the Board of Directors or CEO.	✓	
34.	The Chairman of the Board of Directors or the Audit Committee approved the work plan in the Reporting Year. Additionally, please specify the audit subjects in which the Internal Auditor was involved in the Reporting Year: **Harel Group's audit topics are derived from the multi-year work plan of Harel Investments and the subsidiaries. The multi-year work plan is based on risk surveys conducted periodically and on the results of audits, organizational changes and events, regulatory updates, etc. in Harel Group. The subjects include the Group's different operating segments which include life insurance, non-life insurance, investments, financial services, information systems, and more.**	✓	
35.	Scope of employment of the Company's Internal Auditor in the Reporting Year (in hours):[17] **Full-time position.**	______	______
	A meeting was held in the Reporting Year (in the Audit Committee or Board of Directors) to discuss the Internal Auditor's findings.	✓	
36.	The Internal Auditor is not an interested party in the Company, his relative, external auditor or any entity acting on their behalf, nor does he have any matergial business relationships with the Company, its controlling shareholder, his relative or companies under their control.	✓	

[17] Including the number of work hours invested in investee companies and in audits outside Israel, as applicable.

TRANSACTIONS WITH INTERESTED PARTIES			
		YES	**NO**
37.	The controlling shareholder or his relative (including a company under its control) is not employed by the Company or provide it with management services. If your reply is "No" (i.e. the controlling shareholder or his relative <u>is</u> employed by the Company or provides it with management services) please specify – - the number of relatives (including the controlling shareholder) employed by the Company (including companies under their control and/or controlled through a management company): **4** - were the said employment agreements and/or management services were approved by the organs prescribed by law: ✓ **Yes** ☐ No ☐ Not applicable (the Company has no controlling shareholder).		✓
38.	To the best of the Company's knowledge, the controlling shareholder has no other business in the Company's area of activity (in one or more sectors). If your reply is "No" – please specify whether any arrangement is in place to delineate activity between the Company and its controlling shareholder: ☐ Yes ☐ No ☐ Not applicable (the Company has no controlling shareholder).	✓	

Appendix A - **The rate of participation of the directors in the meetings of the board of directors and its committees during the reporting year.**

Director's name	Board of Directors	Audit Committee	Compensation Committee
Yair Hamburger	25/25	Not a serving member	Not a serving member
Gideon Hamburger	18/25	Not a serving member	Not a serving member
Yoav Manor	24/25	Not a serving member	Not a serving member
Ben Hamburger	25/25	Not a serving member	Not a serving member
Michel Siboni (from February 5, 2024)	21/22	Not a serving member	Not a serving member
Doron Cohen	24/25	6/6	Not a serving member
Eli Defes	23/25	3/6	Not a serving member
Ayelet Ben-Ezer	29/30	6/6	5/5
Naim Najjar	23/25	6/6	5/5
Efrat Yavetz	25/25	6/6	5/5
Yochi Dvir (from June 1, 2024))	16/16	4/4	3/3

** The Audit Committee also functions as the Committee for the Review of the Financial Statements.

Yair Hamburger, Chairman of the Board: _________________ **Naim Najjar, Chairman of the Audit Committee: ___________________**

Harel Insurance Investments and Financial Services Ltd.

Chapter 6

Report concerning the effectiveness of the internal control over financial reporting and disclosure

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Annual report concerning the effectiveness of the internal control over financial reporting and disclosure in accordance with Regulation 9B (a):

Management, under the oversight of the Board of Directors of Harel Insurance Investments and Financial Services Ltd. ("the Company"), is responsible for defining and maintaining due internal control over the Company's financial reporting and disclosure.

In this instance, the members of management are:

1. Mr. Nir Cohen - CEO of the Company, CEO of Harel Insurance Company Ltd.
2. Mr. Arik Peretz - the Company's VP Finance, Deputy CEO and Head of the Finance and Resources Division of Harel Insurance Company Ltd.
3. Mr. Gilad Shapiro - General Counsel to the Company and the Group's companies, deputy CEO of Harel Insurance Company Ltd.
4. Mr. Sami Babecov -VP of the Company and manager of the Group's investments, deputy CEO and manager of the investment division of Harel Insurance Company Ltd.
5. Ms. Osnat Manor Zisman - Internal Auditor of the Company and companies in the Group.
6. Ms. Hagit Chitayat Levin - CEO of Harel Finance Holdings Ltd.
7. Mr. Tomer Goldberg - Head of Strategic Investments and Alternatives.

Internal control over financial reporting and disclosure includes the Company's existing controls and procedures that were planned by the general manager and the most senior financial officer or under their oversight, or by the person who actually performs these duties, under the oversight of the Company's board of directors. The purpose of the controls and procedures is to provide a reasonable measure of assurance as to the reliability of financial reporting and preparation of the financial statements pursuant to the provisions of the law, and to ensure that information that the Company is required to disclose in its published reports in accordance with the provisions of the law, is collected, processed, summarized and reported on the dates and in the format prescribed by law.

Among other things, the internal control consists of controls and procedures designed to ensure that the information that the Company is required to disclose, as noted, is collected and submitted to the Company's management, including to the CEO and most senior financial officer, or to the person who actually performs these duties, so as to ensure that decisions are made at the appropriate time, with respect to the disclosure requirement.

Due to its inherent limitations, internal control over financial reporting and disclosure is not intended to provide absolute assurance that a misstatement or omission of information in the report can be prevented or detected.

Management, under the oversight of the board of directors, has performed a review and assessment of the internal control over the Company's financial reporting and disclosure and its effectiveness; the assessment of the effectiveness of the internal control over financial reporting and disclosure carried out by management, under the supervision of the Board of Directors, included the implementation of the guiding principles for assessing the effectiveness of internal control over financial reporting and disclosure by management, published by the Israel Securities Authority on 23 November 2010, with reference to the following control components:

For the Company itself: Cash, financial liabilities and other financial investments (based on that carried out within the framework of Harel Insurance Company Ltd.).

For the consolidated statement: Entity Level Controls (ELC), preparation of financial statements, ITGC (IT General Controls designed to support the management and control of information technology and computer related activity).

For the subsidiary - Harel Finance Holdings: ELC, preparation of financial statements, and ITGC.

For Harel Exchange Traded Deposits, which is a reporting company: ELC, preparation of financial statements, ITGC and the exercising / conversion of liability notes.

For Harel Interests and Deposits Ltd., which is a reporting company: ELC, preparation of financial statements, ITGC and the exercising / conversion of liability notes.

For Harel Finance & Issues, which is a reporting company: ELC, preparation of financial statements, ITGC and liability notes.

Harel Insurance Company Ltd. EMI – Ezer Mortgage Insurance Ltd. and Harel Pension and Provident Ltd., subsidiaries of the Company, are financial institutions to which the instructions of the Commissioner of the Capital Market, Insurance and Savings in the Ministry of Finance apply with respect to the assessment of the internal control over financial reporting.

With respect to the aforementioned subsidiaries, under the supervision of the Board of Directors, management performed a review and assessment of the internal control over financial reporting and its effectiveness, based on:

- Financial Institutions Circular 2010-9-7 from November 2010 - "Internal control over financial reporting – certifications, reports, and disclosures";
- Financial Institutions Circular 2010-9-6 from November 2010 – "Management's responsibility for the internal control over financial reporting - Amendment" (amendment to Financial Institutions Circular 2009-9-10);
- Financial Institutions Circular 2009-9-10, from June 2009 – "Management's responsibility for the internal control over financial reporting".

Based on this assessment, the Company's Board of Directors and management concluded that the internal control over financial reporting, with respect to the internal control in the financial institutions at December 31, 2024, is effective.

Based on the assessment of effectiveness conducted by management, under the oversight of the Board of Directors, as stated above, the Company's Board of Directors and management concluded that the internal control over the financial reporting and disclosure at December 31, 2024, is effective.

Certification

I, Nir Cohen, hereby certify that:

(1) I have reviewed the Periodic Report of Harel Insurance Investments and Financial Services Ltd. ("the Company") for 2024 ("the Reports").

(2) Based on my knowledge, the Reports contains no misstatement of a material fact nor do they omit any statement of a material fact necessary to ensure that the statements that they contain, in light of the circumstances under which such statements were included, shall not be misleading with respect to the period covered in the Reports;

(3) Based on my knowledge, the financial statements and other financial information contained in the Reports reasonably reflect, in all material respects, the financial position, results of operations, and cash flows of the Company at the dates and periods covered in the Reports;

(4) Based on my most recent assessment of the internal control over financial reporting and disclosure, I disclosed to the Company's auditors, to the Board of Directors and the Audit Committee and Financial Reports Committee:

   (a) Any significant deficiencies and material weaknesses in the determination or application of the internal control over financial reporting and disclosure that might reasonably compromise the Insurance Company's ability to record, process, summarize and report financial information in a manner that may cast doubt on the reliability of the financial reporting and preparation of the financial reports in accordance with the statutory provisions; and –

   (b) Any fraud, whether material or immaterial, that involves the General Manager (CEO) or any person directly accountable to him or other employees who hold a significant role in the internal control over financial reporting and disclosure;

(5) I, myself or together with others in the Company:

   (a) Determined these controls and procedures, or ensured that such controls and procedures are determined and in place under my oversight, for the purpose of ensuring that material information relating to the Company, including its subsidiaries as they are defined in the Securities (Annual Financial Reports) Regulations, 2010, is brought to our attention by others in the Company and the subsidiaries, particularly during the preparation of the Reports; and -

   (b) I defined controls and procedures, or ensured that controls and procedures under my supervision are in place, designed to ensure with reasonable certainty that the financial reports are reliable and that they are prepared in accordance with the provisions of the law, including in accordance with generally accepted accounting principles;

   (c) I assessed the effectiveness of the internal control over financial reporting and disclosure, and in this report I have presented the conclusions of the Board of Directors and management regarding the effectiveness of the internal control at the reporting date.

Nothing in the foregoing shall derogate from my responsibility or from the responsibility of any other person, under any law.

March 25, 2025

Nir Cohen
CEO

Certification

I, Arik Peretz, hereby certify that:

(1) I have reviewed the financial statements and other financial information included in the reports of Harel Insurance Investments and Financial Services Ltd. ("the Company") for 2024 ("the Reports").

(2) Based on my knowledge, the financial statements and other financial information included in the Reports contains no misstatement of a material fact nor do they omit any statement of a material fact necessary to ensure that the statements that they contain, in light of the circumstances under which such statements were included, shall not be misleading with respect to the period covered in the Reports;

(3) Based on my knowledge, the financial statements and other financial information contained in the Reports reasonably reflect, in all material respects, the financial position, results of operations, and cash flows of the Company at the dates and periods covered in the Reports;

(4) Based on my most recent assessment of the internal control over financial reporting and disclosure, I disclosed to the Company's auditors, to the Board of Directors and the Audit Committee and Financial Reports Committee:

(a) Any significant deficiencies and material weaknesses in the determination or application of the internal control over financial reporting and disclosure to the extent that it relates to the financial statements and to any other information contained in the Reports, that might reasonably compromise the Company's ability to record, process, summarize or report financial information in a manner that might cast doubt on the reliability of the financial reporting and preparation of the financial reports in accordance with the statutory provisions; and -

(b) Any fraud, whether material or immaterial, that involves the General Manager (CEO) or any person directly accountable to him or other employees who hold a significant role in the internal control over financial reporting and disclosure;

(5) I, myself or together with others in the Company:

(a) Determined these controls and procedures, or ensured that such controls and procedures are determined and in place under my oversight, for the purpose of ensuring that material information relating to the Company, including its subsidiaries as they are defined in the Securities (Annual Financial Reports) Regulations, 2010, to the extent that it is relevant to the financial statements and other financial information included in the Reports, is brought to my attention by others in the Company and the subsidiaries, particularly during the preparation of the Reports; and -

(b) Defined controls and procedures, or ensured that controls and procedures under our supervision are in place, designed to ensure with reasonable certainty that the financial reporting is reliable and that the Reports are prepared in accordance with the statutory provisions, including in accordance with generally accepted accounting principles;

(c) Assessed the effectiveness of the internal control over the financial reporting and disclosure, to the extent that it relates to the financial statements and other financial information included in the Reports at the reporting date; my conclusions regarding these assessments were submitted to the Board of Directors and management and form part of this report.

Nothing in the foregoing shall derogate from my responsibility or from the responsibility of any other person, under any law.

March 25, 2025

Arik Peretz
CFO

Harel Insurance Investments and Financial Services Ltd.

Chapter 7

Annexes

1. Harel Insurance Company Ltd. - Certification regarding the disclosure in the financial statements and Report concerning internal control over financial reporting.
2. Harel Insurance Company Ltd. - Actuarial Statement Regarding the General Insurance Sectors.
3. Harel Insurance Company Ltd. - Actuarial Statement Regarding the Health Insurance Sector.
4. Harel Insurance Company Ltd. - Actuarial Statement Regarding Life Assurance Sector.

ANNEX 1

Harel Insurance Company Ltd. -
Certification regarding the disclosure in the financial statements and
Report concerning internal control over financial reporting

Certification

I the Undersigned, Nir Cohen, hereby certify that:

1. I have reviewed the annual report of Harel Insurance Company Ltd. ("the Insurance Company") for 2024 ("the Report").
2. Based on my knowledge, the Report does not contain any misrepresentation of a material fact or omit a material fact the presentation of which in the report is necessary to ensure that under the circumstances in which they were included, they will not be misleading with respect to the period covered in the Report.
3. Based on my knowledge, the financial statements and other financial information contained in the Report reasonably reflect, in all material respects, the financial position, results of operations, changes in equity and cash flows of the Insurance Company at the dates and for the periods covered in the Report.
4. I and others in the Insurance Company who submit this Certification are responsible for establishing and maintaining controls and procedures relating to disclosure[1] and internal control over financial reporting[1] of the Insurance Company; and

   A. We established these controls and procedures, or ensured that such controls and procedures were established under our oversight, for the purpose of ensuring that material information relating to the Insurance Company, including its subsidiaries, is brought to our attention by others in the Insurance Company and in the subsidiaries, specifically during the preparation of the Report;
   B. We established internal control over financial reporting, or supervised the establishment of such internal control, for the purpose of providing a reasonable measure of assurance as to the reliability of the financial reporting and that the financial statements are prepared in accordance with the instructions of the Commissioner of the Capital Market;
   C. We assessed the effectiveness of the controls and procedures with respect to the Insurance Company's disclosure and presented our conclusions regarding the effectiveness of the disclosure controls and procedures at the end of the period covered in the Report, based on our assessment; and -
   D. In the Report, we disclosed any change in the Insurance Company's internal control over financial reporting which took place in the fourth quarter and had a material effect, or might reasonably be expected to affect, the Insurance Company's internal control over financial reporting; and -

5. I and others in the Insurance Company who submit this Certification disclosed to the independent auditors, the Board of Directors and Audit Committee of the Insurance Company's Board of Directors, based on our most recent assessment of the internal control over financial reporting:

   A. Any significant deficiencies and material weaknesses in the determination or operation of the internal control over financial reporting, that could reasonably have an adverse effect on the Insurance Company's ability to record, process, summarize and report on financial information; and -
   B. Any fraud, whether material or immaterial, that involves management or other employees who fulfill an important function in the Insurance Company's internal control over financial reporting.

Nothing in the foregoing derogates from my responsibility or from the responsibility of any other person, under any law.

March 25, 2024

Nir Cohen
CEO

[1] As these terms are defined in the Financial Institutions Circular on Internal Control over Financial Reporting - Certifications, Reports and Disclosures.

Certification

I the Undersigned, Arik Peretz, hereby certify that:

1. I have reviewed the annual report of Harel Insurance Company Ltd. ("the Insurance Company") for 2024 ("the Report").
2. Based on my knowledge, the Report does not contain any misrepresentation of a material fact or omit a material fact the presentation of which in the report is necessary to ensure that under the circumstances in which they were included, they will not be misleading with respect to the period covered in the Report.
3. Based on my knowledge, the financial statements and other financial information contained in the Report reasonably reflect, in all material respects, the financial position, results of operations, changes in equity and cash flows of the Insurance Company at the dates and for the periods covered in the Report.
4. I and others in the Insurance Company who submit this Certification are responsible for establishing and maintaining controls and procedures relating to disclosure and internal control over financial reporting[1] of the Insurance Company; and

   A. We established these controls and procedures, or ensured that such controls and procedures were established under our oversight, for the purpose of ensuring that material information relating to the Insurance Company, including its subsidiaries, is brought to our attention by others in the Insurance Company and in the subsidiaries, specifically during the preparation of the Report;
   B. We established internal control over financial reporting, or supervised the establishment of such internal control, for the purpose of providing a reasonable measure of assurance as to the reliability of the financial reporting and that the financial statements are prepared in accordance with the instructions of the Commissioner of the Capital Market;
   C. We assessed the effectiveness of the controls and procedures with respect to the Insurance Company's disclosure and presented our conclusions regarding the effectiveness of the disclosure controls and procedures at the end of the period covered in the Report, based on our assessment; and -
   D. In the Report, we disclosed any change in the Insurance Company's internal control over financial reporting which took place in the fourth quarter and had a material effect, or might reasonably be expected to affect, the Insurance Company's internal control over financial reporting; and -

5. I and others in the Insurance Company who submit this Certification disclosed to the independent auditors, the Board of Directors and Audit Committee of the Insurance Company's Board of Directors, based on our most recent assessment of the internal control over financial reporting:

   A. Any significant deficiencies and material weaknesses in the determination or operation of the internal control over financial reporting, that could reasonably have an adverse effect on the Insurance Company's ability to record, process, summarize and report on financial information; and -
   B. Any fraud, whether material or immaterial, that involves management or other employees who fulfill an important function in the Insurance Company's internal control over financial reporting.

   Nothing in the foregoing derogates from my responsibility or from the responsibility of any other person, under any law.

March 25, 2025

Arik Peretz
Deputy CEO
and Head of the Finance and
Resources Division

[1] As these terms are defined in the Financial Institutions Circular on Internal Control over Financial Reporting - Certifications, Reports and Disclosures.

Report by the Board of Directors and Management concerning the Internal Control over Financial Reporting

Management, under the oversight of the Board of Directors, of Harel Insurance Company Ltd. ("the Insurance Company") is responsible for establishment and maintaining of proper internal control over financial reporting. The Insurance Company's internal control system was planned to provide the Board of Directors and Management with a reasonable measure of assurance with respect to the proper preparation and presentation of financial statements published in accordance with the instructions of the Commissioner of the Capital Market, Insurance and Savings. Irrespective of the quality of their planning, all internal control systems have inherent limitations. Consequently, even if we determine that these systems are effective they can only provide a reasonable measure of assurance with respect to the preparation and presentation of a financial report.

Management, under the oversight of the Board of Directors, maintains a comprehensive set of controls designed to ascertain that transactions are performed in accordance with Management's permissions, that the assets are protected and the accounting records are reliable. Additionally, Management under the oversight of the Board of Directors takes steps to ensure that the channels of information and communication are effective and that they monitor performance, including performance of internal control procedures.

The Insurance Company's Management, under the oversight of the Board of Directors, assessed the effectiveness of the internal control over financial reporting at December 31, 2024, based on the criteria established in the internal control model of the Committee of Sponsoring Organization of the Treadway Commission (COSO). Based on this assessment, Management believes that at December 31, 2024, the Insurance Company's internal control over financial reporting is effective.

Chairman of the Board of Directors:	Guy Rotkopf	(Signature) _____________
CEO:	Nir Cohen	(Signature) _____________
Deputy CEO and Head of the Finance and Resources Division:	Arik Peretz	(Signature) _____________

March 25, 2025

ANNEX 2

Harel Insurance Company Ltd. -
Actuarial Statement Regarding the General Insurance Sectors

Actuarial Statement regarding Non-life (general) insurance sectors

Section 1 - The Actuary

I was requested by Harel Insurance Company Ltd. to assess the provisions listed in Section 2 below in the non-life insurance sectors for the financial statements of the Insurer - Harel Insurance Company Ltd. ("the Provisions") as at December 31, 2024, as specified below.

I am a salaried employee of the Insurer. I am not an interested party in the Insurer, in any subsidiary or affiliated company and I do not have any business connections with the Insurer, with any interested party therein or with any relative of an interested party therein or with a subsidiary or affiliated company thereof. Furthermore, I am not an employee or permanent adviser of a subsidiary of the Insurer or of a company affiliated with the Insurer or any other party that provides various services to the Insurer.

I took up this position on April 1, 2024.

Section 2 - Scope of the actuary's opinion

A. In computing the insurer's provisions I relied on data provided by the insurer. My requests for information and data were met adequately to enable me to evaluate the provisions for the financial statements.

   I reviewed the feasibility and adequacy of the data, and I also compared the said data with the data for the year referred to in the statement as well as for previous years.

B. Where necessary, my assessment was based on data obtained from other reliable sources. I reviewed the consistency and relevance of the data.

C. The actuarial assumptions that I used in my work, as well as the methods employed to assess the provisions in the Section F below were set by me, to the best of my professional judgment, and subject to the instructions, directives and rules specified in Section 3, Par. 1 below.

D. To calculate the retention, I asked the Insurer's entities responsible for reinsurance for information regarding its reinsurance arrangements, the ability to collect claims and problems with the reinsurers' payment policies. Based on the information I received, I reviewed the implications and effects of the reinsurance arrangements on the provisions.

E. My opinion also took the following issues into account:

   1. The provision in respect of the residual insurance arrangement (the Pool) was based on the calculation made by the Pool.

   2. The Best Estimate calculation did not take into account the lack of correlation between the different sectors for writing down the total provision in respect of outstanding claims for all the lines of business covered in my assessment. However, when considering the Best Practice, a write-down of 2.6% was made in the calculation of the margin of caution only, for the lack of full correlation between the various sectors. This in accordance with Section 3 (C) of the Commissioner's position - Best Practice for calculation of non-life insurance reserves.

F. Following is an assessment of the amount of the provisions at December 31, 2024:

		Gross provision (NIS thousand)	Net provision (retention) (NIS thousand)
	<u>Outstanding claims</u>		
F.1(a)	Non-aggregated sectors:		
	Comprehensive homeowners incl. mortgage banks	187,369	26,655
	Motor property	375,298	367,286
	Compulsory motor	3,086,777	2,683,974
	Employers liability	839,032	801,572
	Third-party liability	1,644,257	571,516
	Professional liability (incl. medical malpractice and D&O)	2,411,361	1,725,906
	Product liability	151,531	59,966
	Total non-aggregated sectors	**8,695,625**	**6,236,875**
F.1(b)	**Total for non-aggregated and aggregated sectors ***	**8,960,553**	**6,286,035**
F.2	Indirect costs for all the Company's lines of non-life business	179,481	179,481
	Unearned premium net of Deferred Acquisition Costs**	608,430	457,543
F.3	<u>Premium deficiency</u>		
	Compulsory motor	Not required	None
	Motor property	Not required	None
	Comprehensive homeowners	Not required	None
	Total – Liabilities for insurance contracts in the non-life insurance segment calculated according to actuarial assessment	**8,531,604**	**6,007,973**

* Aggregated sectors include: property loss, comprehensive business, engineering, crop insurance, cargo and goods in transit, and marine and aviation.

** In the compulsory motor and liabilities sectors, the reserve for outstanding claims incorporates the full exposure for all underwriting periods and it therefore includes provision for unexpired risks net of deferred acquisition costs.

Section 3 - The Opinion

Positive opinion

I hereby state and confirm that in the following sectors: comprehensive homeowners (including mortgage banks), motor property, compulsory motor, employers liability, third-party liability, professional liability (including malpractice and D&O), products liability, property loss, comprehensive business, engineering, agriculture, cargo and goods in transit, marine and aviation:

1. I assessed the Company's provisions specified in Section 2 in accordance with the instructions, directives and rules listed below, and all as valid on the date of the financial statement:
    a) Provisions of the Supervision of Financial Services (Insurance) Law, 1981;
    b) Provisions and instructions issued by the Commissioner of the Capital Market;
    c) The Commissioner's position with respect to calculation of the non-life insurance reserves;
    d) Generally accepted actuarial practice.
2. After reviewing the information mentioned in Section 2, I concluded that the data are reasonable and adequate and can be relied upon for the purpose of my assessment.
3. I determined the assumptions and methods employed in assessing the provisions, to the best of my professional discretion and based on the instructions, directives and rules specified above.
4. To the best of my knowledge, the provisions for outstanding claims listed in Section 2 for non-aggregated sectors, comprehensive household (including mortgage banks), motor property, compulsory motor, employers' liability, third-party liability, professional liability (including medical malpractice and D&O) and product liability, form an adequate reserve for covering the Insurer's liabilities in respect of the outstanding claims listed above, for each sector separately, as valid on the date of the financial statements.
5. To the best of my knowledge, the provisions for outstanding claims listed in Section 2 form an adequate reserve for covering the Insurer's liabilities in respect of the outstanding claims in both the aggregated and non-aggregated sectors in their entirety, as valid on the date of the financial statements.
6. To the best of my knowledge, the provision for Unallocated Loss Adjustment Expenses (indirect expenses) listed in Section 2 forms an adequate reserve for covering the Insurer's liabilities in respect of indirect expenses for claims settlement, as valid on the date of the financial statements.
7. To the best of my knowledge, the provisions for premium deficiency listed in Section 2 form an adequate reserve for covering the Insurer's liabilities in respect of the difference between the unexpired risks and the unearned premium at retention level (if there is any) in the sectors listed, as valid on the date of the financial statements.

Section 4 - Comments and clarifications

Statistical uncertainty

The actuarial calculation contains an element of statistical uncertainty. Consequently, even if the distribution of the claims remains unchanged, the ultimate cost of the claims may differ from the actuarial assessment and this even though fluctuations and changes in the actual calculation are reflected in the actuarial assessment.

Exposure to future changes and developments

Furthermore, there may be other unforeseeable changes in the future regarding risks, policyholder behavior, social and environmental factors, court rulings and precedents and economic changes and that are beyond the Insurer's control. All these may affect the ultimate cost of the claims.

Medical malpractice

This sub-sector is characterized by a prolonged settlement of the claim which increases the uncertainty and possible deviation in the actuarial assessment. The provision for Unallocated Loss Adjustment Expenses (indirect expenses) also allows for the fact that claims handling is carried out partially by an external claims settlement company

Lines of business excluded from the actuarial assessment

An actuarial assessment is a statistical process whereby the fitting of a statistical model is dependent on the availability of sufficient historic data broken down into homogeneous groups. In the following lines of business, it was not possible to provide an actuarial assessment for the following reasons:

In the Contractors sector the variety of covers and the type and size of claims, all in relation to the size of the sector, do not allow the breakdown into sufficiently large homogeneous groups.

In the Natural Disasters, Terror, Sale Guarantees, Special Risks, and other Incoming Business sectors the portfolio is too small and there is insufficient historic data on which to base an actuarial model.

Commissioner's position - Best Practice

The Commissioner's position on the best practice for calculating provisions in non-life insurance determines, among other things, that "an adequate reserve for covering the insurer's liabilities" as required in Section 3 above, is such that it is "fairly likely" that the insurance liability in the retention as calculated is sufficient to cover the insurer's liabilities. In the compulsory motor and liabilities lines of business, the "fairly likely" test refers to an estimated probability of at least 75%. The appropriate discounting interest rate is in line with the risk-free curve adjusted for the illiquidity of the liabilities. Additionally, consideration should be given to the way in which the assets held to cover the liabilities in the financial statements are revalued.

The Commissioner stated that where limitations of the statistical analysis arise in calculating the sources of risk and required margin, the actuary should exercise discretion together with possible use of accepted actuarial methods. The Commissioner acknowledged that at the time of the publication of the position, statistical limitations did exist when analyzing the systemic risk.

Due to the absence of suitable statistical models, the assessment of the systemic risk requires a high degree of discretion regarding the potential impact of matters that might, or might not, occur in the future. Wherever possible, I have exercised discretion in making decisions for estimating this risk. It should be understood that there is a high degree of subjectivity in my assessment and that a different actuary, operating in the same circumstances, might arrive at a different estimate, possibly even materially different, for the same 75% level of certainty.

Arrangement with the National Insurance Institute (NII) in the compulsory motor sector

In August 2024, an arrangement was signed between the Company and the NII (hereinafter: "the Agreement", and "the NII" respectively), according to which the parties agreed on the amount that the Company is required to pay the NII for road accidents in the period from January 1, 2016 through December 31, 2022 on the Harel portfolio only. The reserves in the second quarter financial statements reflect the Agreement that was signed. Payment to the NII was transferred in the claims system in the third quarter against a reduction of the relevant reserve.

March 25, 2025	______________________
Date	**Jonathan Schwartz F.IL.A.A**

ANNEX 3

Harel Insurance Company Ltd. -
Actuarial Statement Regarding the Health Insurance Sector

HAREL
Insurance & Finance

Harel Insurance Company Ltd.

Health Insurance Sector - Actuary's Statement

Chapter 1 - Identity of Appointed Actuary

I was asked by Harel Insurance Company Ltd. ("the Insurer") to assess the provisions specified in Chapter 2 below in the health insurance sector for the Insurer's financial statements as at December 31, 2024, as detailed below.

I am a salaried employee of the Insurer. I am not a stakeholder in the Insurer or any related company. Additionally, except as stated below, I am not an employee or permanent consultant of a subsidiary of the Company or of a company related to the Company or of another entity that provides various services to the Company.

I was appointed to this position on April 7, 2013.

Chapter 2 - Scope of Actuarial Opinion

1. Actuarial Opinion

For the purpose of calculating the insurer's provisions, I relied on the data that I received from the insurer. My requests for information and data were met adequately for the purpose of assessing the provisions for the financial statements. I reviewed the reasonability and adequacy of the data, including comparing the said data with the data for the year to which the statement refers and to the data for previous years.

Where necessary, my assessment also relied upon data received from other reliable sources. I reviewed the consistency and adequacy of the data and its relevance.

The actuarial assumptions that were used, as well as the methods for evaluating the provisions noted above were determined by me, to the best of my professional judgment, subject to the instructions, directives and standards specified in Chapter 3, Paragraph 1, hereunder.

In order to calculate the retention, I requested and received from the entities responsible for the insurer's reinsurance, information concerning the insurer's reinsurance arrangements, the ability to collect claims, and problems with the reinsurers' payment policy. Based on this information, I reviewed the impact of the reinsurance arrangements on the reserves held.

My opinion also took into consideration the following:

The reserve calculated for incoming business from Interasco was not calculated by me and is not material. The reserve calculated for incoming business from Clal Insurance Company was based on the calculation of Clal's actuary. In this instance, "incoming business" is in accordance with its definition in the Control of Insurance Business (modes of calculating provision for future claims in non-life insurance) Regulations, 5745-1984.

2. Reserve Estimate included in this Actuarial Opinion

The following is a summary of the Reserves held (in thousands NIS) Gross and Net of Reinsurance.

Reserves Gross of Reinsurance

Statement	Reserve Type	Individual	Group	Total**
Life	Contract Reserves*	9,372	-	9,372
	Indirect Expenses Reserve	979	-	979
	Pending Claims, including IBNR	107,317	-	107,317
Total Life		117,668	-	117,668
Health	Contract Reserves*	791,098	86,954	878,052
	Indirect Expenses Reserve	14,774	9,771	24,545
	Pending Claims, including IBNR	593,310	412,298	1,005,608
Total Health		1,399,182	509,023	1,908,205
Total Life & Health		**1,516,850**	**509,023**	**2,025,873**

Reserves Net of Reinsurance

Statement	Reserve Type	Individual	Group	Total**
Life	Contract Reserves*	9,372	0	9,372
	Indirect Expenses Reserve	979	0	979
	Pending Claims, including IBNR	64,086	0	64,086
Total Life		74,437	0	74,437
Health	Contract Reserves*	790,678	86,954	877,632
	Indirect Expenses Reserve	14,774	9,771	24,545
	Pending Claims, including IBNR	585,873	405,562	991,435
Total Health		1,391,325	502,287	1,893,612
Total Life & Health		**1,465,762**	**502,287**	**1,968,049**

* Includes future profitability that was attributed to the liabilities, resultant from the acquisition of the Eliahu portfolio in 2013.

** The numbers do not include UPR of 131 million NIS gross and 129 million NIS net .

2. Influence of changes on the reserves

1) With regard to policies that became effective after the end of the period of the last annual financial report – the adjustment sum of the reserves emanating from the differences between the assumed basic premium and the assumed gross reserve basis is immaterial for business reported in the Health sector.

With regard to policies that became effective after the end of the period of the last annual financial report – the adjustment sum of the reserves emanating from the differences between the assumed basic premium and the assumed gross reserve basis is immaterial for non-LTC reserves reported on the Life financial statement.

2) With regard to policies which became valid before the end of the period of the last annual financial report – the adjustment sum of the reserves emanating from the differences between the assumptions, systems or anticipated premium level to be collected and from other amendments for business which is reported in the Health sector: an increase of approximately 52 million NIS, as described below in chapter 4.

With regard to policies which became valid before the end of the period of the last annual financial report – the adjustment sum of the reserves emanating from the differences between the assumptions, systems or anticipated premium level to be collected and from other amendments for non-LTC reserves reported on the Life financial statement reported is immaterial.

Chapter 3 - The Opinion

I hereby declare and confirm that in the following health insurance sub-sectors: medical expenses, foreign workers, critical illness, dental, overseas travel, and personal accident:

1. I assessed the insurer's provisions as specified in Chapter 2, in accordance with the instructions, directives and regulations noted hereunder, and all as valid on the date of the financial statements:

   A. Provisions of the Control of Insurance Business Law, 5741-1981, and its subsequent regulations;

   B. Instructions of the Commissioner of Insurance;

   C. Accepted actuarial standards.

2. After reviewing the data described in Chapter 2, I concluded that the data is reasonable and adequate, and that it can be relied upon for the purpose of my assessment.

3. The assumptions and methods for evaluating the provisions were determined by me to the best of my professional judgment and experience and in accordance with the instructions, directives and standards noted above.

4. As far as I am aware and in my opinion, the provisions specified in Chapter 2, form an adequate reserve for covering the insurer's commitments in respect of its liability arising from health insurance contracts associated with the health sub-sectors noted above, valid as of the date of the financial statement.

Chapter 4 - Comments, Clarifications

Statistical limitation

Actuarial calculations incorporate an inherent statistical uncertainty. Therefore, even if there is no change in the distribution of claims, the final cost of the claims may differ from the actuarial assessment and this notwithstanding the fact that the actuarial assessment incorporates an expectation of variance of the actual liabilities.

Exposure to future changes and developments

There is some uncertainty in health insurance with regard to predicting the cost of claims that are affected by several parameters that are impossible to forecast, for example: changes in morbidity and/or incidence rates, cancellations, changes in the basket of health services and medical inflation, Finance Ministry policy, reinsurers' policy, as well as social and environmental factors.

The future profitability of the health insurance portfolio purchased from Eliahu Insurance Company Ltd. was deducted from the amount of the reserve calculated by me. No additional adjustments were made to the insurance liabilities calculated by me.

Material changes

A. The results in the reporting period were affected by the Value Added Tax Ordinance (Tax Rate on Non-Profit Organizations and Financial Institutions) (Amendment), 5774-2024 (the "Ordinance"), which was published on April 14, 2024. The Ordinance states that, as of January 1, 2025, the rate of payroll tax and profit tax to be paid on the activities of a financial institution in Israel will be 18% of the wages paid and the profit generated, instead of the current rate of 17%. The impact of the aforementioned resulted in an increase in insurance liabilities in the amount of approximately NIS 4 million before tax.

B. On July 24, 2024, the Capital Markets, Insurance and Savings Authority published a circular entitled "Amendment to the provisions of the consolidated circular regarding the measurement of liabilities - updating the demographic assumptions in life insurance and pension funds" (hereinafter: the "Circular"). The circular includes an update of the default assumptions used to calculate the liabilities and factors in life insurance policies and pension funds. Following the implementation of the circular, during the reporting period and in the second quarter of 2024, an increase in insurance liabilities in the health insurance sector was recorded in the amount of approximately NIS 5 million before tax.

C. The company updated the morbidity assumption in the medical expenses line of business. As a result, there was an increase in the balance of gross reserves in the amount of approximately NIS 9 million.

D. The company updated the lapse assumption in the medical expenses line of business. As a result, there was a increase in the balance of gross reserves in the amount of approximately NIS 34 million.

March 25, 2025

Date

Jonathan Brody F.IL.A.A.

ANNEX 4

Harel Insurance Company Ltd. -
Actuarial Statement Regarding Life Assurance Sector

Actuarial Statement regarding Life Insurance

Section 1 - The Actuary

I was requested by Harel Insurance Company Ltd. ("the Insurer") to assess the provisions in Life Insurance specified in Section 2 below for the Financial Statements ("the Provisions") as at September 30, 2024, as detailed below.

I am a salaried employee of the Insurer. I am not an interested party in the Insurer, in any subsidiary or affiliated company and I do not have any business connections with the Insurer, with any interested party therein or with any relative of an interested party therein or with a subsidiary or affiliated company thereof. Furthermore, I am not an employee or permanent adviser of a subsidiary of the Insurer or of a company affiliated with the Insurer or any other party that provides various services to the Insurer.

I was appointed to this position by the Insurer on January 1, 2024.

Section 2 - Scope of the actuary's opinion

1. Scope of the actuary's opinion

A. In computing the insurer's provisions I relied on data provided by the insurer. My requests for information and data were met adequately to enable me to evaluate the provisions for the financial statements. I reviewed the reasonability and adequacy of the data, and I also compared the said data with data for the year referred to in the statement as well as for previous years.

B. Where necessary, my assessment also relied on data obtained from other reliable sources. I reviewed the consistency and relevance of the data.

C. The actuarial assumptions that I used in my work, as well as the methods employed to assess the provisions listed below were set by me, to the best of my professional judgment, and subject to the instructions, directives and rules specified in Section 3, Par. 1 below.

D. To calculate the retention, I asked the competent entities responsible for the Insurer's reinsurance for information regarding its reinsurance arrangements, the ability to collect claims and problems with the reinsurers' payment policies. Based on the information I received, I reviewed the implications and effects of the reinsurance arrangements on the provisions.

E. My opinion also took the following matter into account:

The Insurer has no incoming business. For this purpose, "incoming business" as defined in the Insurance Business (Method of Calculation of Provisions for Future Claims in General Insurance) Regulations - 1984.

For co-insurance where the Insurer is not the leading insurer, calculation of the reserve was based on the calculation prepared by the actuaries for the leading insurers.

2. Data attached to the scope of the actuarial opinion

A. Forms 12A and 12B, attached, detail the amounts of the Provisions in thousands of NIS, at both gross and retention level, as follows:

1) Provision for outstanding claims (claims that occurred but have not yet been paid in full, whether or not they have been approved, other than claims paid in the form of annuity, e.g.: Long-term Care, Work disability (P.H.I.) and Family Income Benefit) without the direct and indirect expenses attributable to them (including provision for claims for which the Insurer has not yet received a report).

2) Provision (reserve) arising from the conditions of the insurance contract in life insurance separately, including:

   a) Reserve for a plan with accrual;

   b) Provision required where part of the premium collected in the contract's early years is designated to provide future cover at a later date, for example: provision in respect of a fixed premium, insurability and continuity;

3) Part of the reserve for claims in payment, including claims paid in the form of an annuity, such as: Long-term Care (LTC), Work disability and Family Income Benefit (FIB).

4) Supplement attributable to Liability Adequacy Testing (LAT) of the reserve – after testing I concluded that there was no need for a supplement in life insurance. In long-term care, the reserve was supplemented by NIS 75.5 million.

5) Additional provisions in accordance with the Commissioner's instructions, such as: computing the reserve for annuity in life insurance policies in accordance with Commissioner's Circular 2013-1-2, dated March 6th, 2013.

B. Effect of the changes specified below on the provisions, at gross level:

1) For policies that took effect after the end of the last annual reporting period – the adjusted amount of the provisions, resulting from the differences between the assumptions underlying the premium and the assumptions underlying the provision – no such adjustment was necessary.

2) For policies that took effect before the last annual financial statements – the adjusted amount of the provisions attributable to changes in the assumptions, methods or premium expected to be collected: decrease of approximately NIS 347 million in gross reserves, as specified below in Section 4, Par. 2.

Section 3 - The Opinion

I hereby declare and confirm that in the Life Insurance sector:

1. I assessed the Insurer's provisions as specified in Section 2 in accordance with the instructions, directives and rules listed below, and all as valid on the date of the financial statement:

A. Provisions of the Supervision of Financial Services (Insurance) Law, 1981;

B. Instructions and directives of the Commissioner of Insurance;

C. Generally accepted actuarial practice.

2. After reviewing the information mentioned in Section 2, I concluded that the data are reasonable and adequate and can be relied upon for the purpose of my assessment.

3. I determined the assumptions and methods employed in assessing the Provisions, to the best of my professional discretion and based on the instructions, directives and rules specified above.

4. To the best of my knowledge and assessment, the Provisions specified in Section 2 form an adequate reserve for covering the Insurer's undertakings in respect of its liability attributable to life insurance contracts, as valid on the date of the financial statements.

Section 4 - Comments and clarifications

2 . Comments and clarifications

A. The Provisions for the reinsurance lines of business, personal lines critical illness and personal and group long-term care were provided by Mr. Jonathan Brody, F.IL.A.A, the appointed health insurance actuary.

B. The future profits of the life portfolio acquired from Eliahu Insurance Company Ltd. were deducted from the amount of the reserve that I calculated. No other adjustments were made in the insurance liabilities calculated by me.

C. Information about the categories of reserves, interest rates, etc. appears in the Notes to the Financial Statements.

D. The breakdown of the data that appears in Forms 12A and 12B is based on a separation of policy components (covers sold in the policy). This breakdown does not necessarily correspond with the data in the Company's Financial Statements and Notes to the Financial Statements, since the breakdown of the data is based on data at policy level.

E. The forms reflect the total liabilities, excluding subsidiaries, in respect of insurance contracts and investment contracts and before reducing the liabilities in respect of insurance for the Company's employees, a reduction required under Section 4 (b), IFRS 4.

F. Statistical limitations

The actuarial calculation contains an element of statistical uncertainty. Consequently, even if the distribution of the claims remains unchanged, the ultimate cost of the claims may differ from the actuarial assessment and this even though fluctuations and changes in the actual calculation were taken into account.

G. Exposure to future changes and developments

There may be changes and developments in the future regarding aspects of the insurance market in Israel resulting from regulatory changes, court rulings, technological developments and social or environmental changes that cannot be predicted and may affect the actuarial assessment of the Provisions. There is some uncertainty in projecting the cost of claims that are affected by several parameters that are impossible to forecast, for example: changes in morbidity and/or incidence rates, cancellations, changes in the basket of health services and medical inflation, Finance Ministry policy, reinsurers' policy and social and environmental factors.

3 . Material changes

The following changes occurred in the Reporting Period:

A. On July 24, 2024, the Capital Market, Insurance and Savings Authority published a circular on "Amendment of the Provisions of the Consolidated Circular on the Measurement of Liability - Revised demographic assumptions in life assurance and pension funds" ("the Circular"). The Circular includes an update of the default assumptions applied in calculating the liabilities and guaranteed annuity options in life insurance policies and pension funds, as well as revised assumptions for future mortality improvement rates. Following implementation of the Circular, in the Reporting Period the insurance liabilities in the life insurance and long-term savings segment increased by NIS 106 million.

B. The Company revised the interest rate in some of the life insurance sector liabilities as a result of the rising interest rates in the economy in 2024. Consequently, the gross insurance reserves were reduced by NIS 128 million.

C. Within the context of the Commissioner's Insurance Circular 2013-1-2 on "Calculation of the Reserves for Payment of Annuity in Life Insurance Policies", the default option was set for calculating the probability of receiving an annuity under various options, based on the average experience of the large insurance companies. In the Reporting Period, the Company revised the actuarial model to allow the different annuity tracks to be differentiated from one another, including different annuity tracks for spouses, instead of applying the aforementioned default option. The effect of this update reduced the reserve for payment of future annuity by NIS 304 million.

D. The Company revised the cancellation assumption in the long-term care sector following a study conducted in 2024. As a result, the gross reserves were reduced by NIS 21 million.

E. Results in the Reporting Period were affected by the Value Added Tax Order (Tax Rate Applicable to Non-profit Organizations and Financial Institutions) (Amendment), 2024 ("the Order") which was published on April 14, 2024. The Order stipulates that from January 1, 2025, the rate for payroll tax and profit tax payable by financial institutions on activity in Israel will be 18% of the salary paid and profit produced, instead of the present rate of 17% at the date of the financial statement. The effect of the foregoing increased the insurance liabilities in the long-term care sector by NIS 5 million before tax.

March 25, 2025	Adi Shimoni F.IL.A.A.	
Date	Name of Appointed Actuary	Signature

Attached:

Form 12A: Outstanding claims, reserve and reserve for extraordinary risks - gross

Form 12B: Outstanding claims, reserve and reserve for extraordinary risks - retention

Form 12A

Outstanding claims, reserve and reserve for extraordinary risks - gross

Company name: Harel Insurance Company Ltd. *December 31, 2024*

Gross data *(NIS thousand)*

			Total	Savings and risk of death (classic, traditional)		Pure savings or policies with savings component (Adif, Maslul)		Pure Risk of Death or policy with risk of death component		Work disability (PHI)	Long-term care (LTC)		Other cover 1)
				Guaranteed yield	Profit sharing	Guaranteed yield	Profit sharing	Personal lines	Group		Personal lines	Group	
				1A	1B	2A	2B	3A	3B	4	5A	5B	6
1	Outstanding claims		509,051	13,959	5,748	3,643	60,655	253,855	60,894	-	-	-	110,297
2	Reserve (total rows 2a1 to 6)		101,920,458	1,873,945	908,476	8,845,806	77,684,134	344,880	40,235	1,869,080	6,508,267	3,673,053	172,582
2a1	Policies which include a savings component (incl. riders) by date of policy issue:	Policies issued until 1990	6,073,998	949,889	4,101	4,961,593	154,803	1,372	-	1,593	-	-	647
2a2		Policies issued between 1991 and 2003	24,507,066	-	786,095	-	23,662,857	4,022	-	47,918	-	-	6,175
2a3		Policies issued after 2004	46,282,783	-	68	14,961	46,182,285	13,399	-	70,173	-	-	1,897
4a2		Total (2a1 to 2a3)	76,863,847	949,889	790,264	4,976,553	69,999,944	18,793	-	119,684	-	-	8,720
2b	Policies with no savings component		5,578,240	-	-	-	-	321,812	40,235	111,146	4,880,918	60,267	163,863
3	Part of the reserve for claims in payment		18,296,769	836,065	107,584	3,485,781	7,060,165	4,276	-	1,638,250	1,551,861	3,612,786	-
4	Profit sharing		-	-	-	-	-	-	-	-	-	-	-
5	Supplement attributable to Liability Adequacy Testing (LAT)		75,488	-	-	-	-	-	-	-	75,488	-	-
6	Other		1,106,114	87,990	10,628	383,471	624,025	-	-	-	-	-	-
7	Reserve and reserve for extraordinary risks		-	-	-	-	-	-	-	-	-	-	-

1) Other cover, including: Disability, Double indemnity, etc.

8a	Effect of adjustment of provision for new business		-	-	-	-	-	-	-	-	-	-	-
8b1	Effect of adjustment of provision for existing business	Changes in assumptions	(214,638)	(22,562)	(4,318)	(106,698)	(64,517)	-	-	-	(16,543)	-	-
8b2		Changes in methodology	-	-	-	-	-	-	-	-	-	-	-
8b3		Changes in premium amount	-	-	-	-	-	-	-	-	-	-	-
8b4		Other changes	-	-	-	-	-	-	-	-	-	-	-

Form 12B

Outstanding claims, reserve and reserve for extraordinary risks - retention

Company name: Harel Insurance Company Ltd. *31/12/24*

Retention data *(NIS thousand)*

			Total	Savings and risk of death (classic, traditional)		Pure savings or policies with savings component (Adif, Maslul)		Pure Risk of Death or policy with risk of death component		Work disability (PHI)	Long-term care (LTC)		Other cover 1)
				Guaranteed yield	Profit sharing	Guaranteed yield	Profit sharing	Personal lines	Group		Personal lines	Group	
				1A	1B	2A	2B	3A	3B	4	5A	5B	6
1	Outstanding claims		464,858	13,201	5,748	3,643	60,255	230,736	60,894	-	-	-	90,380
2	Reserve (total rows 2a1 to 6)		99,994,914	1,873,870	908,468	8,845,700	77,683,683	341,786	40,235	1,560,248	5,335,024	3,260,147	145,753
2a1	Policies which include a savings component (incl. riders) by date of policy issue:	Policies issued until 1990	6,073,998	949,889	4,101	4,961,593	154,803	1,372	-	1,593	-	-	647
2a2		Policies issued between 1991 and 2003	24,507,066	-	786,095	-	23,662,857	4,022	-	47,918	-	-	6,175
2a3		Policies issued after 2004	46,282,783	-	68	14,961	46,182,285	13,399	-	70,173	-	-	1,897
4a2		Total (2a1 to 2a3)	76,863,847	949,889	790,264	4,976,553	69,999,944	18,793	-	119,684	-	-	8,720
2B	Policies with no savings component		4,964,983	-	-	-	-	321,812	40,235	111,146	4,271,319	56,609	163,863
3	Part of the reserve for claims in payment		16,984,482	835,991	107,577	3,485,675	7,059,714	1,182	-	1,329,418	988,217	3,203,538	(26,829)
4	Profit sharing		-	-	-	-	-	-	-	-	-	-	-
5	Supplement attributable to Liability Adequacy Testing (LAT)		75,488	-	-	-	-	-	-	-	75,488	-	-
6	Other		1,106,114	87,990	10,628	383,471	624,025	-	-	-	-	-	-
7	Reserve and reserve for extraordinary risks		-	-	-	-	-	-	-	-	-	-	-

1) Other cover, including: Disability, Double indemnity, etc.

8a	Effect of adjustment of provision for new business		-	-	-	-	-	-	-	-	-	-	-
8b1	Effect of adjustment of provision for existing business	Changes in assumptions	(210,090)	(22,562)	(4,318)	(106,698)	(64,517)	-	-	-	(11,995)	-	-
8b2		Changes in methodology	-	-	-	-	-	-	-	-	-	-	-
8b3		Changes in premium amount	-	-	-	-	-	-	-	-	-	-	-
8b4		Other changes	-	-	-	-	-	-	-	-	-	-	-