Economic Solvency Ratio Report of Harel Insurance Company Ltd. As at June 30, 2025

This English translation from the Hebrew version of the report (published on November 24, 2025), is for convenience and information purposes only.
In case of any contradiction or discrepancy between this English translation and the original Hebrew version, the Hebrew version shall be the binding version.
The Company makes no representations as to the accuracy and reliability of the financial information in this English translation.

Economic Solvency Ratio Report of
Harel Insurance Company Ltd.
As at June 30, 2025

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To: The Board of Directors of Harel Insurance Company Ltd.

Re: Auditors report with respect to the Solvency II-based Economic Solvency Ratio Report of Harel Insurance Company Ltd. ("the Company") as at June 30, 2025

Foreword

We have implemented the procedures set out below with respect to the Solvency II-based Economic Solvency Ratio Report of the Company as at June 30, 2025 ("the Report" or "the Economic Solvency Ratio Report"). Our report refers exclusively to solvency ratio calculations and the method of presentation of the Solvency Ratio Report, and it does not address any of the Company's other activity.

Responsibility

The Board of Directors and management are responsible for the preparation and presentation of the Report in accordance with the instructions of the Commissioner of the Capital Market, Insurance and Savings ("the Commissioner") with respect to the Economic Solvency of insurance companies based on Solvency II, as included in Chapter 2, Section 2, Part 5 of the Consolidated Circular and related directives (hereinafter together "the Commissioner's Instructions"). The calculations, forecasts and assumptions that formed the basis for preparation of the Information are the responsibility of the Board of Directors and Management. This responsibility includes the selection and application of appropriate methods for preparation of the prepared information and the use of assumptions and estimates for individual disclosures, that are reasonable under the given circumstances. Furthermore, this responsibility includes the planning, assimilation and maintenance of systems and processes relevant to preparation of the prepared Information so as to avoid the inclusion of material misstatement.

Our responsibility is to express a conclusion on the preparation and presentation of an economic solvency ratio report in accordance with the Commissioner's Instructions, based on the procedures set out below.

Scope of the review

Our engagement was conducted in accordance with the principles of International Standard on Assurance Engagement (ISAE) 3000 (Revised), Assurance Engagements Other than Audits or Reviews of Historical Financial Information, published by the IAASB, and in accordance with the Commissioner's directives, as included in the Consolidated Circular, Chapter 7, Section 5, Part 1 concerning external auditors, which prescribes provisions concerning a review of a quarterly economic solvency ratio report. The work procedures comprised the procedures set out below, with the purpose of assessing whether the calculations conducted by the Company on this matter, as at June 30, 2025, in all material respects, do not comply with the Commissioner's Instructions. Nonetheless, we do not provide a separate conclusion for each disclosure.

The work procedures comprised the following:

- Review of the Solvency Ratio Report and the explanations included therein;
- Conducting inquiries, mainly with those responsible for producing the Solvency Ratio Report and for preparation of the calculations relating to the solvency ratio; including inquiries about material changes that have occurred in the models, methodologies, calculation processes and systems;
- Review of material changes in studies that affected this report, to the extent relevant;
- Conducting analytical review procedures, including assessing the reasonability of any material changes in key items in the Report.
- Our work is considerably more limited in scope than an audit performed in accordance with generally accepted auditing standards in Israel, and it therefore does not enable us to obtain reasonable assurance that we will become aware of any significant matter that might have been identified in an audit. Accordingly, we do not express an audit opinion.

We did not review the reasonability of the TMTP as at June 30, 2025, as presented in Section 3A(6), other than with respect to the aforementioned work procedures regarding the TMTP amount that does not exceed the projected discounted amount of the Risk Margin and the Solvency Capital Requirement in respect of life and health insurance 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 capital release, as well as release of the projected Risk Margin, as specified in the provisions concerning calculation of the Risk Margin.

Conclusion

Based on the procedures applied, nothing came to our attention that might cause us to believe that the solvency ratio calculations and method of presentation of the Company's Solvency Ratio Report as at June 30, 2025, were not prepared in accordance with the Commissioner's Instructions, in all material respects.

It is emphasized that the forecasts and assumptions are based mainly on past experience, as arising 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 and management activity, as well as the pattern of future development of the Risk Margin that will not necessarily materialize or that may materialize differently from the assumptions on which the Information was based. Additionally, actual results might differ significantly from the Information, given that the combined scenarios of events may materialize in a manner that is significantly different from the assumptions made in the Information.

We draw attention to Section F - notes and clarifications concerning the solvency ratio, the uncertainty deriving from regulatory changes and exposure to contingent liabilities, the effect of which on the solvency ratio cannot be estimated, as well as the uncertainty inherent in the actuarial and financial assumptions and forecasts used in the preparation of the Report.

Yours Faithfully,

Somekh Chaikin

Certified Public Accountants

Tel Aviv, November 24, 2025

1. Background and Disclosure Requirements

A. Solvency II based Economic Solvency Regime

The information set out below was calculated in accordance with the provisions of Insurance Circular 2020-1-15 dated October 14, 2020, on "Amendment of the Consolidated Circular concerning Implementation of an Economic Solvency Regime for Insurance Companies Based on Solvency II" ("Economic Solvency Regime Provisions") and based on the additional directives and stipulations of the Commissioner concerning implementation of an Economic Solvency Regime.

The information was prepared in accordance with the provisions of Chapter 1, Part 4, Section 5 of the Consolidated Circular, mostly recently updated in Insurance Circular 2025-1-3 dated July 2, 2025, which revised the consolidated circular with respect to "Reporting to the Public" and "Reporting to the Commissioner of the Capital Market - date for reporting an economic solvency ratio and Solvency reporting file" (hereinafter - "Disclosure provisions and revised reporting dates") and based on additional directives and stipulations of the Commissioner concerning disclosure regarding an Economic Solvency Regime. Specifically, the Circular revises the disclosure structure in the economic solvency ratio report regarding certain disclosure tables to ensure that they are consistent with the revised financial statement under IFRS17.

The Economic Solvency Regime Provisions prescribe a standard model for calculating Eligible Own Funds and Solvency Capital Requirement ("SCR"), with the purpose of ensuring that insurance companies hold a buffer to absorb losses arising from the materialization of unforeseen risks to which they are exposed. **The Solvency Ratio is the ratio between the Eligible Own Funds and the Solvency Capital Requirement.**

Eligible Own Funds for the purpose of an Economic Solvency Regime, is composed of Tier-1 and Tier-2 capital. Tier-1 capital includes equity calculated by evaluating an insurance company's assets and liabilities based on Economic Solvency Regime Provisions and ancillary Tier-1 capital. Tier-1 ancillary capital and Tier-2 capital include capital instruments with loss-absorbing mechanisms, including subordinate Tier-2 capital instruments, hybrid Tier-2 capital and Tier-3 capital that were issued before the commencement date. Economic Solvency Regime Provisions place limitations on the composition of Own Funds in relation to SCR (see below) so that the components included in Tier-2 capital shall not exceed 40% of the SCR (in the transitional period, specified below in Section 1.B, it is stipulated that the components included in Tier-2 capital shall not exceed 50% of the capital required for solvency in the transitional period).

The Eligible Own Funds should be compared with the required capital, where there are two levels of capital requirement:

- Capital required to maintain an insurance company's solvency ("SCR"). The SCR is risk sensitive and is based on a forward-looking calculation of the materialization of various scenarios, while taking into account the level of correlation of the different risk factors, based on the guidance in the Economic Solvency Regime Provisions. The purpose of this requirement is to ensure precise and timely intervention by the supervisory authorities.
- Minimum Capital Requirement ("MCR or "Capital Threshold"). Under the Solvency provisions, the capital threshold equals the amount derived from the level of insurance reserves and premiums (according to their definition in the Solvency Provisions) within a range of between 25% and 45% of the SCR.

Eligible Own Funds and SCR are calculated by means of data and models that are based, among other things, on forecasts and assumptions relying primarily on past experience. These calculations are highly complex.

B. Transitional measures

(a) Among other things, the Economic Solvency Regime Provisions include transitional provisions according to which the Company includes in the calculation of the insurance reserves in the transitional period a deduction from the insurance reserves ("the Deduction"). The Deduction is calculated in accordance with the Commissioner's directives in a letter to insurance company executives on "Principles for calculation the TMTP in an economic solvency regime based on Solvency II". This letter was revised on April 10, 2025 and it sets out the principles for calculating the TMTP under IFRS17 with respect to insurance contracts ("Deduction Principles Letter") and it is decreased gradually until December 31, 2032.

According to the principles for calculating the Deduction, or Transitional Measures on Technical Provisions – TMTP, will be calculated according to fixed deduction rates provided by the Company and approved by the Commissioner and allocated into homogenous risk groups ("the Deduction rates"). The Deduction for each homogenous risk group is equal to the Deduction rates multiplied by the amounts of BE and risk margin (RM) components, and net of a supplement for the value of Hetz bonds (for a guaranteed yield portfolio) at the date of the calculation. The company must ensure that the value of the Deduction in the transitional period is calculated in a cautious, conservative manner and at each reporting date it is consistent with the anticipated rate of growth of the solvency ratio, where it is calculated excluding the TMTP in the transitional period.

(b) Regarding composition of the Eligible Own Funds, it was determined that the maximum scope of Tier-2 capital in the transitional period will be 50% of the SCR.

Clarification concerning forward-looking information in this report

The data included in this Economic Solvency Ratio Report, including the Eligible Own Funds and Solvency Capital Requirement, are based, among other things, on forecasts, assessments and estimates of future events, the materialization of which is uncertain and that are beyond the Company's control, and should be treated as "forward looking information", according to its definition in Section 32A of the Securities Law, 1968. Actual results may differ from the way they are expressed in this Economic Solvency Ratio Report, due to the fact that all or part of these forecasts, assessments and estimates materialize or may materialize in a manner different from that forecast, in part with respect to actuarial assumptions (including mortality rates, including the mortality tables published from time to time by the Commissioner, morbidity rates, recovery rates, cancellations, expenses, annuity take-up rates and the rate of underwriting profit), assumptions regarding future management actions, the future development of Solvency Capital Requirement and the Risk Margin, risk-free interest rates, yields in the capital market, future revenues and loss in catastrophe scenarios.

C. Provisions on the subject of Own Risk and Solvency Assessment (ORSA)

On January 5, 2022, a letter of principles and an amendment to the Consolidated Circular were published on the subject of implementing an Own Risk and Solvency Assessment (ORSA) by insurance companies ("ORSA Guidelines"). One of the main principles of ORSA is to create linkage between business strategy, risks and capital management.

Under Section 7.4.28 of Chapter 3, Part 4, Section 5 in the Consolidated Circular, entitled "Reporting to the Commissioner of the Capital Market", insurance companies shall submit a report of their ORSA to the Commissioner once a year, in January.

The Company submitted the required report to the Commissioner in January 2025.

D. Definitions

The Company	-	Harel Insurance Company Ltd.
The Commissioner	-	Commissioner of the Capital Market, Insurance and Savings Authority.

Economic Solvency Regime Provisions	-	The provisions of Commissioner's Circular 2020-1-15 on "Amendment of the Consolidated Circular concerning Implementation of an Economic Solvency Regime for Insurance Companies Based on Solvency II" including its stipulations.
Best Estimate	-	Expected future cash flows from insurance contracts and investment contracts throughout their duration, without conservatism margins, discounted by an adjusted risk-free interest rate.
Long-term health insurance (SLT)	-	Similar to Life Techniques. Health insurance that is managed similarly to life insurance.
Short-term health insurance (NSLT)	-	Non-Similar to Life Techniques. Health insurance that is managed similarly to non-life insurance.
Basic Solvency Capital Requirement (BSCR)	-	Basic Solvency Capital Requirement. The capital required from an insurance company to maintain its solvency, calculated in accordance with the Economic Solvency Regime Provisions, without considering the equity required for operational risk, adjustment for the Loss Absorbing Capacity of Deferred Taxes and the required capital for management companies.
Solvency Capital Requirement (SCR)	-	Solvency Capital Requirement. The capital required from an insurance company to maintain its solvency, calculated in accordance with the Economic Solvency Regime Provisions.
Eligible Own Funds	-	Tier-1 and Tier-2 capital of an insurance company, after deductions and amortization in accordance with the provisions of Section B of the Appendix to the Solvency Circular.
Basic Tier-1 capital	-	Excess of assets over liabilities in the Economic Balance Sheet, net of unrecognized assets and dividends that were declared after the reporting date and before initial publication of the report.
Tier-1 ancillary capital	-	Perpetual capital note, non-cumulative preference shares, hybrid Tier-1 capital instrument, ancillary Tier-1 capital instrument.
Tier-2 capital	-	Tier-2 capital instruments, subordinated Tier-2 capital instruments, hybrid Tier-2 capital and hybrid Tier-3 capital - valued in accordance with the provisions of Part A of the Appendix to the Solvency Circular.
Diversification effect among the risk components	-	Effect of the partial correlation among different risks in the Standard Model on their amounts. If the risks are well distributed among the operating segments in the portfolio, then the effect of the correlation will be greater and the overall risk is reduced.
Solvency Ratio	-	The ratio between the insurance company's Eligible Own Funds and its SCR.
Economic Balance Sheet	-	The Company's balance sheet where the value of the assets and liabilities is adjusted in accordance with the provisions of Section 1 of the Appendix to the Solvency Circular.
Risk margin (RM)	-	Risk Margin. An amount over and above the Best Estimate that reflects the overall cost of capital that a third party (another insurance company or reinsurer) would require to assume the Company's insurance obligations.
Risk Adjustment (RA)	-	The compensation that the Company requires for bearing the uncertainty in respect of the amount and timing of the cash flows arising from non-financial risk in fulfillment of the insurance contract. The assumptions for non-financial risks consist principally of mortality, longevity, morbidity, lapses and expenses.

Transitional Measure on Technical Provisions (TMTP)	-	Insurance companies may apply a transitional deduction to technical provisions, based on the principles prescribed by the Commissioner. The maximum portion deductible shall decrease gradually until 2032.
Minimum Capital Requirement (MCR)	-	Minimum Capital Requirement. The minimum capital required of the insurance company.
Expected Profits Included in Future Premiums (EPIFP)	-	Expected Profit in Future Premiums. Future profit factored into the liabilities for existing life and health insurance contracts attributable to future premiums.
Volatility adjustment (VA)	-	Volatility Adjustment. An anti-cyclical component that reflects the spreads of an insurance company's representative debt assets portfolio and is added to the adjusted interest rate curve based on the Economic Solvency Regime Provisions.
UFR	-	Ultimate Forward Rate. The latest forward interest rate derived from the expected long term real interest rate and from long term inflation expectations, to which the adjusted interest rate curve converges, based on the Economic Solvency Regime Provisions.
Adjusted risk-free interest	-	An interest curve determined by the Commissioner and which is based on the real yield to maturity of Israel state bonds, that in the long term converges to a real fixed rate of 2.6% (UFR) and plus a margin (VA) determined by the Commissioner.
(Audited)	-	An audit conducted by the Company's independent auditors in accordance with the International Standard on Assurance Engagement ISAE 3400 - Review of Prospective Financial Information and in accordance with the Commissioner's directives, as included in Appendix B to the Consolidated Circular in Chapter 7, Part 1 of Section 5 concerning an "Independent Auditor", which sets out instructions for auditing an annual Economic Solvency Ratio Report.
(Unaudited)		A review in accordance with International Standard on Assurance Engagement (ISAE) 3000, Assurance Engagements Other than Audits or Reviews of Historical Financial Information.

E. Calculation Methodology

The Economic Solvency Ratio at June 30, 2025 and December 31, 2024, was calculated and prepared in accordance with the Economic Solvency Regime Provisions. Following are the key instructions:

Economic Balance Sheet

The economic balance sheet is calculated in accordance with the detailed instructions published by the Commissioner which are based on the European Solvency II standards, with adjustment for the nature of the products and economic environment in Israel. The purpose of the standards is to reflect the economic value of the balance sheet items according to the Commissioner's approach. According to the instructions, the insurance liabilities are calculated on the basis of a Best Estimate of all expected future cash flows from existing business, without a margin for conservatism, and plus a Risk Margin, which represents the addition to the insurance liabilities that another insurance company would be expected to require for assuming an insurance company's insurance liabilities. According to the instructions, the Risk Margin is calculated using the cost of capital method, at a rate of 6% per year of the expected required capital, in respect of insurance risks, over the life of the existing business. The Economic Balance Sheet is prepared on the basis of the Company's separate financial statements. The Economic Balance Sheet does not include the economic value of intangible assets, other than insurtech assets recognized by the Commissioner.

Transitional Measure on Technical Provisions (TMTP)

As noted above, based on the transitional measures, the Company includes in the calculation of the insurance reserves in the transitional period, a deduction from the insurance reserve that will gradually decrease through 2032 ("the Deduction"). The Deduction in the transitional period is calculated in accordance with the Deduction Principles Letter, as described in Section 1.B.(a) above.

Solvency capital requirement (SCR)

Calculation of the capital required for Solvency is based on an assessment of the exposure of the economic Own Funds to the following risk components prescribed in the Economic Solvency Regime Provisions: life insurance risks, health insurance risks, non-life insurance risks, market risks, counter-party risks and intangible assets risk. These risk components include sub-components with respect to specific risks to which the insurance company is exposed. Exposure of the economic Own Funds to each sub-component is assessed on the basis of a defined scenario set out in the guidance. Determination of the Solvency Capital Requirement is based on a sum of the capital requirements for the said sub-risk components, net of the effect of diversification between the Company's risks according to correlation factors attributed to them according to the instructions, and net of adjustment for the absorption of losses for deferred tax, as specified in the Economic Solvency Regime Provisions. Calculation of the SCR also includes components of capital required in respect of operational risk, and for management companies.

It is emphasized that the results of the models applied in calculating the Eligible Own Funds and SCR are extremely sensitive to the forecasts and assumptions included therein as well as to the way in which the guidance is applied. The economic solvency ratio is highly sensitive to market and other variables and it may therefore be volatile. The capital requirement for each risk is calculated based on the Company's exposure to this risk and taking into account the parameters defined in the instructions. According to the instructions, the amount of required capital represents the volume of own funds that will enable the insurance company to absorb, in the coming year, unforeseen losses and to meet its obligations to policyholders and beneficiaries in a timely manner, with a 99.5% level of certainty.

Adjustment for loss absorbing capacity for deferred taxes

Under the Economic Solvency Regime Provisions, insurance companies may recognize adjustment for loss absorption capacity for deferred taxes up to the net amount of the outstanding reserve for deferred taxes recorded in the Economic Balance Sheet, plus a deferred tax asset held to cover future profits that meet all the following conditions:

- The insurance company is capable of showing the Commissioner that future tax-liable profits can reasonably be available and that the tax assets held to cover them are exercisable;
- It derives exclusively from non-life insurance activity or NSLT health insurance activity;
- Its value does not exceed 5% of the BSCR.

Adjustment for loss absorbing capacity for deferred taxes is limited by multiplying the tax rate by the balance of the Basic Solvency Capital Requirement (BSCR) and operational risk capital requirements.

F. Comments and clarifications

1. General

   Among other things, the Solvency Ratio includes a forecast based on assumptions and parameters in line with past experience, as emerges from actuarial studies conducted from time to time, and with the Company's assessments regarding the future, to the extent that the Company has relevant and concrete information on which to base it. The information and studies are the same as those which formed the basis for the Company's financial statements at June 30, 2025. Any information or studies compiled after the publication date of the Company's financial statements at June 30, 2025, were not taken into account. It is emphasized that in view of the reforms in the capital market, insurance and savings, and changes in the economic environment, past data do not necessarily indicate future performance and the Company is unable to reliably estimate the impact of these reforms and changes. In some cases, the calculation is based on assumptions about future events, management activity that may not necessarily materialize or that will materialize differently from the assumptions on which the calculation was based. Moreover, actual results might differ significantly from the calculation, given that the combined scenarios of events could materialize in a significantly different manner from the assumptions in the calculation. The model in its current format is extremely sensitive to changes in market and other variables, and the capital position it reflects could therefore be extremely volatile.

2. Application of new accounting standards

   The application of IFRS17, *Insurance Contracts*, and IFRS9, *Financial Instruments*, from January 1, 2025 did not affect the outcome of the Company's solvency ratio calculation. Structure of the disclosure in the report was adjusted to updates following application of the standards.

3. Future effects of legislation and regulations known on the date of publication of the report and exposure to contingent liabilities

   (a) In recent years, the insurance industry has been exposed to frequent changes in legislation and regulations. In this context, see Section 3.5 on "Summary of the legislative arrangements and provisions of law in the Group's operating segments", as part of the Interim Report as at June 30, 2025.

   The legislation and regulatory instructions affect the Company's profitability and cash flows and as a direct consequence, its Economic Solvency.

   Calculation of the Solvency Ratio does not include all the future possible repercussions of these laws and regulations, as well as other developments that have not yet been reflected in the data at the practical level, given that at the date of this report, the Company is unable to estimate the impact on its business performance and on the Solvency Ratio.

   (b) According to the Solvency instructions, the value of the contingent liabilities in the Economic Balance Sheet is determined according to their value in the accounting balance sheet, based on the rules set out in IAS 37. This measurement does not reflect their economic value. It is impossible to estimate the implications of the uncertainty stemming from the exposure to contingent liabilities, as described in Note 12A to the Company's interim financial statements at June 30, 2025, including its impact on future profitability and on the Solvency Ratio.

4. Commissioner's Circular concerning a revised time schedule for publication of an Economic Solvency Report

   Insurance Circular 2025-1-3 dated July 2, 2025, concerning "Update of the provisions of the Consolidated Circular on "Reporting to the Public" and "Reporting to the Commissioner of the Capital Market" - date for reporting the Economic Solvency Ratio and the Solvency Report File" ("Disclosure Provisions and Revised Reporting Dates") stipulates that the timetables for publishing an economic solvency ratio report and reporting solvency files to the Commissioner shall be synchronized with the accounting financial reports at the same date, beginning with the economic solvency ratio report as at December 31, 2026.

2. Solvency Ratio and MCR

A. Economic Solvency Ratio

	June 30, 2025	December 31, 2024
	(Unaudited)	(Audited)
	NIS million	
Own funds for the purpose of SCR - see Section 4	**18,656**	16,773
Solvency Capital Requirement (SCR) - see Section 5	**10,211**	9,754
Capital surplus	**8,445**	7,019
Economic Solvency Ratio	**183%**	172%
Effect of material capital transactions that took place in the period between the date of the calculation and the publication date of the Economic Solvency Ratio Report:		
Capital raising (redemption) (*)	**-**	1,000
Own funds for the purpose of SCR	**18,656**	17,773
Capital surplus	**8,445**	8,019
Economic Solvency Ratio	**183%**	182%

(*) On April 24, 2025, the Company raised Series 21 bonds in the amount of NIS 1 billion. The Series 21 bonds are a Tier-1 ancillary capital instrument.

For information about the Economic Solvency Ratio without application of the transitional measures to the transitional period and regarding the economic solvency ratio target and limitations that apply to the Company with respect to distribution of a dividend, see Section 8 below.

The Company's capital position at June 30, 2025, was affected by its ongoing business development, raising of Tier-1 ancillary capital, dividend distribution, changes in market variables, ongoing model updates and update of the TMTP.

Swords of Iron War ("the War")

On October 9, 2025, an agreement was signed between the State of Israel and the Hamas terror organization to terminate the war in Gaza and for the return of the hostages, after more than two years of fighting that began on October 7, 2023. Following the signing of the agreement, Hamas released all the living hostages and returned the bodies of some of the slain hostages for burial in Israel. In return, Israel released Palestinian security prisoners, halted the fighting in Gaza and withdrew to agreed ceasefire lines within the Gaza Strip.

Simultaneously, the President of the United States announced a regional peace initiative in which the Abraham Accords would be expanded to include additional Arab states in our region.

At the date of publication of the Economic Solvency Ratio the effects of the War on the results of the Company's activity are not significant. Nonetheless, in view of the fact that this is a dynamic event subject to considerable uncertainty, the extent of the effect of various defense-related scenarios such as a breach of the ceasefire agreement and resumption of the fighting in Gaza, an escalation in Judea and Samaria or renewed escalation on the Iranian front, on the Company's activity is uncertain and beyond the Company's control. These assessments are based on the best knowledge available to the Company's management at this stage. All or part of these estimates might not materialize or may materialize differently and even significantly differently, than expected.

Material changes in the capital surplus

- The capital surplus was favorably affected by the raising of Series 21 bonds in the amount of NIS 1 billion on April 24, 2025. Series 21 bonds are a Tier-1 ancillary capital instrument.

Effect of operating activity

- In the Reporting Period, there was a natural increase in the Company's capital surpluses and solvency ratio due to the obsolescence of the capital requirement for existing insurance products in the life and health segments, thus reducing the Solvency Capital Requirement (SCR) and Risk Margin (RM).
- The capital surplus was affected favorably by underwriting profit attributable to sales of non-life insurance.
- The change in the risk-free, linked shekel interest-rate curve in the first half of 2025, increase in the short-term section and decrease in the medium and long-term section of the curve, reduced the Company's capital surplus and Economic Solvency Ratio.
- In the Reporting Period, the Consumer Price Index rose by 1.57% and led, in aggregate, to a reduction of the Company's capital surplus and Economic Solvency Ratio.
- In the Reporting Period, the capital requirements increased mainly due to an increase in symmetric adjustment (SA) component in equity risk scenario in the requirement for market risk capital, due to positive yields in the TA-125 index which form the basis for calculating the SA component.

New business

- The capital surplus and solvency ratio were favorably affected by new business in life and health insurance, mainly from risk of death, medical expenses and critical illness policies.

Dividend

- The capital surplus was negatively affected by the distributed a dividend of NIS 400 million which was approved by the Company's Board of Directors on August 27, 2025, after the Reporting Period.

Effect of the transitional measures

- At June 30, 2025, update of the Deduction to NIS 1,491 million reduced the Company's capital surplus and Economic Solvency Ratio. An explanation of the Deduction appears in Section 1.B.(a) above.

Update concerning assessment of the use of Economic Scenario Generators in calculating the Company's solvency ratio

At the date of the report, the Company completed a calculation of the Economic Solvency Ratio based on the use of Economic Scenario Generators (ESG), including completion of tests and control processes for market refinement, robustness and consistency.

The stochastic model is used for preparing a best actuarial estimate of the flow of asymmetric insurance liabilities (including future variable management fees), the value of which is not fully included in the present model for calculating the Economic Solvency Ratio. In both the existing model and the stochastic model, the yield which serves as the basis for the calculation is a risk-free yield. Nonetheless, unlike the existing model, in the stochastic model calculation of the flows takes into account fluctuations in the relevant asset yields based on their composition and characteristics, including asset class, average duration and exposure to the CPI and foreign exchange rates. To build the stochastic model, the Company chose economic models that correspond with the types of assets. These models were calibrated using relevant, historic market information. International consulting companies assisted the Company in choosing, calibrating and testing these economic models. Furthermore, the external auditors assessed the calculation process and internal control.

Harel Insurance estimates that assimilation of the stochastic model is expected to affect the Economic Solvency Ratio by the addition of an estimated 7.1% and 4.3% to the Economic Solvency Ratio as at June 30, 2025, without and with taking the transitional measures into account, respectively. Notably, this figure is not audited or reviewed and is also sensitive to changes in the interest rate curve and in other financial and demographic assumptions so that the effect of the stochastic model may be different, including materially different, at the actual date of application.

According to the outline received from the Commissioner in May 2025, application of the stochastic model will not form part of the Economic Solvency Ratio calculation without application of the transitional measures for three reporting dates, from the Economic Solvency Ratio Report as at December 31, 2024.

B. Minimum Capital Requirement (MCR)

	June 30, 2025	December 31, 2024
	(Unaudited)	(Audited)
	NIS million	
MCR - see Section 6.A	**3,234**	3,149
Own Funds for the purpose of MCR - see Section 6.B	**14,197**	12,526

3. Economic Balance Sheet

A. Economic Balance Sheet

	June 30, 2025		December 31, 2024	
	(Unaudited)		(Unaudited)	(Audited)
	Balance sheet according to accounting standards (*)	Economic Balance Sheet	Balance sheet according to accounting standards (*)	Economic Balance Sheet
	NIS million	NIS million	NIS million	NIS million
Assets:				
Cash and cash equivalents for unit-linked contracts	8,820	8,820	7,388	7,388
Other cash and cash equivalents	2,819	2,819	1,945	1,945
Financial investments for unit-linked contracts	74,531	74,536	73,898	73,902
Other financial investments:				
Deposits in banks and financial institutions	156	156	160	160
Designated bonds	6,765	6,771	6,638	6,654
Government bonds (other than designated bonds)	7,128	7,128	6,300	6,300
Non-tradable corporate bonds	534	534	523	523
Tradable corporate bonds	2,575	2,575	2,764	2,764
Non-tradable shares	675	675	639	639
Tradable shares	1,047	1,047	1,368	1,368
Borrowings (including Investee companies)	8,264	8,265	8,040	8,040
Other	4,976	4,976	4,648	4,648
Total other financial investments	**32,120**	**32,127**	**31,080**	**31,096**
Trade and other receivables	1,858	1,858	1,993	1,980
Current tax assets	1	1	8	8
Insurance contract assets (**) - see Section (B)	3,873	10,290	3,154	9,653
Reinsurance treaty assets (**) - see Section (B)	2,561	1,916	2,554	1,931
Investments in non-insurance company investees				
Management companies	34	33	33	32
Other investees	1,125	1,124	1,178	1,176
Total investments in non-insurance company investees	**1,159**	**1,157**	**1,211**	**1,208**
Investment property for unit-linked contracts	1,847	1,847	1,834	1,834
Investment property - other	2,337	2,337	2,329	2,329
Fixed assets	1,357	1,357	1,355	1,355
Intangible assets and goodwill	1,344	217	1,334	230
Deferred tax assets, net	-	-	1	-
Other assets	46	-	38	-
Total assets	**134,673**	**139,282**	**130,122**	**134,859**
Of this: Risk Adjustment (RA) / Risk Margin (RM)	(1,501)	(7,139)	(1,441)	(6,574)
Total assets for unit-linked contracts	**86,176**	**86,180**	**84,293**	**84,297**
Capital				
Basic Tier-1 capital	**5,883**	**12,637**	4,813	11,642
Total equity	**5,883**	**12,637**	**4,813**	**11,642**

A. Economic Balance Sheet (contd.)	**June 30, 2025**		**December 31, 2024**	
	(Unaudited)		**(Unaudited)**	**(Audited)**
	Balance sheet according to accounting standards (*)	**Economic Balance Sheet**	**Balance sheet according to accounting standards (*)**	**Economic Balance Sheet**
	NIS million	**NIS million**	**NIS million**	**NIS million**
Liabilities				
Borrowings and credit	7,054	6,730	6,030	5,581
Liabilities for derivative instruments	307	307	559	559
Trade and other payables	2,396	2,396	1,944	2,000
Current tax liabilities	47	47	13	13
Liabilities for investment contracts	21,896	21,325	21,392	20,894
Insurance contract liabilities (**) - see Section (B)	95,204	89,698	93,679	88,273
Reinsurance treaty liabilities (**) - see Section (B)	563	2,711	438	2,581
Transitional Measure on Technical Provisions (TMTP)	-	(1,491)	-	(1,585)
Deferred tax liabilities, net	1,231	4,830	1,164	4,811
Other liabilities	92	92	90	90
Total liabilities	**128,790**	**126,645**	**125,309**	**123,217**
Total equity and liabilities	**134,673**	**139,282**	**130,122**	**134,859**
Of this: Risk Adjustment (RA) / Risk Margin (RM)	2,194	3,823	2,161	3,730

(*) In accordance with IFRS17 and IFRS9. The statement of financial position figures at December 31, 2024, were restated in accordance with the new standards mentioned in Section 1.F.2 above.

(**) Insurance contract and reinsurance treaty assets and liabilities in the economic balance sheet include the Best Estimate (BE), Risk Margin (RM) and other receivable and payable balances relating to the insurance contracts, such as premiums due, payables for claims and deposits from reinsurers (receivable / payable balances for insurance contracts"). This classification corresponds with the method of presentation of these balances in the accounting balance sheet.

Key changes in the Reporting Period

- On key changes that affected the Company's liabilities for insurance contracts and investment contracts and equity, see Section 2A below.
- For explanations about key changes in Tier-1 capital, see Section 4 below.
- For additional information about changes in the TMTP, see Section 3A(6) below.

Section 3A - Information about the Economic Balance Sheet

The fair value of the assets and liabilities in the Economic Balance Sheet was calculated in accordance with provisions included in the chapter on measurement of assets and liabilities for the purposes of the financial statements in the Consolidated Circular (Chapter 1, Part 2, Section 5) ("Measurement Chapter in the Consolidated Circular"), except for items prescribed otherwise in the Economic Solvency Regime Provisions, as follows:

(1) Consolidated Statement of Financial Position

The data in the Economic Balance Sheet are presented on the basis of the Company's separate financial statements.

(2) Assets

(a) **Intangible assets and goodwill -** pursuant to Part A, Chapter 2, subsection (a), insurance companies will assess the value of intangible assets at zero, other than an investment in insurtech according to its definition in the Solvency Circular, that received the Commissioner's approval as necessary.

(b) **Investment in non-insurance investees** - pursuant to Part A, Chapter 2, subsection (b), the calculation was according to the adjusted equity method, based on the provisions of the Circular regarding investees that are not insurance companies. Accordingly, the Company's share in the investees was included on the basis of its proportionate share of their surplus assets over their liabilities, calculated in accordance with the economic value of the assets and liabilities according to the Circular, which is calculated on the basis of their financial statements after writing off the intangible assets. In investees where the economic balance sheet reflects a surplus of liabilities over assets, the value of the investment will be zero rather than a negative amount, when its value in the accounting balance sheet is positive. The economic value of the investees does not include the profits inherent in these companies. In management companies, 35% of the balance of the original difference attributed to this company is added to the economic value.

(c) **Designated bonds (Hetz bonds)** - regarding the method of presenting and calculating the fair value of Hetz bonds in the accounting balance sheet, see Note 11 to the Company's interim financial statements at June 30, 2025. In the economic balance sheet, the calculation method is similar, other than that a solvency interest rate curve is applied as specified above, rather than a risk-free interest rate curve plus illiquidity premium applied in the financial statements.

(3) <u>Liabilities for insurance contracts and investment contracts, Risk Margin (RM) and reinsurance assets</u>

Liabilities for insurance contracts and investment contracts are calculated, pursuant to Part A, Chapter 4 of the Economic Solvency Regime Provisions, on a Best Estimate (BE) basis, based on assumptions that are mainly the result of projecting present experience with respect to past events onto the future, in the environment in which the Company operates and without conservatism factors. Life and health insurance liabilities (SLT) were generally calculated according to the method of calculating the Embedded Value (EV) for insurance contracts in Israel, and the non-life insurance liabilities were calculated on the basis of the share relating to the BE - in the chapter on measurement in the Consolidated Circular relating to best practice for calculation of insurance reserves in non-life insurance for the purpose of financial reporting.

Measurement of the insurance liabilities in the Economic Balance Sheet is based on discounting the expected future cash flows, including future profit, at a risk-free interest rate plus VA and taking the UFR into account, on the basis of a best estimate that does not include conservatism margins, where the risk is reflected in the RM component which is a separate liability. The insurance liabilities in the accounting balance sheet are calculated in accordance with IFRS17 and the supervisory regulations, as applicable, and all as specified in the Company's interim financial statement at June 30, 2025. Net liabilities for insurance contracts and reinsurance treaties and liabilities in the economic balance sheet include the Best Estimate (BE), Risk Margin (RM) and other receivable and payable balances attributable to the insurance contracts, such as premiums due, payables for claims and deposits from reinsurers. This classification corresponds with the method of presentation of these balances in the accounting statement of financial position. In contrast, net liabilities for insurance contracts and reinsurance treaties presented within Section 3B below with respect to the "breakdown of net liabilities for insurance and investment contracts" include only the Best Estimate (BE) and Risk Margin (RM), without the accounts receivable / payable balances for insurance contracts.

The insurance liabilities for long-term life and health insurance were calculated by discounting the Company's expected future cash flows, using a model applied to information in the Company's operating systems, with respect to the insurance coverages, and to numerous demographic, economic and behavioral assumptions. The expected cash flows include, for example, projected premiums in light of the anticipated cancellation rates, net of the expenses that the Company will incur for the coverages, including commissions paid to agents, anticipated claims, etc.

This cash flow is discounted according to an interest rate curve determined by the Commissioner and which is based on the yield to maturity of Israel Government bonds ("risk-fee interest rate"), that in the long term converges to a fixed rate of 2.6% (UFR) plus a margin (VA) determined by the Commissioner.

Calculation of the liabilities does not include cash flows in respect of future sales, but it does include an assumption that premiums will continue to be received for existing business (other than for policies without an insurance risk, including investment contracts). Additionally, the calculation assumes that the business will continue to operate as a "going concern", i.e. that the Company's structure will not change and therefore some of the fixed expenses in the future will not be attributed to the present portfolio, but rather to new business which is expected to be sold in the future.

It is reasonable that the actual cash flows will differ, in one way or another, from the estimates prepared on the Best Estimate basis, even if the parameters underlying the calculation remain unchanged. See also Section 1.F above - Comments and clarifications.

Limitations and reservations in calculating the Best Estimate

- The assumptions underlying the models were generally formulated on the basis of studies and analyses based on the Company's experience over the past few years, that did not include extreme events. Although there is a low probability that extreme events will take place, the Company is unable to estimate either this probability or the extent of the impact of those events. Accordingly, such events were not taken into account in determining the assumptions on which the models are based.
- Due to insufficient data, in calculating the Best Estimate, no assumption was made and the Company did not examine the correlation between the demographic and operating assumptions and those pertaining to market conditions (such as the interest rate), that might have significantly affected the Best Estimate.
- Determination of the Best Estimate should be based on an estimate of the distribution of the possible estimate results. In the absence of adequate statistical data which correspond with the estimated distribution and Best Estimate for all the demographic and operational factors in life insurance and SLT health insurance, the Company used real assumptions for each and every parameter, according to the expected value for each relevant factor and without taking into account dependence or correlation between the different assumptions or between the assumptions for exogenous economic parameters such as taxation, interest or employment levels in the economy.
- In many cases, the future cash flows refer to many years in the future. The studies on which the assumptions underlying the cash flows are based, are based on management's best knowledge, mainly in line with events in recent years. There is a considerable degree of uncertainty as to whether the assumptions underlying the cash flows will in fact materialize.

Assumptions applied in calculating the insurance liabilities

The assumptions underlying the calculation were determined according to the Company's best possible estimates regarding relevant demographic and operational factors, and they reflect the Company's expectations for the future regarding these factors. The demographic assumptions included in the calculation were taken from the Company's internal studies, to the extent that there are any, and are based on relevant experience and/or on a combination of information from external sources, such as information received from reinsurers and mortality and morbidity tables published by the Commissioner.

The operational assumptions (general and administrative expenses) were calculated according to the results of an internal pricing model prepared by the Company for expenses associated with the relevant insurance liabilities, including: allocation of the expenses to the different operating segments and activities (production, ongoing management, investments, claims management, etc.) and assumptions relating to their future development (in line with the CPI, volume of premiums, number of coverages, volume of assets, etc.).

Following are the key assumptions we based the calculations:

(a) Economic assumptions

- Discounting interest rate - a risk-free interest rate curve which is based on the yield to maturity of CPI-linked Israel Government bonds (“risk-fee interest rate”), that in the long term converges to a fixed rate of 2.6% (UFR) plus a margin (VA) calculated by the Capital Market, Insurance and Savings Authority, all as determined by the Commissioner.
- The yield on the assets backing the unit-linked life insurance products is the same as the discounting interest rate.
- Designated bonds are evaluated at their fair value, taking into account their specified interest rate and the Best Estimate of the Company’s future eligibility to acquire them. Hetz bonds are allocated based on the size of the insurance liability recorded in the financial statement for insurance contracts, where from January 1, 2025 (the initial date of application of IFRS 17), the method of calculating the insurance liability will change significantly (shift from measurement based on traditional actuarial methods to measurement based on future cash flows discounted by a risk-free interest rate). Consequently, in March 2023, the Commissioner published a circular on the subject of “Amendment to the Consolidated Circular, Chapter 3, Part 4, Section 5 - “Reporting to the Commissioner of the Capital Market - Hetz bonds”. The circular sets out guidelines regarding the method of performing the allocation of Hetz designated government bonds from January 1, 2025. The Company considers these guidelines when estimating future eligibility for the purchase of designated bonds.

(b) <u>Operational assumptions (for life and health insurance)</u>

Expenses from insurance services and other operating expenses, net, attributed to the insurance segments - the Company analyzed the expenses associated with the relevant insurance segments in the financial statement and allocated them to different products and types of cover, and to different operations such as ongoing operation of the coverages, management of investments, claims handling, payment of annuities, etc. A study of the expenses is revised periodically and the different categories of expenses are loaded on to the future cash flow with respect to the relevant variables, such as number of coverages, quantity of premiums, reserves or number of claims. Determination of the future expenses and their allocation to future cash flows include the Company’s estimates and numerous considerations that affect the total liabilities.

(c) <u>Demographic assumptions</u>

- Cancellations (discontinued premium payments, policy surrenders, withdrawals).
- Mortality of insureds and pensioners.
- Morbidity (rate and length of claims) for long-term care products, work disability and health.
- Annuity tracks and take-up rate

(d) <u>Non-life insurance assumptions</u>

Cost of claims, for future losses and outstanding claims - based on the Company’s past experience in the different lines of business in relation to the percentage of claims, amount of the claims and rate of payment of claims in long-tail branches.

(4) <u>Risk margin (RM)</u>

In addition to the insurance liabilities on a Best Estimate basis, a Risk Margin component is calculated reflecting the overall cost of capital that another insurance company would be expected to require in order to assume the insurance company’s insurance liabilities, calculated on a Best Estimate basis, in full. The Risk Margin is calculated according to the Commissioner’s instructions based on a cost of capital of 6% and discounted at an adjusted risk-free interest rate, but excluding the VA component. The future capital requirement is calculated according to the “risk factor method” by changing the capital requirement components calculated at the reporting date, except for a capital requirement for market risks, based on the projected development of the risk factors associated with them. These factors are designed to reflect development of the risks over time.

Limitations and reservations in calculating the Risk Margin

As noted above, the Risk Margin is calculated using the cost of capital method, at a rate of 6% per year of the expected required capital for insurance risks, over the life of the existing business. This method of calculation was defined by the Commissioner and does not necessarily reflect the overall cost of the capital that another insurance company or reinsurer would be expected to require for assuming the Company's insurance liabilities. Additionally, the capital requirements are based on the Best Estimate, including its limitations as described above. Furthermore, the extreme scenarios and correlations defined in the standard model for calculating the capital requirements are based on a series of scenarios and assumptions that were defined by the Commissioner and they in no way reflect the Company's actual experience.

(5) Other liabilities

(a) **Contingent liabilities** - on the value of contingent liabilities included in the Economic Balance Sheet, see Section 1.F.2(b) above.

(b) **Deferred tax liabilities, net** - pursuant to Part A, Chapter 2, subsection (c), the calculation is based on the difference between the value attributed to the assets and liabilities in the Economic Balance Sheet and the value attributed to them for tax purposes according to the instructions for the recognition, measurement and presentation in International Accounting Standard 12 (IAS 12). Deferred tax assets may be recognized only if the Company passes the tests in the Solvency directives, in addition to the tests included in the aforementioned accounting standard. The balance also includes a deferred tax liability arising from the Deduction in the transitional period.

(c) **Payables and credit balances** - pursuant to Part A, Chapter 1, some of the retained amounts in this section were calculated in accordance with the general principles applicable to the Economic Balance Sheet.

(d) **Lending and credit** - pursuant to the principles set out in the Solvency Directives and subject to the instruction in Part A, Chapter 3, according to which changes that occurred in the Company's risk should not be taken into account other than for changes in the risk-free interest rate. In other words, the discounting interest rate is a risk-free interest rate plus the capital spread on the date of issue.

(6) Value of the TMTP in the transitional period as at June 30, 2025

Among other things, the Economic Solvency Regime Provisions contain transitional provisions in which the Company includes in the calculation of the insurance reserves in the transitional period a deduction from the insurance reserves ("the Deduction"). The Deduction is calculated in accordance with the Commissioner's directives in a letter to insurance company executives on "Principles for calculation of the TMTP in an economic solvency regime based on Solvency II". This letter was revised on April 10, 2025 and it sets out the principles for calculating the TMTP under IFRS 17 and it is decreased gradually until December 31, 2032.

According to the principles for calculating the Deduction, or Transitional Measures on Technical Provisions – TMTP, will be calculated according to fixed deduction rates provided by the Company and approved by the Commissioner and allocated into homogenous risk groups ("the Deduction rates"). The Deduction for each homogenous risk group is equal to the Deduction rates multiplied by the amounts of BE and risk margin (RM) components, and net of a supplement for the value of Hetz bonds (for a guaranteed yield portfolio) at the date of the calculation. The company must ensure that the value of the TMTP in the transitional period is calculated in a cautious, conservative manner and at each reporting date it is consistent with the anticipated rate of growth of the solvency ratio, where it is calculated excluding the TMTP in the transitional period.

At June 30, 2025, the Deduction was revised to NIS 1,491 million which in turn reduced the Company's capital surplus and Economic Solvency Ratio relative to December 31, 2024.

B. - Net liabilities* for insurance contracts and investment contracts

	June 30, 2025			
	Best Estimate (BE)			Risk margin (RM)
	Gross	Reinsurance	Retention	
	(Unaudited)			
	NIS million			
Liabilities for insurance contracts and non-unit-linked investment contracts:				
Life insurance contracts (**)	6,584	(80)	6,664	2,012
Long-term health insurance contracts (SLT)	(7,156)	(1,299)	(5,857)	8,406
Non-life insurance contracts	9,781	2,857	6,924	100
Short term health insurance contracts (NSLT)	64	23	41	7
Total liabilities for insurance contracts and non-unit-linked investment contracts	9,273	1,501	7,772	10,525
Liabilities for unit-linked insurance contracts and investment contracts:				
Liabilities for unit-linked life insurance investment contracts - life insurance contracts and long-term health insurance contracts (SLT)	60,280	195	60,085	437
Investment contracts	21,212	-	21,212	-
Total liabilities for unit-linked insurance contracts and investment contracts:	81,492	195	81,297	437
Total liabilities for insurance contracts and investment contracts	90,765	1,696	89,069	10,962

	December 31, 2024			
	Best Estimate (BE)			Risk margin (RM)
	Gross	Reinsurance	Retention	
	(Audited)			
	NIS million			
Liabilities for insurance contracts and non-unit-linked investment contracts:				
Life insurance contracts (**)	6,907	(80)	6,987	1,775
Long-term health insurance contracts (SLT)	(6,882)	(1,187)	(5,695)	7,953
Non-life insurance contracts	9,640	2,832	6,808	103
Short term health insurance contracts (NSLT)	38	14	24	5
Total liabilities for insurance contracts and non-unit-linked investment contracts	9,703	1,579	8,124	9,836
Liabilities for unit-linked insurance contracts and investment contracts:				
Liabilities for unit-linked life insurance investment contracts - life insurance contracts and long-term health insurance contracts (SLT)	59,223	191	59,032	468
Investment contracts	20,786	-	20,786	-

	December 31, 2024			
	Best Estimate (BE)			Risk margin (RM)
	Gross	Reinsurance	Retention	
	(Audited)			
	NIS million			
Total liabilities for unit-linked insurance contracts and investment contracts:	80,009	191	79,818	468
Total liabilities for insurance contracts and investment contracts	89,712	1,770	87,942	10,304

(*) Net of assets for Insurance contracts. Net liabilities for insurance contracts and reinsurance treaties presented within this section include only the Best Estimate (BE) and Risk Margin (RM), without the accounts receivable / payable balances for insurance contracts as presented in the Statement of Financial Position in Section 3.A.

(**) Including investment contracts

Key changes that occurred compared with comparative figures in main items

- The change in liabilities for non-unit-linked insurance and investment contracts is mainly attributable to the insurance activity and effects of a change in the risk-free interest rate curve and inflation.
- The increase in the liabilities for unit-linked insurance and investment contracts is mainly attributable to the effects of real positive returns that also had a positive effect on the value of AUM.
- For information about additional reasons that produced material changes compared with comparative figures in key items, see Section 2A above.

4. **Own funds for the purpose of SCR**

	June 30, 2025			
	Tier-1 capital			
	Basic Tier-1 capital	Tier-1 ancillary capital	Tier-2 capital	Total
	(Unaudited)			
	NIS million			
Own funds	12,637	1,424	5,161	19,222
Deductions from Tier-1 capital (A)	(511)	-	-	(511)
Deductions (B)	-	-	-	-
Deviation from quantitative limitations (C)	-	-	(55)	(55)
Own funds for the purpose of SCR	**12,126**	**1,424**	**5,106**	**18,656**
Of which - Expected Profits Included in Future Premiums (EPIFP) after tax	14,290			14,290

	December 31, 2024			
	Tier-1 capital			
	Basic Tier-1 capital	Tier-1 ancillary capital	Tier-2 capital	Total
	(Audited)			
	NIS million			
Own funds	11,642	389	5,046	17,077
Deductions from Tier-1 capital (A)	(135)	-	-	(135)
Deductions (B)	-	-	-	-
Deviation from quantitative limitations (C)	-	-	(169)	(169)
Own funds for the purpose of SCR	**11,507**	**389**	**4,877**	**16,773**
Of which - Expected Profits Included in Future Premiums (EPIFP) after tax	13,069			13,069

(a) Deductions from Tier-1 capital - in accordance with the definition of “Basic Tier-1 capital” in the Appendix to subsection B, Chapter 2, Part 2 of Section 5 of the Consolidated Circular - Economic Solvency Regime (“Economic Solvency Regime Appendix”). These deductions include the sum of the assets held to cover liabilities for non-unit linked insurance contracts and investment contracts, in contrast with the Investment Rules, the amount of repurchase of ordinary shares and dividend declared after the reporting date and before the report is first published.

(b) Deductions - in accordance with the provisions in Chapter 6, Part B - “Provisions Concerning the Own Funds of Insurance Companies” to the Economic Solvency Regime Appendix.

(c) Deviation from quantitative limitations - in accordance with the provisions in Chapter 2, Part B in the “Provisions Concerning the Own Funds of Insurance Companies” to the Economic Solvency Regime Appendix.

Own funds for the purpose of SCR (contd.)

(d) Composition of own funds for the purpose of SCR

	June 30, 2025	December 31, 2024
	(Unaudited)	(Audited)
	NIS million	
Tier-1 capital:		
Basic Tier-1 capital	**12,126**	11,507
Tier-1 ancillary capital		
Tier-1 ancillary capital instruments	**1,025**	-
Hybrid Tier-1 capital instruments	**399**	389
Total Tier-1 ancillary capital	**1,424**	389
Total Tier-1 capital	**13,550**	11,896
Tier-2 capital:		
Tier-2 capital instruments	**3,748**	3,664
Hybrid Tier-2 capital instruments	**1,413**	1,382
Net of the deductions for deviation from quantitative limitations	**(55)**	(169)
Total Tier-2 capital	**5,106**	4,877
Total own funds for the purpose of (SCR)	**18,656**	16,773

Key changes that occurred compared with comparative figures in main items

- The economic capital was favorably affected by the raising of Series 21 bonds in the amount of NIS 1 billion on April 24, 2025 . Series 21 bonds are a Tier-1 ancillary capital instrument.
- The economic capital was negatively affected by the distributed a dividend of NIS 400 million which was approved by the Company's Board of Directors on August 27, 2025, after the Reporting Period.
- The economic capital was negatively affected by a change in the risk-free interest rate curve, which increased on the short-term section and decreased on the long-termsection of the curve.
- The economic capital was favorably affected by the higher yields in the capital market that helped increase profit and improve the value of future management fees due to an increase in accumulations.
- Capital was favorably affected by new business in life and health insurance, and by underwriting profit in non-life insurance.
- As mentioned above, the TMTP was revised to NIS 1,491 million and negatively affected the Company's economic capital in the transitional period.
- For additional information see Section 2A above.

5. Solvency Capital Requirement (SCR)

	June 30, 2025	December 31, 2024
	(Unaudited)	(Audited)
	NIS million	
Basic Solvency Capital Requirement (BSCR)		
Capital required for market risk component	6,114	5,865
Capital required for counterparty risk component	394	339
Capital required for life insurance underwriting risk component	4,607	4,270
Capital required for health insurance underwriting risk component (SLT + NSLT)	9,318	8,934
Capital required for non-life insurance underwriting risk component	2,133	2,119
Total	22,566	21,527
Effect of the diversification among the risk components	(7,550)	(7,209)
Capital required for intangible assets risk component	109	115
Total BSCR	15,125	14,433
Capital required for operational risk	494	485
Adjustment for loss-absorbing capacity of a deferred tax asset	(5,428)	(5,184)
Capital required on account of management companies:		
Tzva Hakeva Saving Fund - Provident Funds Management Company Ltd.	10	10
Leatid Pension Funds Management Company Ltd.	10	10
Total capital required on account of management companies	20	20
Total SCR	10,211	9,754

For information about SCR without application of the transitional measures for the transitional period, see Section 7 “Effect of Application of the Instructions in the transitional period” below.

Material changes that occurred compared with comparative figures

For information about the reasons that produced material changes compared with comparative figures in key items, see Section 2A above.

- The increase in the market risk capital requirement is mainly attributable to exacerbation of the equity risk scenario due to an increase in the Symmetric Adjustment (SA) component.
- A change in the risk-free, linked shekel interest rate curve led to an increase of the capital requirements in some of the insurance scenarios and as a consequence caused a reduction of the Company’s capital surplus and Economic Solvency Ratio.
- In the Reporting Period, the Consumer Price Index rose by 1.57% and led to an increase of the capital requirements in some of the insurance scenarios and as a consequence causing the Company’s capital surplus and Economic Solvency Ratio to be reduced.

- Release of the capital requirements for existing business led to an increase of the Company's capital surplus and economic solvency ratio to increase and capital requirements for new business sold in the Reporting Period led to a reduction of the Company's capital surplus and Economic Solvency Ratio.

6. MCR

(A) MCR

	June 30, 2025	December 31, 2024
	(Unaudited)	(Audited)
	NIS million	
MCR according to the MCR linear formula	**3,234**	3,149
Lower boundary (25% of SCR in the transitional period)	**2,553**	2,439
Upper boundary (45% of SCR in the transitional period)	**4,595**	4,389
Minimum Capital Requirement (MCR)	**3,234**	3,149

(B) Own funds for the purpose of MCR

	June 30, 2025		
	Tier-1 capital	Tier-2 capital	Total
	(Unaudited)		
	NIS million		
Own funds for the purpose of solvency capital requirement (SCR)	**13,550**	**5,106**	**18,656**
Deviation from quantitative limitations due to MCR (*)	**-**	**(4,459)**	**(4,459)**
Own funds for the purpose of MCR	**13,550**	**647**	**14,197**

	December 31, 2024		
	Tier-1 capital	Tier-2 capital	Total
	(Audited)		
	NIS million		
Own funds for the purpose of solvency capital requirement (SCR)	11,896	4,877	16,773
Deviation from quantitative limitations due to MCR (*)	-	(4,247)	(4,247)
Own funds for the purpose of MCR	11,896	630	12,526

(*) In accordance with the provisions of Chapter 3, Part B to the Economic Solvency Regime Appendix, Tier-2 capital shall not exceed 20% of MCR.

7. Effect of application of the instructions in the transitional period

	June 30, 2025			
	Including application of the TMTP	Effect of inclusion of the Deduction in the transitional period	Effect of a rate of 50% Tier-2 capital in the transitional period	Without application of the TMTP
	(Unaudited)			
	NIS million			
Total insurance liabilities, including Risk Margin (RM)	**100,236**	**(1,491)**	**-**	**101,727**
Basic Tier-1 capital	**12,126**	**973**	**-**	**11,153**
Own funds for the purpose of SCR	**18,656**	**829**	**1,021**	**16,806**
Solvency capital requirement (SCR)	**10,211**	**(360)**	**-**	**10,571**

	December 31, 2024			
	Including application of the TMTP	Effect of inclusion of the Deduction in the transitional period	Effect of a rate of 50% Tier-2 capital in the transitional period	Without application of the TMTP
	(Audited)			
	NIS million			
Total insurance liabilities, including Risk Margin (RM)	98,431	(1,585)	-	100,016
Basic Tier-1 capital	11,507	1,035	-	10,472
Own funds for the purpose of SCR	16,773	953	976	14,844
Solvency capital requirement (SCR)	9,754	(203)	-	9,957

Material changes that occurred compared with comparative figures

A linear subtraction from the amount of the Deduction was performed, adjusted for the transitional period.

8. Restrictions on dividend distribution

It is the Company's policy to hold a robust capital base to ensure its solvency and ability to meet its obligations to policyholders, to maintain its ability to continue its business activity and so that it is able to produce a yield for its shareholders. The Company is subject to the capital requirements and defined regulations with respect to the distribution of dividends.

On January 14, 2025, the Company's Board of Directors 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 of 115%, without taking into account the provisions in the transitional period.

On February 28, 2021, the Company's Board of Directors approved the distribution of a dividend of at least 35% of comprehensive income as long as Harel Insurance meets the minimum targets for the Solvency II based solvency ratio.

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 ensure that the Company will remain in compliance with the threshold conditions determined at all times.

According to a letter published by the Commissioner in October 2017 ("the Letter"), insurance companies may distribute a dividend only if, following the distribution, the company has a solvency ratio, based on the Economic Solvency Regime, of at least 100%, 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 the relief provided in respect of a difference in origin attributed to the purchase of provident fund activity and management companies.

Below is information about the Company's economic solvency ratio, calculated without the transitional provisions and based on the solvency ratio target determined by the Company's board of directors with respect to the solvency ratio calculated without taking the provisions 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.

Without application of the TMTP:

	June 30, 2025	**December 31, 2024**
	(Unaudited)	**(Audited)**
	NIS million	
Own funds for the purpose of SCR	**16,806**	14,844
Solvency capital requirement (SCR)	**10,571**	9,957
Capital surplus	**6,235**	4,887
Solvency ratio (in percent)	**159%**	149%
Effect of material capital transactions that took place in the period between the date of the calculation and the publication date of the Economic Solvency Ratio Report:		
Raising (redemption) of capital instruments (*)	**-**	1,000
Own funds for the purpose of SCR	**16,806**	15,844
Capital surplus	**6,235**	5,887
Solvency ratio	**159%**	159%
Capital surplus after capital transactions in relation to the Board of Directors target:		
Economic solvency ratio target set by the Board of Directors	**115%**	115%
Capital surplus in relation to the target	**4,649**	4,394

(*) On April 24, 2025, the Company raised Series 21 bonds in the amount of NIS 1 billion. The Series 21 bonds are a Tier-1 ancillary capital instrument

For information about the reasons that produced material changes compared with comparative figures in key items, see Section 2.A above.

November 24, 2025			
Date	Guy Rotkopf	Nir Cohen	Adva Inbar
	Chairman of the Board	CEO	Chief Risk Officer