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# **Economic Solvency Ratio Report of Harel Insurance Company Ltd. As at December 31, 2025**

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This English translation from the Hebrew version of the report (published on May 26, 2026), is for convenience and information purposes only.

In any case of a 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 December 31, 2025

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

**Re: Review of the implementation of certain instructions issued by the Commissioner of the Capital Market, Insurance and Savings with respect to Solvency II-based economic solvency by Harel Insurance Company Ltd. (“the Company”) as at December 31, 2025**

We have reviewed the Solvency Capital Requirement (“SCR”) and the Economic Capital of Harel Insurance Company Ltd. as at December 31, 2025 (“the Information”), which is included in the Company’s Economic Solvency Ratio Report attached hereto (“the Report”).

The Board of Directors and Management are responsible for the preparation and presentation of the Information prepared 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 Insurance Circulars 2020-1-15 dated October 14, 2020, including its stipulations, and in accordance with the Commissioner’s instructions regarding the principles for calculating Transitional Measures in Technical Provisions (“TMTP”) in a Solvency II-based economic solvency regime, dated October 15, 2020 (“the 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.

Our review was conducted in accordance with 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 Insurance Circular 2017-1-20 dated December 3, 2017, detailing instructions with respect to the audit of Economic Solvency Ratio Report.

We did not review the reasonability of the TMTP as at December 31, 2025, as presented in Section 3.A of the report, other than to check that the TMTP amount 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.

Except for the foregoing regarding the reasonability of the TMTP amount, based on the review of the evidence supporting the calculations, forecasts and assumptions, as mentioned below, which were used by Company’s Board of Directors and Management in preparing the Information, nothing has come to our attention that might cause us to believe that the forecasts and assumptions, in their entirety, do not provide a reasonable basis for the Information in accordance with the Instructions. Furthermore, in our opinion, the Information, including the method of determining the assumptions and forecasts, was presented, in all material respects, in accordance with the Instructions.

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 1.F - Comments and Clarifications relating to the solvency ratio, regarding the uncertainty stemming from regulatory changes and exposure to contingent liabilities the effect of which on the Solvency Ratio cannot be estimated.

Yours Faithfully,

Somekh Chaikin  
Certified Public Accountants

Tel Aviv,  
May 26, 2026



## 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 IFRS 17.

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 IFRS 17 with respect to insurance contracts (“Deduction Principles Letter”) and it is decreased gradually until December 31, 2032.

Based on the principles for calculating the Deduction, Transitional Measures on Technical Provisions (TMTP) will be calculated according to fixed deduction rates provided by the Company and approved by the Commissioner on May 19, 2025 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

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 2026.



## D. Definitions

<b>The Company</b>	- Harel Insurance Company Ltd.
<b>The Commissioner</b>	- Commissioner of the Capital Market, Insurance and Savings Authority.
<b>Economic Solvency Regime Provisions</b>	- 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.
<b>Best Estimate (BE)</b>	- 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.
<b>Long-term health insurance (SLT)</b>	- Similar to Life Techniques. Health insurance that is managed similarly to life insurance.
<b>Short-term health insurance (NSLT)</b>	- Non-Similar to Life Techniques. Health insurance that is managed similarly to non-life insurance.
<b>Basic Solvency Capital Requirement (BSCR)</b>	- 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.
<b>Solvency Capital Requirement (SCR)</b>	- Solvency Capital Requirement. The capital required from an insurance company to maintain its solvency, calculated in accordance with the Economic Solvency Regime Provisions.
<b>Eligible Own Funds</b>	- 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.
<b>Basic Tier-1 capital</b>	- 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.
<b>Tier-1 ancillary capital</b>	- Perpetual capital note, non-cumulative preference shares, hybrid Tier-1 capital instrument, ancillary Tier-1 capital instrument.
<b>Tier-2 capital</b>	- 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.
<b>Diversification effect among the risk components</b>	- 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.
<b>Solvency Ratio</b>	- The ratio between the insurance company's Eligible Own Funds and its SCR.
<b>Economic Balance Sheet</b>	- 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.



<b>Risk margin (RM)</b>	- 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.
<b>Risk Adjustment (RA)</b>	- Risk Adjustment: 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.
<b>Transitional Measure on Technical Provisions (TMTP)</b>	- Insurance companies may apply a transitional deduction on technical provisions, based on the principles prescribed by the Commissioner. The insurance reserves will increase gradually until 2032.
<b>Minimum Capital Requirement (MCR)</b>	- Minimum Capital Requirement. The minimum capital required of the insurance company.
<b>Expected Profits Included in Future Premiums (EPIFP)</b>	- Expected Profit in Future Premiums. Future profit factored into the liabilities for existing life and health insurance contracts attributable to future premiums.
<b>Volatility adjustment (VA)</b>	- 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.
<b>UFR</b>	- 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.
<b>Adjusted risk-free interest</b>	- 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.
<b>Audited</b>	- 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 in Chapter 7, Part 1 of Section 5 concerning an "Independent Auditor", which sets out instructions for auditing an annual Economic Solvency Ratio Report.

## E. Calculation Methodology

The Economic Solvency Ratio at December 31, 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 December 31, 2025. Any information or studies compiled after the publication date of the Company's financial statements at December 31, 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 IFRS 17, *Insurance Contracts*, and IFRS 9, *Financial Instruments*, from January 1, 2025 did not affect the outcome of the Company's economic 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 3.1 on "Summary of the legislative arrangements and provisions of law in the Group's operating segments", as part of the Company's Periodic Report for 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 29A to the Company's Periodic Report for 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

	December 31, 2025 (Audited)	December 31, 2024 (Audited)
	NIS million	
Own funds for the purpose of SCR - see Section 4	<b>18,497</b>	16,773
Solvency Capital Requirement (SCR) - see Section 5	<b>11,214</b>	9,754
Capital surplus	<b>7,283</b>	7,019
Economic Solvency Ratio	<b>165%</b>	172%
<b>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:</b>		
Capital raising (*)	-	1,000
Own funds for the purpose of SCR	<b>18,497</b>	17,773
Capital surplus	<b>7,283</b>	8,019
Economic Solvency Ratio	<b>165%</b>	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 10 below.**

The Company's capital position at December 31, 2025, was affected by its ongoing business development, raising of Tier-1 ancillary capital, dividend distribution, changes in market variables, revised actuarial studies, ongoing model updates and update of the TMTP.

#### Business environment and its effects

In October 2025, the State of Israel signed an agreement to terminate the fighting in Gaza and for the return of the hostages, after more than two years of war that began on October 7, 2023. After the end of the Reporting Period, on February 28, 2026, Israel and the US together launched Operation "Rising Lion" with an attack on Iran. Simultaneously with the firing from Iran, at the beginning of March 2026 the Hezbollah in Lebanon began to fire on northern and central Israel, thus extending the fighting to additional fronts.

The expected impact on Israel's economy depends on the intensity, scope and duration of these events.

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 compared with comparative figures

- 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.
- In the Reporting Period, the Company applied studies on various topics, including a study of morbidity, a study of mortality in long-term care and studies of policy lapses that affect the assumptions used to assess life and health insurance liabilities. Additionally, the model for liabilities in long-term care insurance and unit-linked liabilities was revised. In aggregate, these changes led to a reduction of the Company's capital surplus and Economic Solvency Ratio.

Effect of economic activity -

- The decline in the risk-free, linked interest rate curve in 2025, caused an increase in the value of the insurance liabilities in savings products, long-term care and non-life insurance products, an increase in the value of the Company's financial liabilities and an increase of the capital requirements for some insurance scenarios. In contrast, the lower interest rate caused the value of debt assets to increase. In aggregate, these changes led to a reduction of the Company's capital surplus and Economic Solvency Ratio.
- In the Reporting Period, the Consumer Price Index rose by 2.36% and led, in aggregate, to a reduction of the Company's capital surplus and Economic Solvency Ratio.
- In the Reporting Period, the equity risk scenario in market risk capital requirements increased mainly due to an increase in the exposure to tradable shares in the Company's proprietary (nostro) investments portfolio and as a result of an increase in the symmetric adjustment (SA) component in the scenario due to positive yields in the TA-125 index which form the basis for calculating the SA component.

New business -

- The capital surpluses 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 adversely affected by the distribution of a dividend of NIS 400 million which was approved by the Company's Board of Directors on August 27, 2025, and by the distribution of a dividend of NIS 800 million approved by the Board of Directors on March 25, 2026, after the Reporting Period.
- A share-based payment to employees of NIS 62 million recorded in 2025 adversely affected the Company's capital surplus.

Effect of the transitional measures -

- At December 31, 2025, update of the Deduction to NIS 1,416 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 5.9% and 7.1% to the Economic Solvency Ratio as at December 31, 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)**

	December 31, 2025	December 31, 2024
	(Audited)	(Audited)
	NIS million	
MCR - see Section 6.A	<b>3,289</b>	3,149
Own Funds for the purpose of MCR - see Section 6.B	<b>14,250</b>	12,526



### 3. Economic Balance Sheet

#### A. Economic Balance Sheet

	December 31, 2025		December 31, 2024	
	(Audited)		(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
<b>Assets:</b>				
Cash and cash equivalents for unit-linked contracts	10,240	10,240	7,388	7,388
Other cash and cash equivalents	2,199	2,199	1,945	1,945
Financial investments for unit-linked contracts	75,982	76,014	73,898	73,902
<b>Other financial investments:</b>				
Deposits in banks and financial institutions	73	73	160	160
Designated bonds	6,658	6,842	6,638	6,654
Government bonds (other than designated bonds)	7,887	7,887	6,300	6,300
Non-tradable corporate bonds	519	519	523	523
Tradable corporate bonds	3,013	3,013	2,764	2,764
Non-tradable shares	619	619	639	639
Tradable shares	1,846	1,846	1,368	1,368
Borrowings (including Investee companies)	7,934	7,936	8,040	8,040
Other	4,760	4,760	4,648	4,648
<b>Total other financial investments</b>	<b>33,309</b>	<b>33,495</b>	<b>31,080</b>	<b>31,096</b>
Trade and other receivables	2,039	2,039	1,931	1,918
Current tax assets	8	8	8	8
Insurance contract assets (**) - see Section (B)	4,374	10,693	3,102	9,601
Reinsurance treaty assets (**) - see Section (B)	2,604	1,841	2,565	1,942
<b>Investments in non-insurance company investees:</b>				
Management companies	35	35	33	32
Other investees	985	982	1,178	1,176
<b>Total investments in non-insurance company investees</b>	<b>1,020</b>	<b>1,017</b>	<b>1,211</b>	<b>1,208</b>
Investment property for unit-linked contracts	1,799	1,799	1,834	1,834
Investment property - other	2,224	2,224	2,329	2,329
Fixed assets	1,330	1,330	1,355	1,355
Intangible assets and goodwill	1,364	196	1,334	230
Deferred tax assets, net	-	-	1	-
Other assets	56	-	38	-
<b>Total assets</b>	<b>138,548</b>	<b>143,095</b>	<b>130,019</b>	<b>134,756</b>
Of this: Risk Adjustment (RA) / Risk Margin (RM)	(1,782)	(7,931)	(1,441)	(6,574)
<b>Total assets for unit-linked contracts</b>	<b>89,128</b>	<b>89,160</b>	<b>84,293</b>	<b>84,297</b>
<b>Capital</b>				
Basic Tier-1 capital	6,748	13,067	4,813	11,642
<b>Total equity</b>	<b>6,748</b>	<b>13,067</b>	<b>4,813</b>	<b>11,642</b>

**A. Economic Balance Sheet (contd.)**

	December 31, 2025		December 31, 2024	
	(Audited)		(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
<b>Liabilities</b>				
Borrowings and credit	6,921	6,697	6,030	5,581
Liabilities for derivative instruments	322	322	559	559
Trade and other payables	2,304	2,304	1,882	1,938
Current tax liabilities	232	232	13	13
Liabilities for investment contracts	23,114	22,501	21,392	20,894
Insurance contract liabilities (**) - see Section (B)	97,071	91,883	93,612	88,206
Reinsurance treaty liabilities (**) - see Section (B)	577	2,879	464	2,607
Transitional Measure on Technical Provisions (TMTP)	-	(1,416)	-	(1,585)
Deferred tax liabilities, net	1,165	4,532	1,164	4,811
Other liabilities	94	94	90	90
Total liabilities	131,800	130,028	125,206	123,114
Total equity and liabilities	138,548	143,095	130,019	134,756
Of this: Risk Adjustment (RA) / Risk Margin (RM)	1,848	3,838	2,161	3,730

(\*) In accordance with IFRS 17 and IFRS 9. 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 above.
- 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 2 to the Company's Periodic Report at December 31, 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) Liabilities for insurance contracts and investment contracts, Risk Margin (RM) and reinsurance assets**

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 part 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 IFRS 17 and the supervisory regulations, as applicable, and all as specified in the Company's Periodic Report at December 31, 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-free 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 on which 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-free 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 percentage 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) Operational assumptions (for life and health insurance)

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) Demographic assumptions

- Policy lapses (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) Non-life insurance assumptions

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) Risk margin (RM)

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 December 31, 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 December 31, 2025, the Deduction was revised to NIS 1,416 million which in turn reduced the Company's capital surplus and Economic Solvency Ratio relative to December 31, 2024.


**B. Liabilities for insurance contracts and investment contracts**

	December 31, 2025			
	Best Estimate (BE)			Risk margin (RM)
	Gross	Reinsurance	Retention	
	(Audited)			
NIS million				
<b>Liabilities for insurance contracts and non-unit-linked investment contracts:</b>				
Life insurance contracts	6,083	72	6,011	2,344
Long-term health insurance contracts (SLT)	(6,437)	(1,576)	(4,861)	8,915
Non-life insurance contracts	9,647	2,889	6,758	94
Short term health insurance contracts (NSLT)	76	2	74	7
<b>Total liabilities for insurance contracts and non-unit-linked investment contracts</b>	<b>9,369</b>	<b>1,387</b>	<b>7,982</b>	<b>11,360</b>
<b>Liabilities for unit-linked insurance contracts and investment contracts:</b>				
Liabilities for unit-linked life insurance investment contracts - life insurance contracts and long-term health insurance contracts (SLT)	60,619	-	60,619	409
Investment contracts	22,413	-	22,413	-
<b>Total liabilities for unit-linked insurance contracts and investment contracts:</b>	<b>83,032</b>	<b>-</b>	<b>83,032</b>	<b>409</b>
<b>Total liabilities for insurance contracts and investment contracts</b>	<b>92,401</b>	<b>1,387</b>	<b>91,014</b>	<b>11,769</b>
<b>December 31, 2024</b>				
Best Estimate (BE)				Risk margin (RM)
Gross	Reinsurance	Retention		
(Audited)				
NIS million				
<b>Liabilities for insurance contracts and non-unit-linked investment contracts:</b>				
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
<b>Total liabilities for insurance contracts and non-unit-linked investment contracts</b>	<b>9,703</b>	<b>1,579</b>	<b>8,124</b>	<b>9,836</b>
<b>Liabilities for unit-linked insurance contracts and investment contracts:</b>				
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	-
<b>Total liabilities for unit-linked insurance contracts and investment contracts:</b>	<b>80,009</b>	<b>191</b>	<b>79,818</b>	<b>468</b>
<b>Total liabilities for insurance contracts and investment contracts</b>	<b>89,712</b>	<b>1,770</b>	<b>87,942</b>	<b>10,304</b>



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 decline in the risk-free interest rate curve and update of the CPI.
- 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**

	<b>December 31, 2025</b>			
	Tier-1 capital			
	<b>Basic Tier-1 capital</b>	Tier-1 ancillary capital	Tier-2 capital	<b>Total</b>
	(Audited)			
	NIS million			
Own funds	<b>13,067</b>	<b>1,441</b>	<b>4,904</b>	<b>19,412</b>
Deductions from Tier-1 capital (A)	<b>(915)</b>	-	-	<b>(915)</b>
Deductions (B)	-	-	-	-
Deviation from quantitative limitations (C)	-	-	-	-
Own funds for the purpose of SCR	<b>12,152</b>	<b>1,441</b>	<b>4,904</b>	<b>18,497</b>
Of which - Expected Profits Included in Future Premiums (EPIFP) after tax	<b>15,038</b>			<b>15,038</b>
	<b>December 31, 2024</b>			
	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	<b>11,507</b>	<b>389</b>	<b>4,877</b>	<b>16,773</b>
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

	<b>December 31, 2025</b>	December 31, 2024
	(Audited)	(Audited)
	NIS million	
<b>Tier-1 capital:</b>		
<b>Basic Tier-1 capital</b>	<b>12,152</b>	11,507
<b>Tier-1 ancillary capital</b>		
Tier-1 ancillary capital instruments	<b>1,035</b>	-
Hybrid Tier-1 capital instruments	<b>406</b>	389
<b>Total Tier-1 ancillary capital</b>	<b>1,441</b>	389
<b>Total Tier-1 capital</b>	<b>13,593</b>	11,896
<b>Tier-2 capital:</b>		
Tier-2 capital instruments	<b>3,821</b>	3,664
Hybrid Tier-2 capital instruments	<b>1,083</b>	1,382
Net of the deductions for deviation from quantitative limitations	<b>-</b>	(169)
<b>Total Tier-2 capital</b>	<b>4,904</b>	4,877
<b>Total own funds for the purpose of (SCR)</b>	<b>18,497</b>	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 adversely affected by the distribution of a dividend of NIS 400 million which was approved by the Company's Board of Directors on August 27, 2025, and by the distribution of a dividend of NIS 800 million approved by the Board of Directors on March 25, 2026, after the Reporting Period.
- A share-based payment to employees of NIS 62 million recorded in 2025 adversely affected the Company's capital surplus.
- The economic capital was adversely affected by a decline in the risk-free interest rate curve and increase of the CPI.
- The economic capital was adversely affected by revised actuarial studies and model updates.
- 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 saving 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 1,416 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)

	<b>December 31, 2025</b>	<b>December 31, 2024</b>
	<b>(Audited)</b>	<b>(Audited)</b>
	<b>NIS million</b>	
<b>Basic Solvency Capital Requirement (BSCR)</b>		
Capital required for market risk component	<b>6,590</b>	5,865
Capital required for counterparty risk component	<b>354</b>	339
Capital required for life insurance underwriting risk component	<b>4,958</b>	4,270
Capital required for health insurance underwriting risk component (SLT + NSLT)	<b>9,814</b>	8,934
Capital required for non-life insurance underwriting risk component	<b>2,135</b>	2,119
<b>Total</b>	<b>23,851</b>	21,527
Effect of the diversification among the risk components	<b>(7,927)</b>	(7,209)
Capital required for intangible assets risk component	<b>98</b>	115
<b>Total BSCR</b>	<b>16,022</b>	14,433
Capital required for operational risk	<b>503</b>	485
Adjustment for loss-absorbing capacity of a deferred tax asset	<b>(5,333)</b>	(5,184)
<b>Capital required on account of management companies:</b>		
Tzva Hakeva Saving Fund - Provident Funds Management Company Ltd.	<b>12</b>	10
Leatid Pension Funds Management Company Ltd.	<b>10</b>	10
<b>Total capital required on account of management companies</b>	<b>22</b>	20
<b>Total SCR</b>	<b>11,214</b>	9,754

For information about the 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 market risk capital requirements is mainly attributable to a deterioration of the equity risk scenario in market risk capital requirements, resulting mainly from an increase in the exposure to tradable shares in the Company’s proprietary (nostro) investments portfolio and as a result of an increase in the symmetric adjustment (SA) component in the scenario due to positive yields in the TA-125 index which forms the basis for calculating the SA component.
- The increase in underwriting risk capital requirements in life and health insurance is mainly attributable to the decline of the linked risk-free, shekel interest rate curve, to an increase of 2.36% in the CPI, the application of actuarial studies and model updates, and to new business sold in the Reporting Period. In contrast, release of the capital requirements in respect of existing business led to a reduction of the capital requirements.



## 6. MCR

### (A) MCR

	<b>December 31, 2025</b>	December 31, 2024
	<b>(Audited)</b>	(Audited)
	<b>NIS million</b>	
MCR according to the MCR linear formula	<b>3,289</b>	3,149
Lower boundary (25% of SCR in the transitional period)	<b>2,803</b>	2,439
Upper boundary (45% of SCR in the transitional period)	<b>5,046</b>	4,389
<b>Minimum Capital Requirement (MCR)</b>	<b>3,289</b>	3,149

### (B) Own funds for the purpose of MCR

	<b>December 31, 2025</b>		
	Tier-1 capital	Tier-2 capital	Total
	(Audited)		
	NIS million		
Own funds for the purpose of solvency capital requirement (SCR)	<b>13,593</b>	<b>4,904</b>	<b>18,497</b>
Deviation from quantitative limitations due to MCR (*)	<b>-</b>	<b>(4,247)</b>	<b>(4,247)</b>
Own funds for the purpose of MCR	<b>13,593</b>	<b>657</b>	<b>14,250</b>

	<b>December 31, 2024</b>		
	Tier-1 capital	Tier-2 capital	Total
	(Audited)		
	NIS million		
Own funds for the purpose of solvency capital requirement (SCR)	11,896	5,046	16,942
Deviation from quantitative limitations due to MCR (*)	-	(4,416)	(4,416)
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.





## 8. Changes in the capital surplus

	Own funds for the purpose of SCR	Solvency capital requirement (SCR)	Capital surplus (deficit)
	<b>(Audited)</b>		
	<b>NIS million</b>		
<b>January 1, 2025</b>	<b>16,773</b>	<b>9,754</b>	<b>7,019</b>
Adjustment for the transitional measures in the transitional period (TMTP)	(1,929)	203	(2,132)
<b>At January 1, 2024, without application of the transitional measures in the transitional period</b>	<b>14,844</b>	<b>9,957</b>	<b>4,887</b>
Effect of operating activity (a)	(837)	(235)	(602)
Effect of economic activity (b)	1,513	960	553
New business (c)	1,122	804	318
Effect of capital activity (d)	(262)	-	(262)
Effect of changes in deferred tax, Tier-1 ancillary capital and Tier-2 capital	971	219	752
<b>At December 31, 2025, without application of the transitional measures in the transitional period</b>	<b>17,351</b>	<b>11,705</b>	<b>5,646</b>
Effect of the transitional measures in the transitional period	1,146	(491)	1,637
<b>December 31, 2025</b>	<b>18,497</b>	<b>11,214</b>	<b>7,283</b>

(a) This section includes the effect of:

1. The projected cash flow factored into the opening balance that was expected to be released in the reporting year;
2. Deviations from demographic and operating assumptions in the reporting year;
3. Regulatory changes;
4. Changes in the demographic and operational assumptions compared with those applied at the time of the previous report;
5. Model updates;
6. New insurance contracts (non-life and health insurance (NSLT)) underwritten in the year of the report, and insurance portfolios in these sectors that were acquired or sold in the year of the report.
7. Investment in intangible assets;
8. Other changes not included within the other items;

(b) This section includes the effect of ongoing economic activity, including:

1. Changes in the value of investment assets;
2. Changes in equity required for market risk, including changes in the symmetric adjustment (SA) component;
3. Effect of inflation;
4. Effect of changes in the risk-free interest rate curve for solvency;

(c) This section includes the effect of new insurance contracts (life and health insurance (SLT)) underwritten in the year of the report, and insurance portfolios in these sectors that were acquired or sold in the year of the report, excluding the effect of market risks, counter-party risk and operational risk.



- (d) This section includes capital activity, including the issue and redemption of Tier-1 and Tier-2 capital instruments declared between the date of publication of the solvency report at December 31, 2025, and the date of publication of the report as at March 31, 2026.

The order of the sections does not necessarily represent the order in which they are calculated. Notably, the order in which the calculations are made, could affect the results of the calculation of components of changes in the surplus, but not the final result of the Company's capital surplus and solvency ratio.

Notably, the changes were made on the economic balance sheet.

#### 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.
- In the Reporting Period, the Company applied studies on various topics, including a study of morbidity, a study of mortality in long-term care and studies of policy lapses that affect the assumptions used for assessing life and health insurance liabilities. Additionally, the model for liabilities in long-term care insurance and unit-linked liabilities was revised. In aggregate, these changes led to a reduction of the Company's capital surplus and Economic Solvency Ratio.

#### Effect of economic activity -

- The decline in the risk-free, linked shekel interest rate curve in 2025, caused an increase in the value of the insurance liabilities in savings products, long-term care and non-life insurance products, an increase in the value of the Company's financial liabilities and an increase of the capital requirements for some insurance scenarios. In contrast, the interest rate drop caused the value of debt assets to increase. In aggregate, these changes led to a reduction of the Company's capital surplus and Economic Solvency Ratio.
- In the Reporting Period, the Consumer Price Index rose by 2.36% leading, in aggregate, to a reduction of the Company's capital surplus and Economic Solvency Ratio.
- In the Reporting Period, the equity risk scenario in market risk capital requirements increased mainly due to an increase in the exposure to tradable shares in the Company's proprietary (nostro) investments portfolio and as a result of an increase in the symmetric adjustment (SA) component in the scenario due to positive yields in the TA-125 index, which forms the basis for calculating the SA component.

#### New business -

- The capital surpluses 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 adversely affected by the distribution of a dividend of NIS 400 million which was approved by the Company's Board of Directors on August 27, 2025, and by the distribution of a dividend of NIS 800 million approved by the Board of Directors on March 25, 2026, after the Reporting Period.
- A share-based payment to employees of NIS 62 million recorded in 2025 adversely affected the Company's capital surplus.



Effect of the transitional measures -

- At December 31, 2025, the update of the Deduction to NIS 1,416 million reduced the Company's capital surplus and Economic Solvency Ratio. An explanation of the Deduction appears in Section 1.B.a) above.

**9. Analysis of sensitivity to changes in risk factors**

The following presents sensitivity analyses of the economic solvency ratio to various risk factors at the report date, taking into account the transitional measures in the transitional period. This analysis reflects the effects of the change on own funds, including the quantitative limitations applicable to the own funds and to SCR. The sensitivity tests reflect the direct effects only, assuming that all other risk factors are constant and do not include secondary effects or changes deriving from other risk factors. The sensitivity tests relate to both unit-linked and non-unit-linked assets and liabilities.

Notably, the sensitivities are not linear, so that sensitivities at other rates cannot necessarily be calculated by a simple extrapolation of the sensitivity tests presented.

	December 31 2025 (Audited)
	Effect on economic solvency ratio
<b>Decrease of 50 basis points in risk-free interest rate (a)</b>	<b>(14%)</b>
<b>25% decrease in value of capital assets (b)</b>	<b>(17%)</b>
<b>5% increase in morbidity rate (c)</b>	<b>(15%)</b>
<b>5% decrease in mortality rate (c)</b>	<b>(5%)</b>

- (a) The tests of sensitivity to interest cover all the debt assets sensitive to interest, marketable as well as non-marketable, including designated bonds, reinsurance assets and the insurance liabilities, including a recalculation of the indirect effects of variable management fees. In calculating tests of sensitivity to changes in the interest rate, a new risk-free interest curve was created which represents a corresponding change of 50 basis points up to the Last Liquid Point (LLP) followed by a Smith-Wilson extrapolation up to the Ultimate Forward interest rate (UFR).
- (b) The test of sensitivity to an impairment of capital assets includes the effect on the Economic Balance Sheet and on the material market scenarios when calculating the capital requirement. Capital assets, for the purpose of the sensitivity test, include marketable and non-marketable shares, investment funds, asset companies and strategic assets. The sensitivity test also takes into account the effect on the Symmetric Adjustment component in calculating the required capital.
- (c) Tests of sensitivity in morbidity and mortality rates cover all the health and life products that are sensitive to these risk factors.



## 10. 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 March 25, 2026, 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 118%, without taking into account the provisions in the transitional period.

On March 25, 2026, the Company's Board of Directors approved the distribution of a dividend of at least 45% 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:

	December 31, 2025	December 31, 2024
	(Audited)	(Audited)
	NIS million	
Own funds for the purpose of SCR	<b>17,351</b>	14,844
Solvency capital requirement (SCR)	<b>11,705</b>	9,957
Capital surplus	<b>5,646</b>	4,887
Solvency ratio (in percent)	<b>148%</b>	149%
<b>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:</b>		
Raising (redemption) of capital instruments (*)	-	1,000
Own funds for the purpose of SCR	<b>17,351</b>	15,844
Capital surplus	<b>5,646</b>	5,887
Solvency ratio	<b>148%</b>	159%
<b>Capital surplus after capital transactions in relation to the Board of Directors target:</b>		
Economic solvency ratio target set by the Board of Directors	<b>118%</b>	115%
Capital surplus in relation to the target (**)	<b>3,539</b>	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



(\*\*) On March 25, 2026, 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 transitional measures for the transitional period, from 115% to 118%. The capital surplus with reference to the new target is NIS 3,539 million.

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

May 26, 2026

Date

Guy Rotkopf  
Chairman of the  
Board

Nir Cohen  
CEO

Adva Inbar  
Chief Risk  
Officer