



Harel Insurance Investments and Financial Services Ltd.

**Interim Report as at
March 31, 2025**



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Board of Directors Report

Harel Insurance Investments and Financial Services Ltd.

Board of Directors Report for the three months ended March 31, 2025

The Board of Directors Report for the three months ended March 31, 2025 ("the Reporting Period"), reflects the principal changes in the state of the business of Harel Insurance Investments & Financial Services Ltd. ("Harel Investments" or "the Company") during this period, and it was prepared assuming that the reader is also in possession of the Group's full Periodic Report for 2024 which was published on March 26, 2025 ("the Periodic Report").

The Board of Directors' Report also contains forward-looking information, as defined in the Securities Law, 1968. Forward-looking information is uncertain information concerning the future based on information in the company's possession at the time of publishing the report and which includes the company's assessments or intentions at the date of the report. Actual performance may differ substantially from the results estimated or inferred from this information. In certain instances, sections can be found that contain forward-looking information, where words such as: "the Company/the Group estimates", "the Company/the Group believes", "the Company/the Group anticipates", and the like appear, and such forward-looking information may also be worded differently.

1 Description of the Company

1.1 General

Harel Insurance Investments and Financial Services Ltd. is a public company whose shares have been traded on the Tel Aviv Stock Exchange since 1982. The Company, together with its subsidiaries ("the Group"), operates principally in the following areas:

- A. In the various sectors of insurance, the Company operates through the following subsidiaries: Harel Insurance Company Ltd. (under full control) ("Harel Insurance"); Interasco Societe Anonyme General Insurance Company S.A.G.I (in which the Company holds 94%) ("Interasco" - which operates in non-life insurance in Greece; Turk Nippon Sigorta A.S. (fully controlled) ("Turk Nippon"), operating in Turkey; and ICIC - Israel Credit Insurance Company Ltd. (with a 50% holding) ("ICIC").
- B. In the long-term savings sector, the Company operates through the following subsidiaries that are provident fund and pension fund management companies: Harel Pension and Provident Ltd. (fully controlled) ("Harel Pension & Provident"), which manages pension and provident funds; Tzva Hakeva Savings Fund - Provident Funds Management Company Ltd. (under full control) ("Tzva Hakeva Saving Fund - Provident Funds Management Company Ltd. (fully controlled) ("Tzva Hakeva") which manages an education fund for IDF career soldiers and pensioners; LeAtid Pension Funds Management Company Ltd. (in which the Company has a 79% stake), which manages an old pension fund ("LeAtid").

- C. In the financial services and capital market segment - the Company operates through the subsidiary Harel Finance Holdings Ltd. ("Harel Finance") (fully controlled by the Company) and its principal subsidiaries: Harel Mutual Funds Ltd. ("Harel Mutual Funds") - a mutual fund management company; Harel Finance Investment Management Ltd. ("Harel Finance Investments") - which is a licensed portfolio manager and manages investment portfolios; Harel Index Trade Ltd. - a company involved in market making for the ETFs managed by Harel Mutual Funds; Harel Finance Alternative Ltd., a company that serves as a general partner and investor in the partnerships Harel Finance Alternative Hamagen (a limited partnership registered in the USA) and Harel Finance Alternative Hamagen Europe (a limited partnership registered in Luxembourg); Harel Exchange Traded Deposit Ltd., a company that issued bonds backed by deposits, and Harel Alternative Investment Funds Ltd., a company that is a general partner in limited partnerships that are private equity funds operating in joint investments with Harel Insurance.
- D. In the credit segment – the Company operates through the second-tier subsidiary Hamazpen Shutaphim Laderech Ltd. (in which it has a 70% holding) ("Hamazpen") that creates innovative financing solutions for quality entrepreneurs providing business management and credit to medium businesses, including the provision of mezzanine loans; through the second-tier subsidiary, Gamla Harel Residential Real Estate Ltd. (fully controlled) which provides finance for residential real-estate developers; through a subsidiary fully owned by Harel Insurance, Harel 60+ Ltd. ("Harel 60+") that provides ordinary mortgage loans, as well as "reverse mortgage" loans to borrowers aged 60 or more in the form of a lien on their homes; within the context of development property finance activity carried out by Harel Insurance; and it also provides financial guarantees; through the subsidiary EMI - Ezer Mortgage Insurance Company Ltd. (fully controlled) ("EMI"),¹ as well as through the provision of financial guarantees and entrepreneurial and operating services for mortgage portfolios guaranteed by third parties through Harel Insurance and EMI.

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

1.2 The Company's shareholders

Yair Hamburger, Gideon Hamburger and Nurit Manor are the principal shareholders in the Company (in this section: "the Shareholders"), holding 46.5% of the voting rights and the issued share capital of the Company.

The Shareholders hold the Company principally through G.Y.N. Investment Management & Economic Consulting 2017 Limited Partnership, a limited partnership fully owned and controlled by the Shareholders, which they hold, as limited partners, through private companies fully owned by them ("G.Y.N. Partnership") and they also hold the general partner in G.Y.N. Partnership.

¹ Beginning in the first quarter of 2025, the Company decided to include the insurance activity in the residential mortgage credit insurance sector which takes place through EMI, as part of the credit segment. This activity was previously presented within the non-life insurance segment.

2 Initial application of IFRS 17, *Insurance Contracts*, and IFRS 9, *Financial Instruments* (“the New Standards”)

As of January 1, 2025, the Company applies the New Standards in its financial statements. The date of transition to the New Standards was set at January 1, 2024 and relevant comparative figures in the financial statements were restated.

IFRS 17, *Insurance Contracts* (“IFRS 17” or “the Standard”) affects the financial reporting of the Company’s insurance activity, mainly in the life and long-term health insurance segments (with limited effect on non-life and short-term health insurance activity). Notably, the Standard does not affect the Company’s other operating segments (asset management, credit, equity and other).

Under the Standard, the Company’s underwriting profit (“insurance service result”) is presented in the income statement separately from the Company’s other sources of income, including investment and financing income and income from other activities.

Under the Standard, the Company measures its insurance liabilities as the total amount of the contract fulfillment cash flows plus the contractual service margin (CSM). Fulfillment cash flows consist of a probability-weighted estimate of future cash flows, capitalized at the current interest rate plus an illiquidity premium to reflect the time value of the money, plus the risk adjustment for non-financial risk (RA).

The contractual service margin (CSM) for a group of insurance contracts represents the unrealized future expected profit to be recognized by the Company - as insurance service income - when it provides insurance contract services as part of these contracts. Additionally, release of the risk adjustment (RA) component attributable to expired risks will also be recognized as insurance service income.

Application of the Standard is expected to reduce fluctuations in the underwriting results due to the fact that changes in the estimates associated with insurance activity (including research) and financial changes in profit-sharing policies are recognized in the CSM rather than in profit or loss.

Likewise, the Company’s net investment and financing income is affected by capital market yields, changes in the discounting interest rate curve and other financial changes.

Additionally, following the initial application of IFRS 9, *Financial Instruments* (“IFRS 9”), most of the Company’s investments in financial assets in the different operating segments (insurance business, asset management, credit, equity and other) are measured at fair value, where changes in the fair value are recognized immediately within the Company’s net investment and financing income.

Notably, the sensitivity tests detailed in Note 36 to the Financial Statements for 2024 are based on the old accounting standards (IFRS 4) and they do not necessarily reflect the Company’s expected sensitivity under the New Standards.

For detailed information about the effects of the initial application of the New Standards on the Company’s financial position and on its reported financial results, see Note 16 to the Financial Statements and Section 3.5 below.

Update concerning the stochastic model

At the date of the report, Harel Insurance has completed calculation of the Economic Solvency Ratio based on the use of Economic Scenario Generators, including completion of tests and control processes for market accuracy, robustness and consistency.

The stochastic model is used for preparing a best actuarial estimate of the flow of non-symmetric 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 the fluctuations in the relevant asset yields based on their composition and characteristics, including investment channels, average duration and exposure to the CPI and foreign exchange rates. To build the stochastic model, Harel Insurance chose economic models that correspond with the types of assets. These models were calibrated by relevant, historic market information. International consulting companies assisted Harel Insurance in choosing, calibrating and testing these economic models. Furthermore, the external auditors examined the calculation and internal control process.

Harel Insurance believes that assimilation of the stochastic model could have an effect that leads to an increase of hundreds of millions of shekels in the Contractual Service Margin (CSM) in the life insurance segment in profit-sharing policies that were issued up to 2003. The effects of the stochastic model were not included in the reported financial results of Harel Insurance and the Company in the Reporting Period. For additional information, see Section 6C.

It is emphasized that the estimate of Harel Insurance regarding the potential effect of the stochastic model on the CSM in the life insurance segment should not be treated as final data, and accordingly this information is forward-looking information according to its definition in Section 32A of the Securities Law, 1968.

3 Financial position and results of operations, equity and cash flow

3.1 Material changes in the Group's business and events in the Reporting Period

3.1.1 Swords of Iron War ("the War")

Further to the description in Section 2.2 in the Board of Directors Report in the Company's Periodic Report at December 31, 2024, concerning the repercussions of the War on Israel's economic activity in general and specifically on the Group's business activity and results, it is noted that in the first quarter of 2025 there was no significant change resulting from the War on the scope of the insurance risks.

Additionally, as at the publication date of the financial statements, the War has had no material impact on the continuation of growth in the total assets managed by the Group.

It is emphasized that the Group's assessments concerning the possible implications of the War for its activity are uncertain and are beyond the Group's control. These assessments

are based on the best knowledge of the Group's management at this stage. All or part of these estimates might not materialize or may materialize differently and even significantly differently, than expected.

3.1.2 Revised thresholds for the distribution of dividends - Harel Insurance

On January 14, 2025, the Board of Directors of Harel Insurance approved a revision of the thresholds for distribution of a dividend, without taking into account the transitional measures for the transitional period (TMTP), from 110% to 115%. For additional information see Note 13 to the Financial Statements and Chapter 6(C) below.

3.1.3 Affirmation of a Midroog rating for Harel Insurance

On the affirmation of a rating for Harel Insurance by Midroog, see Note 8 to the Financial Statements.

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

For information about the Company entering into a non-binding Memorandum of Understanding with PAMA, see Note 14 to the Financial Statements.

3.1.5 Affirmation of a Midroog rating for Harel Investments

On the affirmation of a rating for Harel Investments by Midroog, see Note 8 to the Financial Statements.

3.1.6 Plan to repurchase shares

On March 25, 2025, the Company's Board of Directors approved an additional plan to repurchase shares of the Company in the amount of up to NIS 100 million, to be implemented periodically as will be determined by the Company's management. For additional information about the aforementioned plan, see Note 13 to the Financial Statements.

3.2 Material changes in the Group's business and events after the Reporting Period

3.2.1 Issue of bonds (Series 21) by means of a second-tier subsidiary - Harel Finance & Issues

On an issue of bonds (Series 21) of Harel Finance & Issues, see Note 15 to the Financial Statements.

3.2.2 Expected appointment of a Company officer - Chief Investment Officer

On April 7, 2025, the Company's Board of Directors approved the appointment of Mr. Dan Kerner as Chief Investment Officer of the Company, effective from July 2025. Subject to the approval of the Commissioner of the Capital Market, Insurance and Savings, Mr. Kerner will also be appointed as VP and Investment Officer of the subsidiary Harel Insurance, as well as investment manager of other subsidiaries in the Company that are financial institutions.

3.2.3 Convening of an Annual and Special General Meeting

On April 29, 2025, it was decided to convene an annual and special general meeting of the Company, with the following items on the agenda: (1) discussion of the Periodic Report for 2024; (2) reappointment of the external auditors and appointing the Company's Board

of Directors to determine their fee; (3) reappointment of the Company's serving directors, who are not external directors, for a further term of office (Yair Hamburger, Gideon Hamburger, Ben Hamburger, Yoav Manor, Michel Siboni, Doron Cohen); (4) appointment of Asaf Kochan as a director in the Company; (5) appointment of Ayelet Ben Ezer for an additional term as an external director in the Company; (6) update of the employment conditions of Idan Tamir, grandson of Mr. Yair Hamburger, one of the Company's controlling shareholders, for his employment as VP Business Development and Marketing in Harel Insurance. The meeting is scheduled for June 9, 2025. For additional information, see an Immediate Report of the Company dated April 29, 2025 (Ref. 2025-01-030453).

3.2.4 Approval of a stock options plan for senior officers and employees of the Group as well as a private allotment.

In April 2025, the Company's Compensation Committee and Board of Directors approved a stock options plan for executives and employees of the Group consisting of up to 5,500,000 stock options which may be exercised for up to 5,500,000 ordinary NIS 0.1 par value shares of the Company, subject to adjustments, without payment in cash. Of all the stock options included in the aforesaid stock options plan, 3,425,000 options were allotted to 168 managers in the Group. The remaining options that were not allotted to specific recipients will allow allotments to be made in the future to additional employees and executives.

Additionally, an allotment of 65,000 stock options was approved to two Company consultants. These options are not part of the stock options plan or of the allotments report contained therein, however the terms for exercising these options are the same as the those applicable to the stock options for the Group's employees and executives.

For additional information, see Immediate Reports of the Company dated April 29, 2025 (Ref. 2025-01-030474 and 2025-01-030480).

3.2.5 Allotment of options to the Company's CEO

In April 2025, the Company's Compensation Committee and Board of Directors approved the allotment of 50,000 stock options to the Company's CEO, Mr. Nir Cohen. These options were allotted by virtue of a stock options plan published by the Company on March 31, 2024. For additional information about the allotment of options to the CEO, see an Immediate Report of the Company dated April 29, 2025 (Ref. 2025-01-030499).

3.2.6 Collaboration with Union Group in an offer to acquire the holdings of Israel Discount Bank Ltd. ("IDB") in Israel Credit Cards Ltd. ("CAL").

On May 6, 2025, the Company, together with Union Investments and Development Ltd. ("Union"), submitted an offer to acquire the holdings of IDB in CAL (about 72% of the equity and 79% of the voting rights), and this as part of the Company's strategy to diversify its sources of income and expand its credit segment activity. For additional information, see an Immediate Report of the Company dated May 7, 2025 (Ref. 2025-01-031844). On May 19, 2025, a representative of IDB informed representatives of the Company and Union that its offer had been chosen, together with other offers, to progress to the second stage of the process for the sale of CAL.

3.2.7 Economic Solvency Ratio report of Harel Insurance

On May 28, 2025, the Board of Directors of Harel Insurance approved the Economic

Solvency Ratio Report as at December 31, 2024. For additional information see Section 6 below.

3.3 Developments in the macroeconomic environment of the Group

The results of the Group's operations are significantly affected by the yields attained in the capital market and by the economic, political and security situation in Israel and worldwide. Following are the key factors in the macroeconomic environment that affect the Group's activity:

3.3.1 General

Global economic activity in the first quarter of 2025 presented a mixed picture, partially due to tension surrounding the anticipated US trade policy, which led to a temporary increase in global trade activity. In the US, GDP shrank in the first quarter, mainly due to an exceptionally large volume of imports, whereas China and some European countries recorded accelerated growth due to a parallel increase in exports.

The global inflation environment continued to moderate in the quarter, thanks to high interest rates and a drop in energy prices. In the Eurozone, the interest rate continued to fall, in contrast with the US where policy to lower the interest rate came to a halt.

3.3.2 Developments in the Israeli economy

According to initial estimates, the Israeli economy grew by 3.4% annual rate in Q1 2025 and during this quarter there was a marked decrease in private consumption as opposed to an acceleration of investments. The labor market remained tight and the unemployment rate remained below 3% at the end of the quarter as well.

The deficit as a percentage of GDP continued to shrink rapidly and was 5.2% of GDP during the 12 months ended March 2025. The sharp increase in income from taxes, due to the increase in the VAT rate and other measures, alongside a drop in government expenditure as the fighting waned, contributed to reducing the deficit.

3.3.3 Stock market

The world's key stock markets presented mixed results in the first quarter of 2025. The MSCI World Index (gross in dollar terms) was down 2%. Stock markets in the US fell sharply, with the S&P 500 down 5% and the NASDAQ down 10%. In contrast, most of the leading indices in Europe rose, with the EuroStoxx 600 up 5%. In Israel, the TA-125 index rose by 1% in this period.

3.3.4 Bond market

In Q1 2025, the general bond index rose by 0.4%. The corporate bond index rose by 0.7% while the government bond index rose by 0.3%.

3.3.5 Mutual funds and ETFs

In Q1 2025, the mutual funds and ETFs raised a net amount of NIS 18 billion (excess of issuances over redemptions, net of cash dividends). Most prominent in this quarter were the money-market funds which raised NIS 5.5 billion and the funds specializing in Israeli shares which raised NIS 4.5 billion.

3.3.6 Foreign exchange market

In Q1 2025, the shekel depreciated by 4% against the Bank of Israel's basket of currencies, with 2% depreciation against the US dollar and 6% depreciation against the Euro.

3.3.7 Inflation

According to data for the Consumer Price Index (CPI) published at the end of Q1 2025 (February index), the CPI rose by a cumulative 0.3% during the quarter and by an annual rate of 3.4% in the past 12 months.

3.3.8 Bank of Israel interest

In Q1 2025, the Bank of Israel left the interest rate unchanged at 4.5%.

3.3.9 Events after the date of the report

At the beginning of April 2025, the President of the United States announced a sharp increase in import duties on goods from countries all over the world, Israel included. This triggered plummeting prices on the stock markets and an increase in the global risk indices. Subsequently, some of these taxes were placed on hold for 90 days, negotiations began with several countries, a trade agreement in principle was reached with the UK and negotiations began with China while reciprocal import duties were frozen. These factors reduced volatility in the markets and significantly reduced falling prices on the stock markets.

In April, the Bank of Israel left the interest rate at 4.5% and it revised its forecast for growth for 2025 downwards to 3.5%, mainly due to the new customs policy announced by the President of the USA which could adversely affect Israel's exports.

Inflation in Israel rose to 3.6% in April 2025. From the beginning of Q2 2025 through the middle of May 2025, the shekel strengthened 3% against the Bank of Israel's basket of currencies.

3.4 Summary of the legislative arrangements and provisions of law in the Group's operating segments

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

3.4.1 General

3.4.1.1 Provisions of law

- 3.4.1.1.1 On April 2, 2025, draft Insurance Circular 2024-27 was published 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 - Draft". Among other things, the draft circular proposes synchronizing the timetables for publication of the Economic Solvency Ratio Report and the Solvency Files Report to the Commissioner of the Capital Market, Insurance and Savings with publication of the financial reports and also adding a report on the Economic Solvency Ratio in the "Report to the Public". The draft circular also proposes deleting a clause which defines different reporting dates from the other parts of the periodic report, and updating the section "audit and review" to reflect the work of the External Auditor.

Additionally, the draft circular proposes making adjustments in the format of the disclosure tables in the Economic Solvency Ratio Report and in the spreadsheets in the solvency reporting file to the Commissioner, which include, among other things, an amendment of the Economic Solvency Ratio Report appendix so that the disclosure structure in the report corresponds with the updates following the application of IFRS 17.

3.4.1.2 Circulars, draft provisions and position papers on the adoption of International Financial Reporting Standard (IFRS) 17 in Israel (“the Standard” or “IFRS 17”)

3.4.1.2.1 On May 14, 2025, an "Update to the Consolidated Circular on Reporting to the Commissioner - Related Reports Adjusted to IFRS 17" was published. This update defined the information to be reported in the reports attached to the financial statements of insurance companies, details regarding the new reporting forms, ensuring that they are consistent with the information in the periodic report, different measurement models and the frequency of the reports was defined, and the update also set out guidelines for filling out and submitting the reporting forms, including rules for reporting data at insurance portfolio and segment level.

Additionally, transitional provisions were also prescribed relating to the submittal of the aforesaid related reports, including relief for the related reports as at March 31, 2025 (first quarter).

3.4.1.2.2 On April 10, 2025, a letter was published for insurance company directors (CM. 2025-53) concerning “Calculation of the TMTP (Deduction) in an economic solvency regime under IFRS 17“. Among other things, the letter stipulates that insurance companies that want to include a deduction in their financial statements even after the application of IFRS 17, shall submit to the Commissioner of the Capital Market a recalculation of the Deduction for the solvency ratio balance sheet data on as at December 31, 2024, no later than April 21, 2025; and that the deduction rates provided by the insurance company and approved by the Commissioner must be constant for the entire outstanding transitional period for each homogeneous risk group and these rates will be applied in calculating the maximum Deduction, as from the solvency ratio calculation as at June 30, 2025.

The letter further stipulates that the deduction rates to be calculated will be the maximum rates while the Deduction amount at each reporting date will be subject to the information in the Letter of Principles, and specifically that the company and board of directors will be responsible for ensuring that the value of the Deduction will be calculated in a cautious and conservative manner; furthermore, the Commissioner shall be entitled to limit the amount of the Deduction based on the considerations set out in the letter.

3.4.1.2.3 On January 26, 2025, a letter was published for insurance company directors (CM. 2024-2858) concerning a “Roadmap for the adoption of IFRS 17 - Insurance Contracts - Update no. 5”. Among other things, the letter stipulates that the annual financial statements for 2024 must include disclosure in the statement of financial position (proforma balance sheet). The letter also stipulates that the report must include a verbal explanation about the effect of the significant changes that occurred in the reporting period on the company’s results, including the effect of

changes in the interest rate curve up to the end of 2024.

3.4.2 Non-life insurance

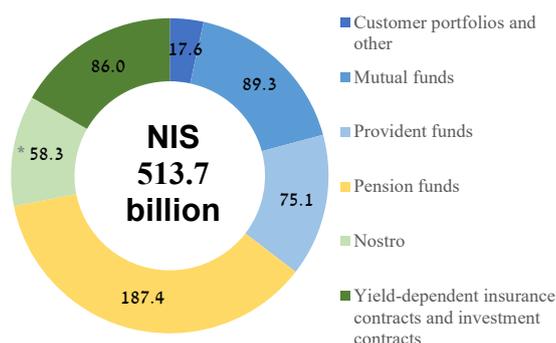
3.4.2.1 Instructions and clarifications

3.4.2.1.1 On April 23, 2025, the Commissioner of the Capital Market sent a letter to insurance company directors (CM. 2025-725) concerning “Notice of the intention to submit a request to update motor property (CASCO) tariffs”. Among other things, the letter stipulates that pursuant to the provisions of Section 40(D) of the Supervision of Financial Services (Insurance) Law, 1981, the Commissioner is considering instructing the company to update the approved tariff in a number of motor property insurance plans, and specifically to submit a new, full, detailed actuarial appendix which covers all the revised tariffs in accordance with the regulations.

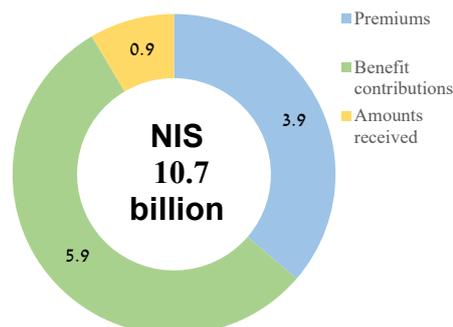
3.4.2.1.2 On January 22, 2025, the Commissioner of the Capital Market published a draft position paper “Prohibition on discrimination on the basis of the geographical location of insureds and candidates for motor insurance”. The draft position paper proposes prohibiting insurance companies from refusing to accept a candidate for insurance in the motor insurance lines of business solely for geographical considerations or residential address, and it also proposes prohibiting insurance companies from making additional demands of insurance candidates or adopting a stringent underwriting approach purely for geographical considerations.

3.5 Condensed data from the consolidated financial statements of Harel Investments

The Group’s AUM:



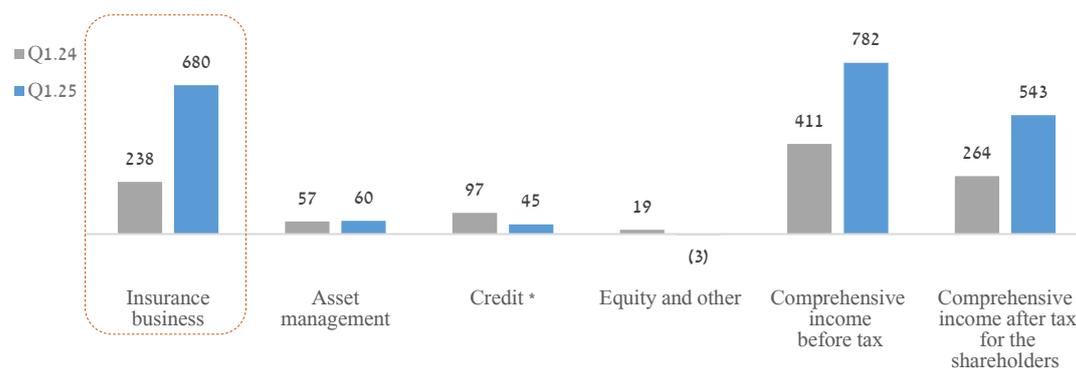
Data on earned premiums, gross, benefit contributions and amounts received for investment contracts:



Assets managed by the provident funds, pension funds, mutual funds and in customers’ portfolios are not included in the Company's consolidated financial statements.

* Including certificates of deposit issued by Harel Finance in the amount of NIS 17.1 billion, NIS 9.4 billion and NIS 17.3 billion at March 31, 2025, March 31, 2024 and December 31, 2024, respectively.

3.5.1 Comprehensive income (loss) by operating segment (NIS million):



* Including the effect of the change in fair value of financial assets. See Section 3.5.4.3 below.

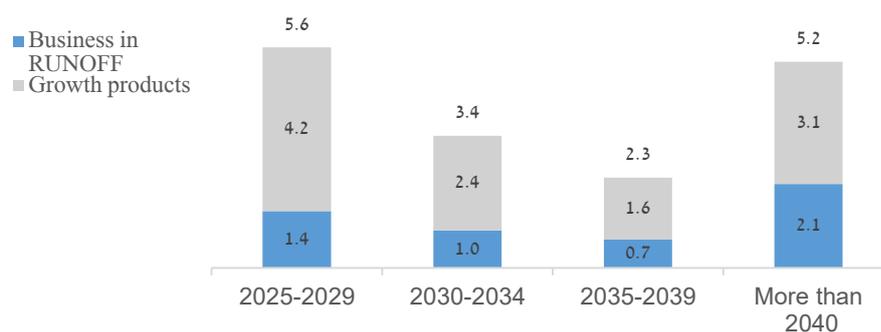
Profit from insurance business includes:

1) Insurance services results, in retention:

Includes total underwriting profit from insurance services in life insurance, health insurance and non-life insurance (including results for the overseas insurance companies sector). This profit consists mainly of the CSM release and release of the Risk Adjustment (RA) component.

- At March 31, 2025, the CSM (net of reinsurance) was NIS 16.5 billion before tax (NIS 10.9 billion after tax).

Harel Insurance believes that 34% of the CSM balance at March 31, 2025 is expected to be released to profit over the next five years. Following is an estimate of the pace of release of the CSM balance at March 31, 2025, segmented by business in runoff (business that the Company no longer markets) and growth products that the Company continues to market (“growth products”) (existing portfolio at the transition date and a new portfolio from the transition date) (NIS billion):



- At March 31, 2025, the Risk Adjustment balance for non-financial risk (RA) (net of reinsurance) was NIS 3.5 billion before tax (NIS 2.3 billion after tax).

2) Net investment and financing income (loss), in retention, comprises:

- Profits (losses) from the Nostro portfolio, including income from interest and a share in the profits of equity accounted associates;

- B. Profits (losses) from investments in respect of savings policies and investment contracts, net of the change in liabilities for insurance contracts attributable to changes in the fair value of the base items and net of the change in liabilities for investment contracts on account of the yield component;
- C. Financing expenses (income) based on the discounting interest rate in respect of the time value attributable to insurance contracts, net of financing income (expenses) attributable to reinsurance treaties;
- D. The effects of changes of the risk-free interest rate and illiquidity premium, and changes between the forecast index and the actual index.
- 3) Operating income (expenses) - mainly operating expenses that are not included within insurance contract fulfillment cash flows.

3.5.2 Breakdown of comprehensive income (loss) by operating segment:

	<u>For the period ended</u> <u>March 31</u>		<u>change in %</u>	<u>For the year</u> <u>ended</u> <u>December 31</u>
	<u>2025</u>	<u>2024*</u>		<u>2024*</u>
	<u>(Unaudited)</u>	<u>(Unaudited)</u>		<u>(Unaudited)</u>
Insurance business				
Life insurance	184	91	-	743
Health insurance	307	8	-	662
Non-life insurance	188	149	26	543
Insurance companies overseas	1	(10)	-	(53)
Total insurance business	680	238	-	1,895
Asset management				
Range of investment contracts	8	5	60	40
Provident	11	14	(21)	55
Pension	18	16	13	91
Financial services	23	22	5	105
Total asset management	60	57	5	291
Credit	45	97	(54)	249
Equity and other	(3)	19	-	(52)
Total before tax	782	411	90	2,383
Income tax	237	144	65	750
Total comprehensive income after tax	545	267	-	1,633
Attributed to:				
Shareholders of the Company	543	264	-	1,619
Non-controlling interests	2	3	(33)	14
Return on Equity in annual terms	22%	12%		17%

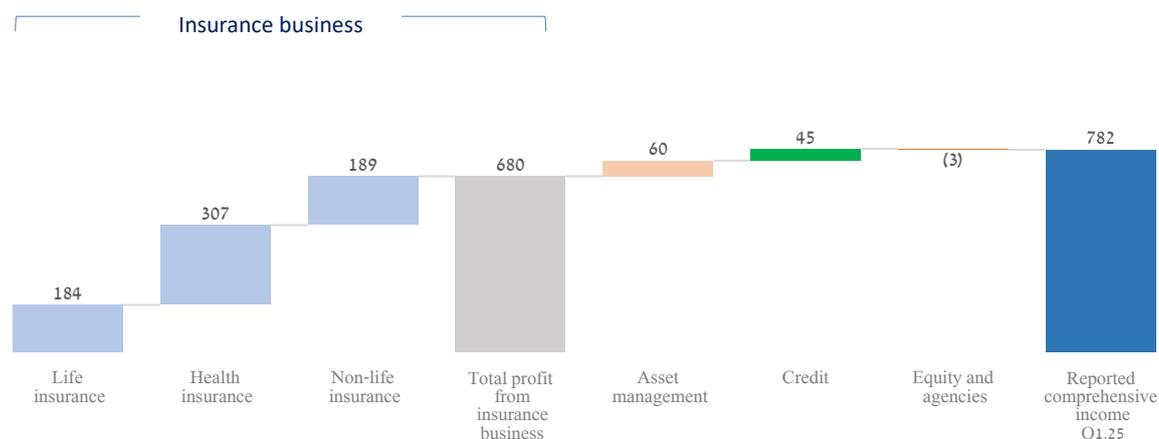
* Comparative figures were restated in light of the initial application of IFRS 17 and IFRS 9. For additional information, see Note 16 to the Financial Statements.

Results in the Reporting Period were affected by real, positive Nostro yields in the capital market that were lower than the Nostro yields in the corresponding period last year.

Additionally, results in the Reporting Period were affected by an increase of the interest rate curve applied in calculating the insurance liabilities. Results in the corresponding period last year were affected by changes in the curve (rising risk-free interest rate curve and decrease of the illiquidity premium). The rising curve in the Reporting Period resulted in a net, positive effect compared with the falling curve in the corresponding period last year that resulted in a net negative effect.

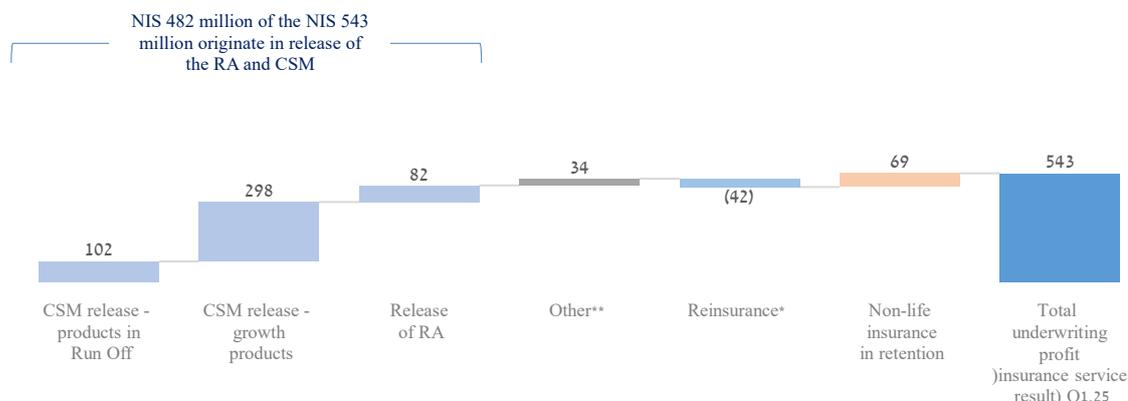
3.5.3 Breakdown of comprehensive income (loss) by operating segment (NIS million):

Profit from insurance business	Q1.25	Q1.24	Difference
Underwriting profit (insurance service result) (1)	543	467	76
Net investment and financing income (loss) (2)	178	(186)	364
Operating expenses	(41)	(43)	2
Total	680	238	442



Q1.25	184	307	189	680	60	45	(3)	782
Q1.24	91	8	139	238	57	97	19	411
Change	93	299	50	442	3	(52)	(22)	371

1) Underwriting profit (insurance service result) (NIS million):



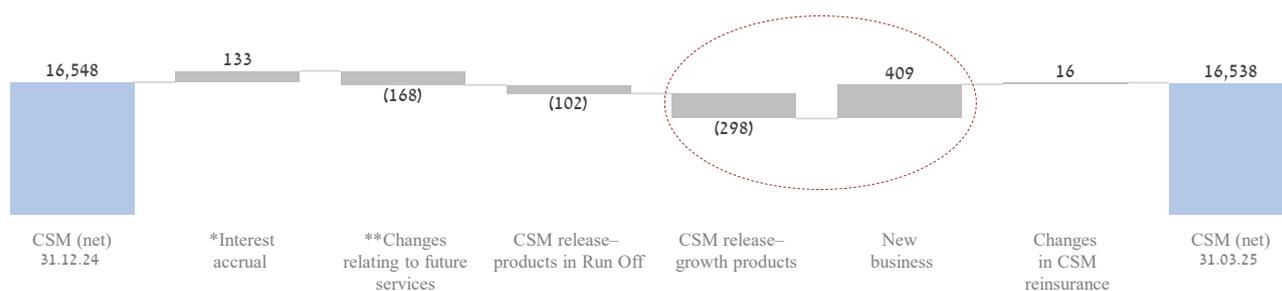
Q1.25	102	298	82	34	(42)	69	543
Q1.24	91	298	84	57	(88)	25	467
Change	11	(0)	(2)	(23)	46	44	76

* Reinsurance in the life and health segments.

** Including adjustments based on Actual vs. Expected experience (A/E) and changes in the Loss Component (LC).

Results in the Reporting period include release of the gross CSM balance in the amount of NIS 400 million. At March 31, 2025, the CSM balance (net of reinsurance) was NIS 16.5 billion, before tax. The ratio of the additional CSM in respect of new business (in the Reporting Period) to the released CSM amount is 102%. The ratio of the additional CSM for new business (in the Reporting Period) for growth products to the released CSM for these products is 137%.

The following graph presents changes in the CSM in the Reporting Period (NIS million):



* Interest accrued according to the original curve in portfolios measured in the general model (GMM).

** Changes relating to future services also include adjustments based on experience (A/E) as well as financial changes in contracts measured according to the VFA model.

2) Results in the Reporting Period were affected by positive Nostro yields in the capital market which were lower than in the corresponding period last year, and by changes in the risk-free interest rate curve applied in calculating the insurance liabilities, and by other financial changes.

The following table provides a breakdown of net investment and financing income (loss), in retention (NIS million):

	<u>For the period ended March 31</u>		
	<u>2025</u>	<u>2024</u>	<u>Change</u>
Income from investments *	220	479	(259)
Effect of the change in the curve **	178	(374)	552
Interest accrued	(173)	(175)	2
Inflation and other financial changes	(47)	(116)	69
Net from investment and financing income	<u>178</u>	<u>(186)</u>	<u>364</u>

* Income from investments net of the change in liabilities for insurance contracts attributable to changes in the fair value of the base items.

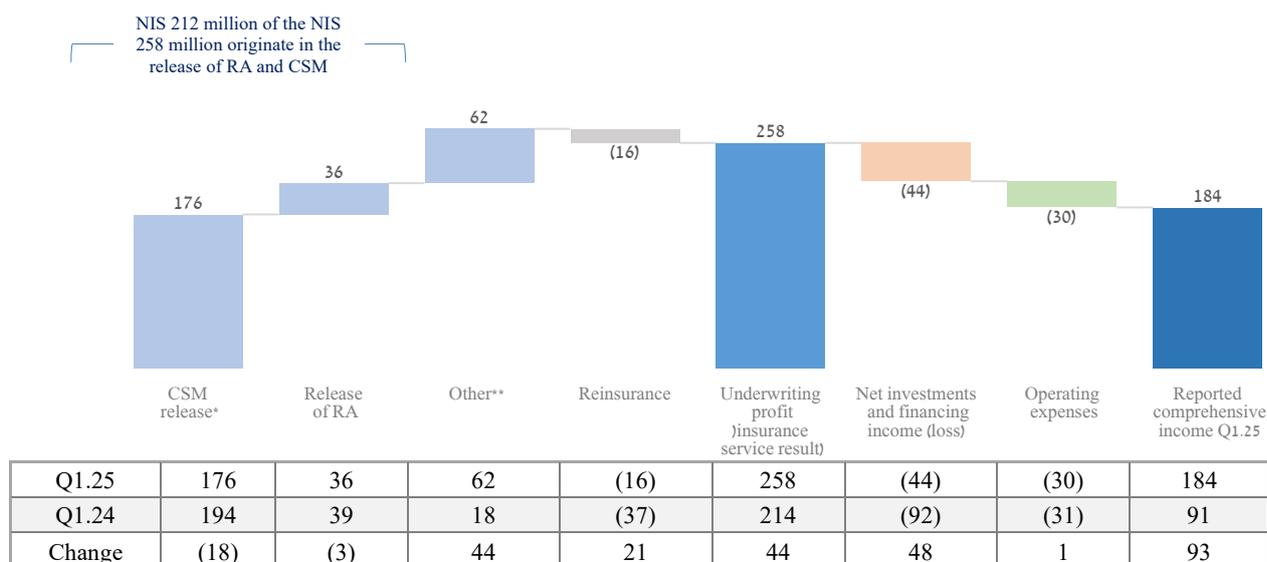
** Results in the Reporting Period were affected by the rising interest rate curve applied in calculating the insurance liabilities. Results in the corresponding period last year were affected by changes in the curve (rising risk-free interest rate curve and decrease of the illiquidity premium). The rising curve in the Reporting Period resulted in a net, positive effect of NIS 179 million. The changes in the curve in the corresponding period last year resulted in a net negative effect of NIS 374 million.

3.5.4 Breakdown of sources of income by operating segment (NIS million)

3.5.4.1 Insurance business:

A. Life insurance:

Breakdown of sources of income from the Company's life insurance business (NIS million):

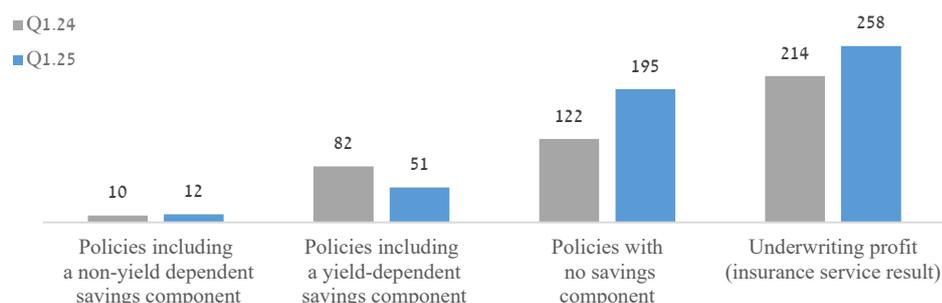


* Of this amount, NIS 151 million is for a release of CSM from growth products.

** Including adjustments based on experience (A/E) and changes in the Loss Component (LC).

Results in the Reporting Period were affected by real, positive Nostro yields in the capital market that were lower than in the corresponding period last year, by changes in the risk-free interest rate curve applied in calculating the insurance liabilities, and by other financial changes. The rising curve in the Reporting Period resulted in a net, **positive** effect of NIS 49 million. The changes in the curve in the corresponding period last year resulted in a net **negative** effect of NIS 129 million.

Breakdown of underwriting profit (insurance service result) in life insurance by key portfolio groups (NIS million):



Underwriting results in the Reporting Period and in the corresponding period last year were affected positively by the continuing growth of activity.

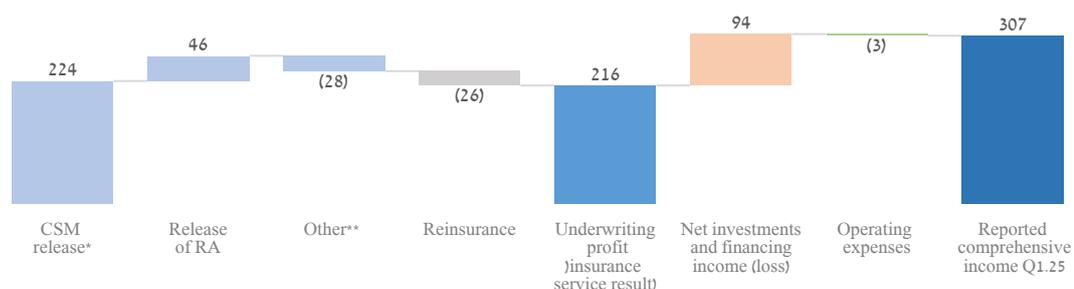
In the Reporting Period and corresponding period last year, underwriting improved in the cover for work disability (P.H.I.) compared with experience (A/E). The improvement in the Reporting Period was less than in the corresponding period in light of the increase in the value of claim.

Additionally, results in the corresponding period last year were affected by an increase in the number of claims as a result of the Swords of Iron War (the effect of the War in the corresponding period last year was NIS 30 million (personal lines and group) and by a revision of the insurance liabilities (IBNR) in the cover for risk of death due to an increase of activity and sums insured.

B. Health insurance:

Breakdown of sources of income from the Company's health insurance business (NIS million):

NIS 270 million of the NIS 216 million originate in the release of RA and CSM



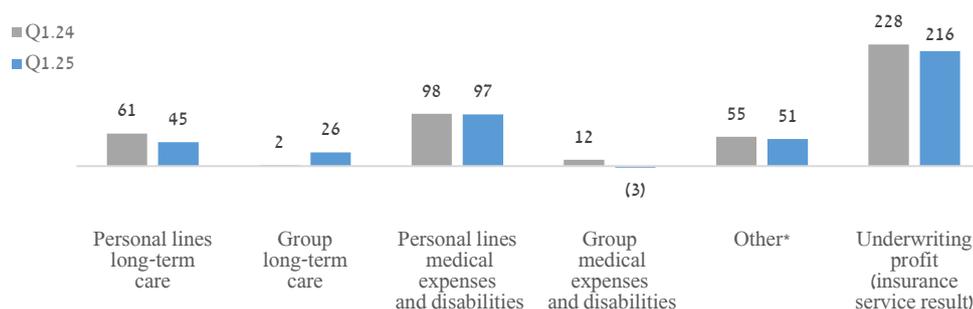
	Q1.25	Q1.24	Change
CSM release*	224	195	29
Release of RA	46	45	1
Other**	(28)	39	(67)
Reinsurance	(26)	(51)	25
Underwriting profit (insurance service result)	216	228	(12)
Net investments and financing income (loss)	94	(221)	315
Operating expenses	(3)	1	(4)
Reported comprehensive income Q1.25	307	8	299

* Of this amount, NIS 147 million is for the CSM release from growth products.

** Including adjustments based on experience (A/E) and changes in the Loss Component (LC).

Results in the Reporting Period were affected by real, positive Nostro yields in the capital market that were lower than in the corresponding period last year, by changes in the risk-free interest rate curve applied in calculating the insurance liabilities, and by other financial changes. The rising curve in the Reporting Period resulted in a net, **positive** effect of NIS 96 million. Changes in the curve in the corresponding period last year resulted in a net **negative** effect of NIS 229 million.

Breakdown of underwriting profit (insurance service result) in health insurance by key portfolio groups (NIS million):



* Other - includes critical illness, personal accidents and short-term health.

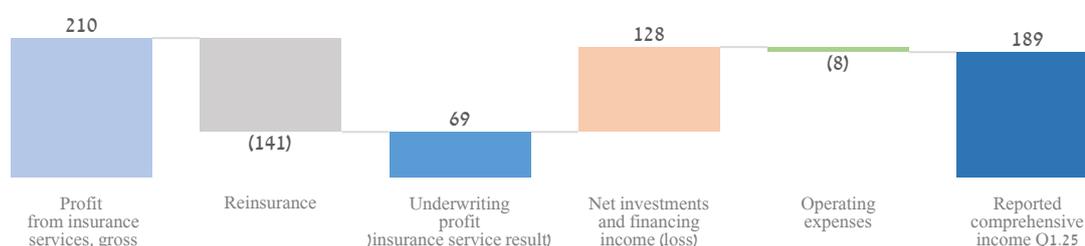
1. Personal lines long-term care - underwriting results in the corresponding period last year were affected by a decrease of the insurance liabilities (decrease in the IBNR reserve) in light of reducing the interval between the occurrence of the insured event and date of filing the claim.

2. Group long-term care - results in the Reporting Period were positively affected by a reduction in the claim cost compared with experience (A/E). Additionally, the results reflect the new agreement with members of Clalit Health Services, under which the reserve fund bears the full insurance risk. In December 2024, Harel and Clalit signed an Agreed Outline to extend the agreement period for the group LTC policy for members of Clalit Health Services by 24 months (from January 1, 2025 through December 31, 2026). Results in the Reporting Period reflect the Company's net operating income based on the outline that was signed.
3. Personal lines medical expenses and disabilities - underwriting results in the Reporting Period and in the corresponding period last year were favorably affected by the continuing growth of activity. In the Reporting Period and corresponding period last year, underwriting improved in the cover for transplants, ambulatory care and personal accidents due to a decrease in the number of claims and claim amounts paid compared with experience (A/E). In contrast, the improved underwriting in the Reporting Period was offset by an increase in the number of claims in the cover for medications.
4. Group medical expenses and disabilities - results in the Reporting Period were adversely affected by a deterioration of underwriting in group policies due to an increase in the number of claims in the cover for medications compared with experience (A/E).

C. Non-life insurance:

Breakdown of sources of income from the Company's non-life insurance business (NIS million):

Reported comprehensive income	Q1.25	Q1.24	Difference
Compulsory motor	43	7	36
Motor property	41	38	3
Other *	104	104	0
Insurance companies overseas	1	(10)	11
Total	189	139	50

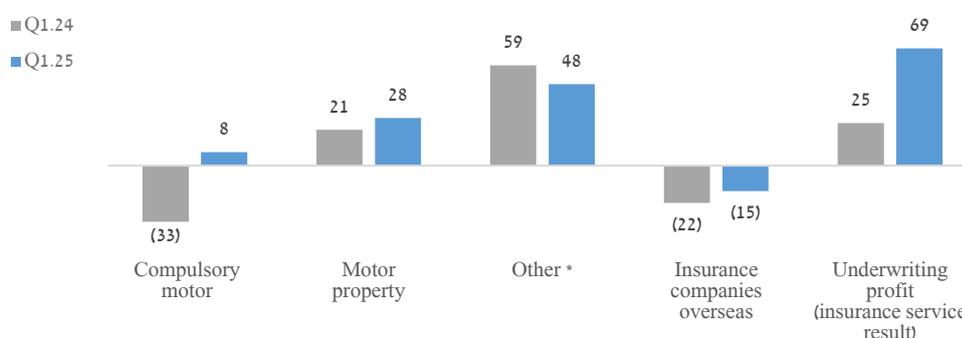


Q1.25	210	(141)	69	128	(8)	189
Q1.24	202	(177)	25	127	(13)	139
Change	8	36	44	1	5	50

*Including the other non-life insurance lines of business that are not compulsory motor and motor property, consisting mainly of business insurance, homeowners insurance, professional liability, contractors insurance and Sale Law guarantees.

Results in the Reporting Period were affected by real, positive Nostro yields in the capital market that were lower than in the corresponding period last year, by changes in the risk-free interest rate curve applied in calculating the insurance liabilities, and by other financial changes. The rising curve in the Reporting Period resulted in a net, **positive** effect of NIS 34 million. Changes in the curve in the corresponding period last year resulted in a net **negative** effect of NIS 15 million.

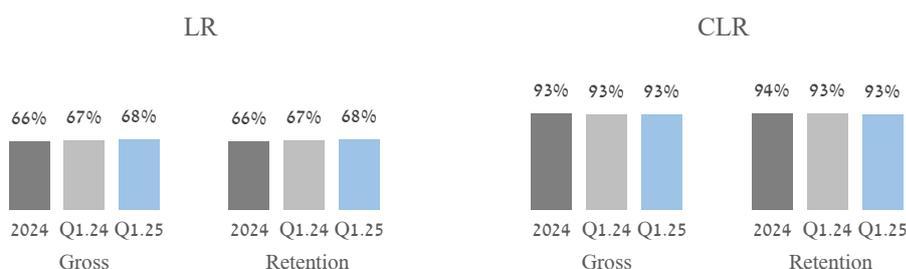
Breakdown of underwriting profit (insurance service result) in non-life insurance by key portfolio groups (NIS million):



* Including the other non-life insurance sectors that are not compulsory motor and motor property, consisting mainly of business insurance, homeowners insurance, professional liability, contractors insurance and Sale Law guarantees.

1. Compulsory motor: underwriting results in the corresponding period last year include an underwriting deterioration due to a negative development in respect of prior years
2. Motor property (CASCO): underwriting results in the Reporting Period were affected by a reduction in the average cost of claim and decrease in the frequency of claims compared with the corresponding period last year.

Loss ratio (LR) and combined loss ratio (CLR) in motor property insurance:

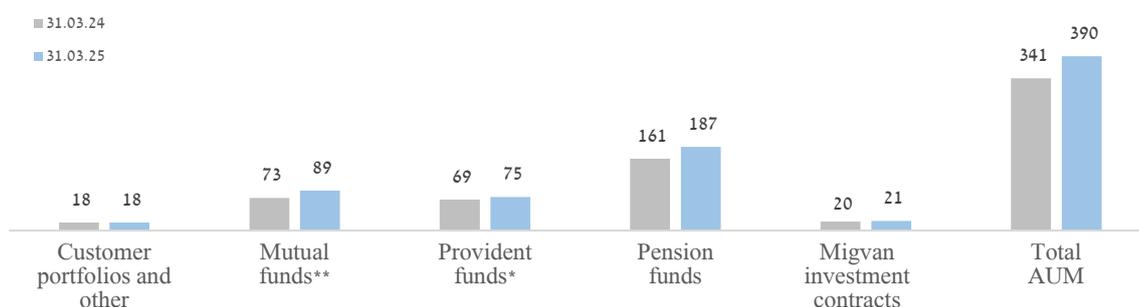


3. Other - results in the Reporting Period were affected by a negative development in respect of prior years and by an increase in general and administrative expenses.
4. Insurance companies overseas - results were affected by capital market yields as described above.

Turk Nippon - results in the Reporting Period were affected by underwriting deterioration that is mainly attributable to a significant increase in reinsurance tariffs in Turkey and an increase in IBNR claims. The underwriting deterioration was partially offset by an increase in investment income due to an increase in the interest rate paid on deposits in Turkey. Likewise, the results were significantly affected by the continuing rise of inflation in Turkey which reached an annual rate of 38.1% in the Reporting Period and by further erosion of the Turkish lira exchange rate. These macroeconomic factors significantly affected the results. Results in the Reporting Period and in the corresponding period last year include adjustment of the financial statements for inflation as the Turkish economy became hyper-inflationary, as well as discounting of some of the insurance liabilities in light of rising inflation and interest rates in Turkey.

3.5.4.2 Asset management:

Information about assets managed for the Group's members and policyholders (NIS billion):

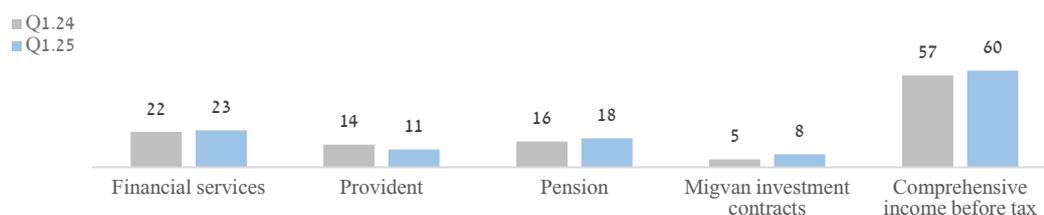


Assets managed in the provident funds, pension funds, mutual funds and in customers' portfolios are not included in the Company's consolidated financial statements.

* Provident funds, education funds, central and personal severance pay funds, provident fund for sick pay, and a fund for non-contributory pension.

** Mutual fund assets include mutual funds and certificates of deposit (CDs).

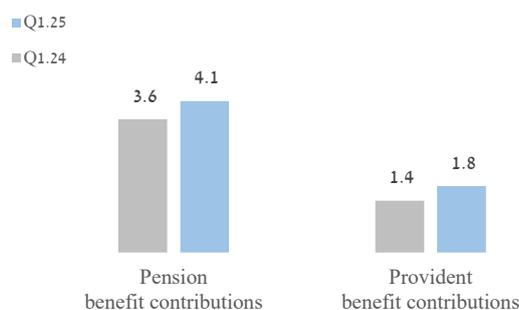
The following graph details the sources of comprehensive income (before tax) by product (NIS million):



A. Pension and provident:

Results in the Reporting Period were mainly affected by an increase of the management fees resulting from the growth of the managed assets portfolio, that was partially offset by an increase in marketing and other acquisition costs.

Information about benefit contributions in the Reporting Period and corresponding period last year (NIS billion):



The benefit contributions in the provident funds and pension funds are not included in the Company's consolidated financial statements.

B. Financial services:

The results were affected by capital market yields as described in Section 3.5.2 above. Additionally, the results were affected by increased profitability in the mutual funds as a result of the growth of AUM.

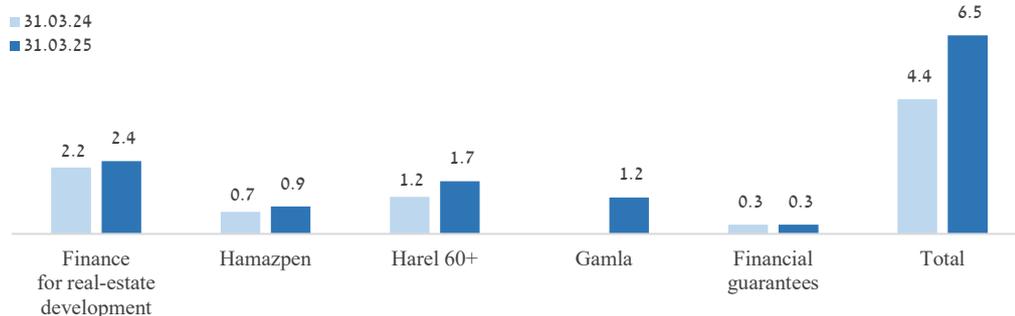
3.5.4.3 Credit:

In December 2024, the purchase of all the shares of Gamla Harel Residential Real Estate Ltd. ("Gamla") was completed. From 2025, the results of the credit segment include the activity of Gamla.

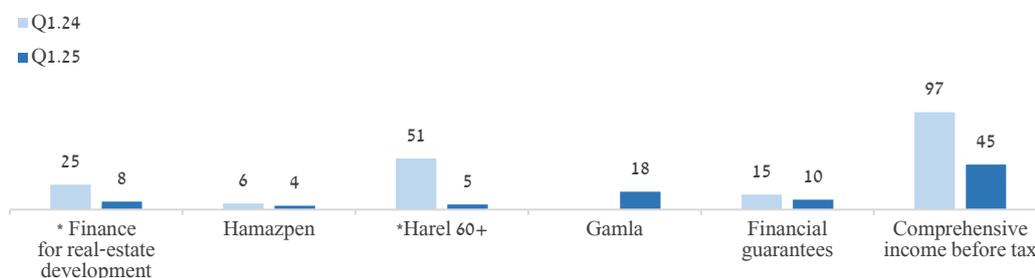
From Q1 2025, the Company resolved to include the insurance activity in the residential mortgage credit insurance sector (as a Monoline branch) which takes place through EMI (whose purpose is to provide financial insurance guarantees for banking corporations in respect of mortgage loans provided to customers with a high LTV ratio), within the credit segment. This activity was previously presented within the non-life insurance segment. The comparative figures presented below were restated accordingly and are included within financial guarantees activity.

Profitability in the Reporting Period was affected by continuing growth of activity. Additionally, profit in the Reporting Period and in the corresponding period last year in the activity of Harel 60+ and in development property finance were affected by changes in the fair value of financial assets.

Size of the credit portfolio (NIS billion):

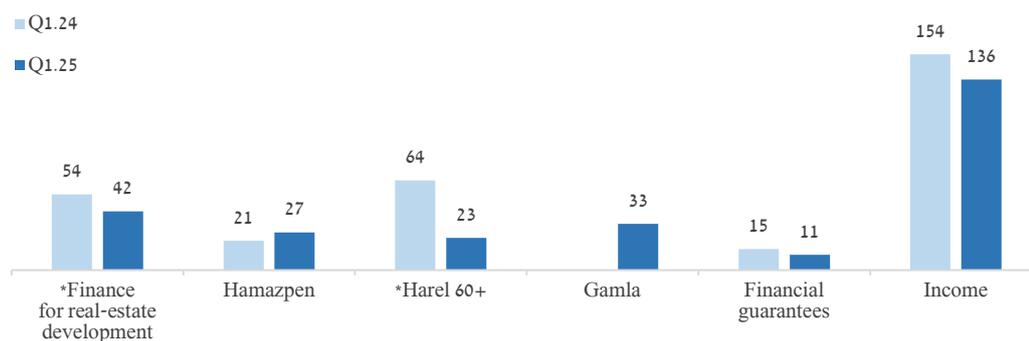


Comprehensive income before tax (NIS million):



* Effect of the change in fair value of the financial assets was a loss of NIS 5 million in the Reporting Period (Finance for real -estate development NIS 2 million and Harel 60+ NIS 3 million). The effect of the change in the fair value of the financial assets in the corresponding period last year was profit of NIS 59 million (development property finance NIS 13 million and Harel 60+ NIS 46 million).

Income (NIS million):



* Effect of the change in fair value of the financial assets was a loss of NIS 5 million in the Reporting Period (Finance for real -estate development NIS 2 million and Harel 60+ NIS 3 million). The effect of the change in the fair value of the financial assets in the corresponding period last year was profit of NIS 59 million (development property finance NIS 13 million and Harel 60+ NIS 46 million).

3.6 Implementation of the strategic plan

3.6.1 In August 2022, the Company entered into an agreement with a leading international strategic consulting firm. Based on a review and collaboration between the Company and the consulting firm, in February 2023 the Company’s Board of Directors resolved to adopt a multi-year strategic plan called “Harel 2030”. On April 2, 2024, the Company presented the key points of its strategic plan and the Group’s goals for 2026.

3.6.2 The Harel 2030 strategy focuses on three key layers in the Group’s activity: (1) refining the performance of the core operating segments; (2) relationship with the customer - enhancing and strengthening the distribution engines in the operating segments; and (3) diversification of the Group’s sources of income.

From the current financial statement (Q1.25), with the application of IFRS 17, for the purpose of measuring progress made in the strategic plan, the following calculation principles were revised: (a) Adjusted profit from net investments and financing income will be calculated based on a nominal risk-free interest rate at the beginning of the period plus a margin of 2% reflecting the mix of the Nostro investments portfolio (this margin is above the risk-free interest rate curve plus an illiquidity premium, as applicable); and (b) Special effects that are not part of the Company’s normal course of business, including extraordinary effects resulting from the amortization of surplus costs created in the process of business combinations and extraordinary expense resulting from the implementation of the strategic plan (“special effects”), were not included.

Calculation of the adjusted profit in accordance with the principles described above is intended to reflect the results of the Company’s activity with a low level of volatility and to allow implementation of the strategic plan to be monitored.

The following diagrams present the strategic plan targets and data on comprehensive income (in NIS billion) and the return on the Company’s equity calculated in accordance with the principles of the strategic plan (“adjusted profit” and “adjusted return on equity”, respectively):



* Adjusted RoE is calculated on the basis of adjusted profit for the period and divided by the average adjusted equity for the period.

3.6.3 To measure progress in implementation of the strategic plan, the adjusted profit data presented in this chapter are in accordance with the principles of the strategic plan, as set out below:

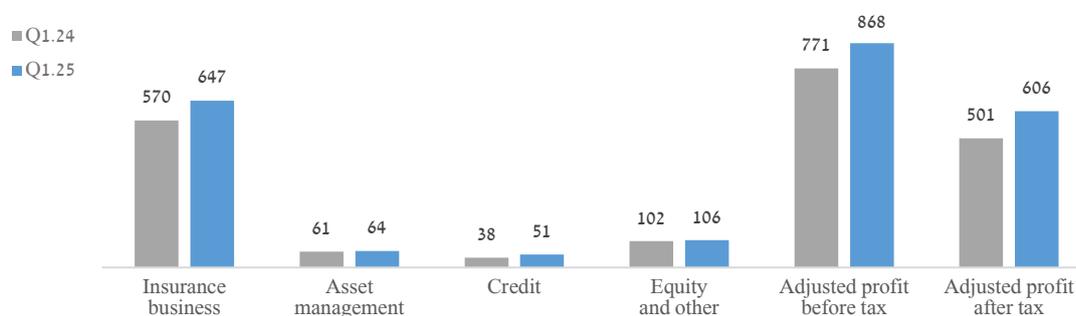
- Profit from insurance business:

Including profit from the life, health and non-life segments (including insurance companies overseas) and presented in accordance with the principles detailed above, i.e. - adjusted net investments and financing income for all segments will be calculated on the basis of a nominal risk-free interest rate at the beginning of the period plus a margin of 2% (the margin is above the risk-free interest rate curve plus an illiquidity premium, as applicable).

- Additional sources of income:

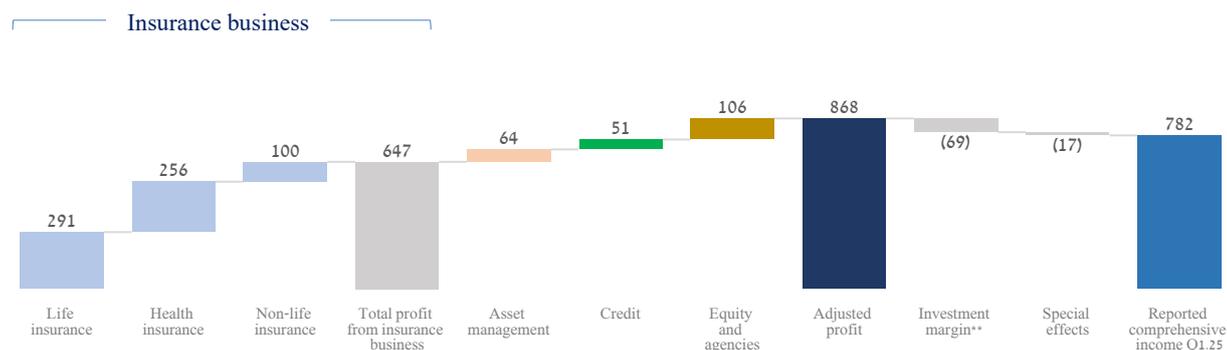
- Asset management - profit is based on actual reported results for provident and pension activity, financial services and investment contracts, excluding special effects (extraordinary expenses that are not part of the normal course of business and after subtracting retained costs created in the course of business combinations);
- Credit - profit is based on actual reported results for activity included within the credit segment after adjustment for the effect of the change in retained fair value;
- Equity and other (equity and agencies) - profit includes income from capital activity investments calculated based on a nominal risk-free interest rate at the beginning of the period plus a margin of 2% (the margin is above the risk-free interest rate curve plus illiquidity premium, as applicable), as well as the results of the activity of the Group's insurance agencies, as actually recorded in the reporting period. This profit does not include special effects (amortization of surplus costs created in the process of business combinations, and extraordinary expenses resulting from implementation of the strategic plan);

3.6.4 Adjusted profit (loss) by operating segment (NIS million):



3.6.5 Information about the Company's adjusted profit (loss) and the correlation between it and the Company's reported comprehensive income (loss):

Profit from insurance business	Q1.25	Q1.24	Difference
Underwriting profit (insurance service result)	543	467	76
Net investment and financing income (loss) *	142	143	(1)
Operating expenses	(38)	(40)	2
Total	647	570	77



Q1.25	291	256	100	647	64	51	106	868	(69)	(17)	782
Q1.24	247	271	52	570	61	38	102	771	(335)	(25)	411
Change	44	(15)	48	77	3	13	4	97	266	8	371

* Adjusted profit (loss) from net investments and financing income, was calculated in accordance with the principles of the strategic plan, on the basis of a nominal risk-free interest rate at the beginning of the period plus a margin of 2% (the margin is above the risk-free interest rate curve plus an illiquidity premium, as applicable).

** Investment margin - the difference between reported net investment and finance income, and the net investment and finance income calculated according to a nominal risk-free interest rate plus a margin of 2% (the margin is above the risk-free interest rate curve plus an illiquidity premium, as applicable).

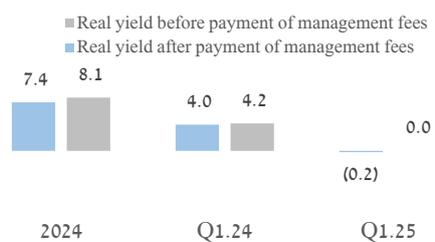
3.7 Additional key information and effects by segment

3.7.1 Life insurance:

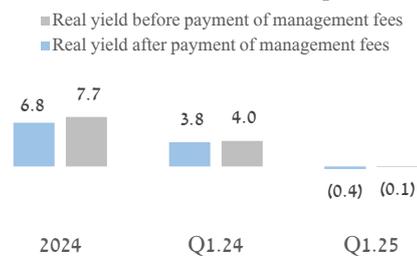
Redemptions as a percentage of the average reserve amounted to 7.7% in the Reporting Period compared with 7.2% in the corresponding period last year and 7.0% in 2024.

Yield-dependent policies:

Policies issued 1991-2003 (in percent)



Policies issued from 2004 (in percent)



Following is information about the estimated amount of investment profit (investment losses) credited to insureds in life insurance and profit-sharing investment contracts and

the management fees calculated in accordance with the Commissioner's instructions, on the basis of the quarterly yield and balances of the insurance reserves in the Company's business reports (NIS million):

	For the period ended March 31		For the year ended December 31
	2025	2024	2024
Profit (loss) after management fees	(10)	3,032	7,729
Total management fees	132	129	529

Income from management fees amounted to NIS 132 million in the Reporting Period, compared with NIS 129 million in the corresponding period last year. In the Reporting Period, real zero yields were recorded in profit sharing policies that were sold between 1991 and 2003. Nonetheless, due to a real aggregate negative yield on these policies, Harel Insurance did not record variable management fees in the Reporting Period, but only fixed management fees. Pursuant to the mechanism for collecting management fees set out in the legislative arrangement, insurance companies will not collect variable management fees in respect of profit-sharing policies that were sold between 1991 and 2003, until sufficient investment profits are attained in respect of assets held to cover yield-dependent liabilities, to cover the accrued investment losses. At March 31, 2025, the non-collection of management fees due to the real aggregate negative yield until a cumulative positive yield is attained was estimated at NIS 32 million. Notably, immediately prior to the date of publication of the financial statements, the estimate for the non-collection of management fees is NIS 4 million.

3.7.2 Pension funds:

Income from management fees collected from the pension funds managed by the Group amounted to NIS 135 million in the Reporting Period, compared with NIS 118 million in the corresponding period last year.

3.7.3 Provident funds:

Income from management fees collected from the provident funds managed by the Group amounted to NIS 93 million in the Reporting Period, compared with NIS 84 million in the corresponding period last year.

3.7.4 Health insurance:

Commissioner's permit for the agreed outline regarding the group long-term care policy for members of Clalit Health Services:

On December 22, 2024, the Authority published an amendment to the Supervision of Financial Services Regulations (Insurance) (Group Long-term Care Insurance for HMO Members) (Amendment), 2024. Among other things, these provisions stipulate that the definition of the insured event will be updated so that the entitlement will only be given to insureds who are unable to perform, independently, a material part of at least 4 of the 6 Activities of Daily Living (ADLs), or alternatively, 3 activities one of which is control of bowel and bladder functions; that the assessment for application of some of the ADLs will

not be conducted if the insured can perform them independently, with the use of a suitable device or item of clothing; and that the entitlement to receive insurance benefits for an insured who lives at home is subject to producing confirmation that in practice he is assisted by a caregiver during most of the day. The provisions also stipulate that from 2027, if at the end of the policy period the policy is not renewed for all those insured by any particular insurer, the insurer will not be obligated to include insureds in a group follow-on policy or any policy whatsoever and the outstanding amounts in the insureds fund at that date will be used for the benefit of the insureds in a manner to be approved by the Commissioner.

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

In addition to the group long-term care policy for members of Clalit Health Services, Harel Insurance provides long-term care insurance for several other groups.

Following is the estimated amount of investment profit credited to insureds in long-term care profit-sharing policies (NIS million):

	For the period ended March 31		For the year ended December 31
	2025	2024	2024
Investment profits credited to insureds	37	129	295

3.7.5 Non-life insurance:

3.7.5.1 Compulsory motor

Given that car owners must insure their vehicles in accordance with the Motor Vehicle Insurance Ordinance, the owners of vehicles (usually motorcycles) who were rejected by the insurance companies may purchase insurance through the Pool (Israel pool for vehicle insurance), which operates as an insurance company to all intents and purposes. All the insurance companies which operate in the compulsory motor sector are partners in the Pool, and each company bears a share of the Pool's losses pro rata to its share of the compulsory motor insurance market for the previous year. A letter from the Pool's CEO set the temporary share of Harel Insurance in the net premiums for 2024 at 13.32% (compared with 12.41% which was the Company's final share for 2023).

3.8 Liquidity and sources of financing

3.8.1 Cash flows

Net cash flows used in operating activity were NIS 216 million in the Reporting Period. Net cash flows used in investment activity amounted to NIS 143 million. Net cash flows used in financing activity were NIS 322 million. The fluctuating exchange rates affected the cash balances by a positive NIS 55 million. The outcome of all the above activity reduced the cash balances by NIS 626 million.

3.8.2 Liquidity and financing of operations

The Company and its subsidiaries generally finance their ongoing operations from independent sources.

4 Special disclosure for holders of the Company's bonds

A. Data on bonds

Series / date of issue	Series 1 bonds
Date of issue	July 2021 (expanded in June 2023)
Nominal value on date of issue (NIS)	250,000,000 (An additional 953,516,000 were issued as part of the expansion in June 2023)
Book value as at March 31, 2025 (NIS M)*	879
Market value as at March 31, 2025 (NIS M)	871
Type of interest	Fixed
Nominal interest rate	1.95%
Listed for trade on the Stock Exchange	Yes
Dates of principal payment	The principal will be repaid in 28 semi-annual installments, where the payments will be consecutive and will be paid on June 30 and December 31 in each of the years 2022 - 2035 (where the first payment will be made on June 30, 2022 and the last payment will be made on December 31, 2035) and such that each of the first 27 payments is 3.57% of the nominal value of the principal and the 28th and final payment will be 3.61% of the nominal value of the principal.
Dates of interest payments	The interest on the unsettled balance of the bond principal will be paid in semi-annual installments, where the payments will be consecutive and will be made on June 30 and December 31 in each of the years 2021 - 2035 (where the first payment will be made on December 31, 2021 and the last payment will be made on December 31, 2035).
Interest due as at March 31, 2025	4.89
Are the liability notes convertible	No
Linkage base and terms	The principal and interest are not index linked
Pledged assets	None
Company's right to make early redemption or forced conversion	The Company has the right to early redemption, from 60 days after the date on which the Series 1 bonds are listed for trade (i.e. July 27, 2021), and the redemption may be full or partial, in accordance with the conditions set out in Section 7.2 of the Deed of Trust.
Materiality of the Series	The Series is material according to the definition of this term in Regulation 10(B)(13)(a) of the Securities Regulations (Periodic and Immediate Reports), 1970

Is there a cross default stipulation	Yes. In the conditions listed in Section 8.1.14 of the Deed of Trust, including: calling for immediate repayment of another series listed for trade on the stock exchange or another financial debt taken from banks or financial institutions, other than non-recourse loans, the scope of which is more than 10% of the Company's total, gross financial debt, or more than NIS 125 million, whichever is higher. Other than in the event of calling a traded series for immediate repayment, the Company shall provide a 30-day grace period.
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* Including interest payable

B. Information about rating

Series 1 bonds	
Name of rating company	Midroog
Rating on date of issue	Aa2.il
Present rating	Aa2.il

C. Disclosure concerning the trustee

The trustee for the Series 1 bonds is Hermetic Trust (1975) Ltd., 30 Sheshet Hayamim Way, Bnei Brak.

D. Contractual limitations and financial covenants

For information about contractual limitations and financial covenants, see Note 6C.(4)(2) to the Financial Statements.

5 Market risks - exposure and management

In the Reporting Period, there were no material changes in the Company's exposure to and management of market risks compared with the Periodic Report.

6 Disclosure concerning the economic solvency ratio

Provisions concerning application of an economic solvency regime:

An economic solvency regime based on Solvency II applies to Harel Insurance, and this pursuant to the implementation provisions published in June 2017 and revised in October 2020 ("Provisions of the Economic Solvency Regime").

The provisions of the economic solvency regime include transitional measures which allow the reserves in respect of long-term insurance products that were sold in the past, to be increased gradually until 2032. Based on the transitional measures, insurance companies may, after obtaining the Commissioner's approval, include in the calculation of the insurance reserves in the transitional period, a deduction from the insurance reserve ("the Deduction"). The Deduction is calculated in accordance with the instructions in the Deduction Principles Letter and it is gradually reduced from

a rate of 100% on the calculation of the insurance reserves at December 31, 2019, to 0% on the calculation of the insurance reserves at December 31, 2032.

The Deduction was recalculated twice in 2024 - at June 30, 2024, due to the material impact of the rising interest rate on the Deduction amount in the first half of 2024, and at December 31, 2024, due to the material impact of the falling interest rate on the Deduction amount in the second half of 2024. Additionally, a linear subtraction was made from the Deduction amount, adjusted for the transitional period. On May 28, 2025, the Company's Board of Directors approved the recalculated Deduction amount pursuant to the Commissioner's announcement that he has no comments on the Deduction recalculation as at December 31, 2024.

Additionally, there is a higher maximum recognition limitation for Tier-2 capital in the transitional period

On May 28, 2025, together with the approval of the Financial Statements, Harel Insurance approved the Economic Solvency Ratio Report in respect of data at December 31, 2024. The report was published on the Company's website: <https://www.harel-group.co.il/about/harel-group/harel/investor-relations/Pages/repayment-ability.aspx>

Based on the transitional measures, at December 31, 2024, Harel Insurance has a capital surplus of NIS 7,019 million and without taking the transitional measures into account, the capital surplus is NIS 4,887 million.

Notably, the model in its current format is extremely sensitive to changes in market and other variables, such as changes in the interest rate, changes in investment profits, revised actuarial assumptions and changes relating to the activity of Harel Insurance and also concerning the uncertainty inherent in the actuarial and financial assumptions and forecasts used in the preparation of the report.

Calculations of the present economic capital and required capital are based on forecasts and assumptions that rely principally on past experience, and they do not necessarily reflect future performance.

The Best Estimate was determined on the basis of forecasts, assessments and estimates of future events, the materialization of which is uncertain and that are beyond the Company's control, and they should be treated as "forward looking information", according to its definition in Section 32A of the Securities Law, 1968. It is possible that all or part of these forecasts, assessments and estimates will not materialize or they may materialize differently from the manner assumed in calculating the Solvency Report. Actual performance may therefore differ from the forecast.

Economic solvency ratio and MCR:

Following is information about the solvency ratio and minimum capital requirement (MCR) at December 31, 2024, in accordance with the provisions of the economic solvency regime. The economic solvency ratio is calculated in accordance with the transitional measures, in which context the transitional period is prescribed.

A. Economic solvency ratio

	December 31, 2024	December 31, 2023
	(Audited)	(Audited)
	NIS million	
Equity for the purpose of SCR	<u>16,773</u>	<u>15,841</u>
Solvency capital requirement	<u>9,754</u>	<u>9,428</u>
Surplus	<u>7,019</u>	<u>6,413</u>
Economic solvency ratio	<u>172%</u>	<u>168%</u>

Effect of material capital transactions that took place in the period between the date of the calculation and date of publication of the Economic Solvency Ratio Report:

Capital raising (redemption) (*)	1,000	(182)
Equity for the purpose of SCR	<u>17,773</u>	<u>15,659</u>
Capital surplus	<u>8,019</u>	<u>6,231</u>
Economic solvency ratio	<u>182%</u>	<u>166%</u>

* 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. This raising therefore increases the eligible capital and capital surplus by NIS 1 billion.

The capital position of Harel Insurance is influenced by its ongoing business development, changes in market variables, revised demographic and operating assumptions, continuous updates of models, updated regulatory instructions and capital transactions. For information about key changes that took place during the course of 2024 in contrast with comparative figures, see Section 2 in the Economic Solvency Report.

These data concerning the solvency ratio, taking into account the capital activity, as specified above, do not include the effect of the business activity of Harel Insurance after December 31, 2024, changes in the mix and size of the insurance investments and liabilities, revised actuarial assumptions, exogenous effects and regulatory changes that affect the business environment. For information about key changes that took place after the date of the calculation, see Section 2 in the Economic Solvency Report.

On the results of tests of sensitivity of the economic solvency ratio to various risk factors, including sensitivity to the interest rate, see Section 9 in the Economic Solvency Ratio Report of Harel Insurance as at December 31, 2024.

B. Minimum Capital Requirement (MCR)

	December 31, 2024	December 31, 2023
	(Audited)	(Audited)
	NIS million	
MCR	<u>3,149</u>	<u>2,984</u>
Own funds for the purpose of MCR	<u>12,526</u>	<u>11,723</u>

C. Update concerning assessment of the use of Economic Scenario Generators in calculating the solvency ratio of Harel Insurance

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

The stochastic model is used for preparing a best actuarial estimate of the flow of non-symmetric 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 the fluctuations in the relevant asset yields based on their composition and characteristics, including investment channels, average duration and exposure to the CPI and foreign exchange rates. To build the stochastic model, Harel Insurance chose economic models that correspond with the types of assets. These models were calibrated by relevant, historic market information. International consulting companies assisted Harel Insurance in choosing, calibrating and testing these economic models. Furthermore, the external auditors examined the calculation and internal control process.

Harel Insurance believes that assimilation of the stochastic model is expected to affect the Economic Solvency Ratio by the addition of an estimated 6.5% and 4.5% to the Economic Solvency Ratio as at December 31, 2024, without and with taking the transitional measures into account, respectively. Notably, these figures are not audited or reviewed. Additionally, these figures are 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.

D. Restrictions on the distribution of dividends

According to a letter published by the Commissioner in October 2017 (“the Letter”), insurance companies may distribute a dividend only if, after the distribution is made, the company has a solvency ratio of at least 100% according to the economic solvency regime, calculated without taking the transitional provisions into account and subject to the solvency ratio target set by the Company’s Board of Directors. This ratio will be calculated without providing any relief in respect of the original difference attributed to the purchase of provident fund activity and management companies.

It is the policy of Harel Insurance to hold a robust capital base so as to guarantee its solvency and ability to meet its liabilities to insureds, to maintain its ability to continue its business activity and so that it is able to produce a yield for its shareholders. Harel Insurance is subject to the capital requirements and defined regulations with respect to the distribution of dividends.

On January 14, 2025, the Board of Directors of Harel Insurance approved the revised capital management plan and at this stage, threshold conditions were determined for the distribution of a dividend, which include a minimum economic solvency ratio of 135%, taking the transitional

provisions into account, and a minimum solvency ratio without taking the transitional provisions into account, of 115%.

On February 28, 2021, the Company's Board of Directors approved a dividend distribution policy whereby the Company will distribute a dividend of at least 30% of comprehensive income according to its annual consolidated financial statements. Additionally, on February 28, 2021, the board of directors of Harel Insurance approved a dividend distribution policy in which the Company will distribute a dividend of at least 35% of comprehensive income according to the annual consolidated financial statements of Harel Insurance, and this as long as Harel Insurance is in compliance with the minimum targets for solvency based on Solvency II.

The threshold conditions are intended to allow Harel Insurance to cope with crises without significantly compromising its operations and its compliance with the applicable capital requirements. Nonetheless, the foregoing is not intended to guarantee that Harel Insurance will remain in compliance with the defined threshold conditions at all times.

E. Solvency ratio without application of the transitional measures on the transitional period (TMTP)

Information about the economic solvency ratio of Harel Insurance, calculated without the transitional measures and based on the solvency target determined by the board of directors of Harel Insurance with reference to the solvency ratio calculated without taking the transitional measures in the transitional period into account, as required in the letter. This ratio is in compliance with the solvency ratio required according to the letter.

	December 31, 2024	December 31, 2023
	(Audited)	(Audited)
	NIS million	
Equity for the purpose of SCR	14,844	13,884
Solvency capital requirement (SCR)	9,957	10,030
Capital surplus	4,887	3,854
Solvency ratio (in percent)	149%	138%
Effect of material capital transactions that took place in the period between the date of the calculation and date of publication of the Economic Solvency Ratio Report:		
Capital raising (redemption) (*)	1,000	-
Equity for the purpose of SCR	15,844	13,884
Capital surplus	5,887	3,854
Solvency ratio (in percent)	159%	138%
Capital status after capital transactions with reference to the Board of Directors target:		
Economic solvency ratio target set by the Board of Directors	115%**	110%
Capital surplus with reference to the target (NIS million)	4,394**	2,850

- * 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. This raising therefore increases the eligible capital and capital surplus by NIS 1 billion.
- ** On January 14, 2025, the Board of Directors of Harel Insurance approved an increase of the entire threshold for distribution of a dividend, based on a calculation without the transitional measures for the transitional period, from 110% to 115%. The capital surplus with reference to the new target is NIS 4,394 million.

F. Own Risk and Solvency Assessment (ORSA) for insurance companies

On January 5, 2022, the Commissioner published an amendment to the provisions of the consolidated circular on reporting to the Commissioner of the Capital Market - Own Risk and Solvency Assessment (ORSA) of insurance companies (“the Amendment”). The Amendment stipulates that insurance companies shall report their Own Risk and Solvency Assessment (ORSA) to the Commissioner, once a year, in January. Under the Amendment, Harel Insurance will provide a report to the Commissioner that will include a summary of the results, business position and interrelationships, exposure to risk, assessment of solvency and capital requirements, forward-looking assessments and sensitivity analyses and scenarios. The Circular will be applied gradually, commencing January 1, 2023. Harel Insurance submitted the required report to the Commissioner in January 2025.

7 Internal Control over Financial Reporting and Disclosure

In the quarter ending March 31, 2025, no change occurred in the Company’s internal control over financial reporting which had a material effect, or might reasonably be expected to materially affect, the Company’s internal control over financial reporting other than the change detailed below.

Changes in internal control:

As of January 1, 2025, the Company began to apply International Financial Reporting Standard 17 (“IFRS 17”) and International Financial Reporting Standard 9 (“IFRS 9”) (“the New Standards”) in its financial statements. The date of transition to the New Standards was set for January 1, 2024 and relevant comparative figures in the financial statements were restated. For additional information, see Note 16 to the Financial Statements. The New Standards materially change the methods of calculating the insurance liabilities and financial assets as well as the method of financial reporting.

For several years, the Company has been in the process of applying and assimilating computerized information systems, which are essential for implementation of the guidance in the New Standards. Additionally, as part of the deployment to apply the New Standards, the Company conducted a process of mapping, designing, and implementing the new controls and processes, including everything related to the flow of data from the operating systems to the financial reporting (end to end). The new controls will be assessed as part of the effectiveness of the internal control over financial reporting and disclosure, with the publication of the financial statements for 2025.

As part of the deployment to apply the New Standards, the Company introduced control measures designed to ensure the adequacy of the financial reporting and disclosure.

The Company continues to develop the relevant reports and it is continuing to optimize and refine the activity entailed in application of the New Standards, including a map of the controls and risks.

**The Board of Directors wishes to express its
thanks to the Group's employees and agents for its
achievements.**

Yair Hamburger
Chairman of the Board of
Directors

Nir Cohen
CEO

May 28, 2025



**HAREL INSURANCE INVESTMENTS AND
FINANCIAL SERVICES LTD.**

**CONDENSED CONSOLIDATED INTERIM
FINANCIAL STATEMENTS**

March 31, 2025

Condensed Consolidated Interim Statements of Financial Position

	March 31		December 31
	2025	2024*	2024*
	(Unaudited)	(Unaudited)	(Unaudited)
	NIS millions	NIS millions	NIS millions
Assets			
Cash and cash equivalents for yield-dependent contracts	6,840	7,105	7,388
Other cash and cash equivalents	2,392	3,506	2,470
Financial investments for yield-dependent contracts measured at fair value	73,030	72,171	73,722
Other financial investments measured at fair value	41,743	38,297	44,756
Other financial investments measured at amortized cost	11,603	4,553	9,104
Trade and other receivables	2,410	1,257	2,043
Current tax assets	22	21	24
Insurance contract assets	3,113	2,315	3,154
Reinsurance contract assets	2,569	2,575	2,660
Investments in equity accounted investees	1,572	1,554	1,503
Investment property for yield-dependent contracts	1,836	1,896	1,834
Other investment property	2,562	2,551	2,507
Fixed assets	1,418	1,401	1,394
Intangible assets	2,910	2,621	2,895
Costs to obtain investment management service contracts	865	620	801
Deferred tax assets	36	22	41
Total assets	154,921	142,465	156,296
Total assets for yield-dependent contracts	83,056	81,660	84,117

* See Note 16 regarding the application of IFRS 1, *First-time Adoption of International Financial Reporting Standards*, which includes the initial application of IFRS 17, *Insurance Contracts*, and IFRS 9, *Financial Instruments*. Relevant comparative figures were restated

Condensed Consolidated Interim Statements of Financial Position

	March 31		December 31
	2025	2024*	2024*
	(Unaudited)	(Unaudited)	(Unaudited)
	NIS millions	NIS millions	NIS millions
Equity and liabilities			
Equity			
Share capital and premium	405	359	392
Treasury shares	(441)	(343)	(430)
Capital reserves	256	281	246
Retained earnings	10,150	8,735	9,655
Total equity attributable to equity holders of the Company	10,370	9,032	9,863
Noncontrolling interests	25	66	87
Total equity	10,395	9,098	9,950
Liabilities			
Borrowings and credit	17,749	10,892	18,415
Liabilities for derivative instruments	9,157	5,889	7,916
Trade and other payables	2,061	2,241	2,488
Current tax liabilities	154	83	26
Liabilities for yield-dependent investment contracts	21,169	20,020	21,284
Liabilities for non-yield-dependent investment contracts	103	139	108
Liabilities for insurance contracts	92,129	92,471	94,060
Liabilities for reinsurance contracts	456	240	438
Liabilities for employee benefits, net	144	268	139
Deferred tax liabilities	1,404	1,124	1,472
Total liabilities	144,526	133,367	146,346
Total equity and liabilities	154,921	142,465	156,296

* See Note 16 regarding the application of IFRS 1, *First-time Adoption of International Financial Reporting Standards*, which includes the initial application of IFRS 17, *Insurance Contracts*, and IFRS 9, *Financial Instruments*. Relevant comparative figures were restated

Yair Hamburger
Chairman of the Board
of Directors

Nir Cohen
CEO

Arik Peretz
CFO

Date of approval of the financial statements: May 28, 2025

Condensed Consolidated Interim Statements of Income

	For the three months ended		For the year
	March 31		ended
	2025	2024*	December 31
	(Unaudited)	(Unaudited)	(Unaudited)
	NIS millions	NIS millions	NIS millions
Income from insurance services	3,544	3,447	13,841
Expenses from insurance services	2,818	2,715	11,333
Profit from insurance services before reinsurance	726	732	2,508
Reinsurance expenses	550	581	2,293
Reinsurance income	367	316	1,500
Income (expenses) from reinsurance contracts held	(183)	(265)	(793)
Profit from insurance services	543	467	1,715
Net investment profits from assets held for sale backing yield-dependent insurance contracts and investment contracts	161	3,292	8,570
Profits (losses) from other investments, net:			
Income from interest calculated using the effective interest method	51	47	114
Net losses from impairment for financial assets	-	-	2
Other profits from investments, net	352	587	2,707
Share in profits (losses) of equity accounted investees directly related to investment activities	10	14	(24)
Total profits from other investments, net	413	648	2,795
Total profits from investments, net	574	3,940	11,365
Financing expenses (income), net from insurance contracts	196	3,033	8,031
Net financing income (expenses) from reinsurance contracts	47	(28)	16
Decrease (increase) in investment contract liabilities due to a yield component	(51)	(849)	(2,073)
Profit from investments and financing, net	374	30	1,277
Profit from insurance and investment, net	917	497	2,992
Income from management fees	370	329	1,429
Income from fees from insurance agencies	37	30	138
Other operating expenses	438	399	1,735
Other income, net	6	7	20
Other financing income (expenses)	(185)	(97)	(531)
Share in profits of equity accounted investees that are not directly related to investment activities	8	11	40
Profit before income tax	715	378	2,353
Income tax	218	138	741
Profit for the period	497	240	1,612
Attributed to:			
Owners of the Company	495	237	1,598
Noncontrolling interests	2	3	14
Profit for the period	497	240	1,612
Basic earnings per share attributable to Company shareholders (NIS)	2.40	1.14	7.79
Diluted earnings per share attributable to Company shareholders (NIS)	2.40	1.14	7.76

* See Note 16 regarding the application of IFRS 1, *First-time Adoption of International Financial Reporting Standards*, which includes the initial application of IFRS 17, *Insurance Contracts*, and IFRS 9, *Financial Instruments*. Relevant comparative figures were restated

Condensed Consolidated Interim Statements of Comprehensive Income

	For the three months ended		For the year
	March 31		ended
	2025	2024*	December 31
	(Unaudited)	(Unaudited)	(Unaudited)
	NIS millions	NIS millions	NIS millions
Profit for the period	497	240	1,612
Items of other comprehensive income not transferred to profit or loss			
Estimation for revaluation of fixed assets	32	27	33
Remeasurement of profits of a defined benefit plan for employees	-	-	14
Total comprehensive income not transferred subsequently to profit or loss, before income tax	32	27	47
Taxes on income for items of other comprehensive income not transferred subsequently to profit or loss	(9)	(5)	(13)
Other comprehensive income for the period, that will not be transferred to profit or loss, net of tax	23	22	34
Other comprehensive income (loss) items that after initial recognition as part of comprehensive income were or will be transferred to profit or loss			
Foreign currency translation differences for foreign activity	35	6	(17)
Total comprehensive income (loss) transferred or to be transferred to profit or loss, before income tax	35	6	(17)
Tax benefit (taxes on income) for other comprehensive income items that after initial recognition as part of comprehensive income were or will be transferred to profit or loss	(10)	(1)	4
Total other comprehensive income (loss) for the period that after initial recognition as part of comprehensive income was or will be transferred to profit or loss, net of tax	25	5	(13)
Total other comprehensive income for the period,	48	27	21
Total comprehensive income for the period	545	267	1,633
Attributed to:			
Owners of the Company	543	264	1,619
Non-controlling interests	2	3	14
Total comprehensive income for the period	545	267	1,633

* See Note 16 regarding the application of IFRS 1, *First-time Adoption of International Financial Reporting Standards*, which includes the initial application of IFRS 17, *Insurance Contracts*, and IFRS 9, *Financial Instruments*. Relevant comparative figures were restated

Condensed Consolidated Interim Statements of Changes in Equity

	Attributed to shareholders of the Company									
	Share capital and premium	Translation reserve for foreign activity	Capital reserve for share-based payment	Capital reserve for transactions with noncontrolling interests	Capital reserve for revaluation of fixed assets	Treasury shares	Retained earnings	Total	Noncontrolling interests	Total equity
	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions
For the three months ended March 31, 2025 (unaudited)										
Balance as at January 1, 2025	392	(143)	40	(49)	398	(430)	9,655	9,863	87	9,950
Comprehensive income for the period										
Profit for the period	-	-	-	-	-	-	495	495	2	497
Other comprehensive income for the period	-	25	-	-	23	-	-	48	-	48
Total comprehensive income for the period	-	25	-	-	23	-	495	543	2	545
Transactions with owners recognized directly in equity										
Issue of put option for holders of non-controlling interests	-	-	-	(25)	-	-	-	(25)	(64)	(89)
Share-based payment	-	-	3	-	-	-	-	3	-	3
Purchase of treasury shares	-	-	-	-	-	(11)	-	(11)	-	(11)
Exercise of options	13	-	(13)	-	-	-	-	-	-	-
Noncontrolling interests is a subsidiary	-	-	-	(3)	-	-	-	(3)	1	(2)
Dividend to noncontrolling interests	-	-	-	-	-	-	-	-	(1)	(1)
Balance as at March 31, 2025	405	(118)	30	(77)	421	(441)	10,150	10,370	25	10,395

The Notes attached to the condensed consolidated interim financial statements are an integral part thereof.

Condensed Consolidated Interim Statements of Changes in Equity (contd.)

	Attributed to shareholders of the Company										
	Share capital and premium	Capital reserve for available for sale assets	Translation reserve for foreign activity	Capital reserve for share-based payment	Capital reserve for transactions with non-controlling interests	Capital reserve for revaluation of fixed assets	Treasury shares	Retained earnings	Total	Non-controlling interests	Total equity
	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions
For the three months ended March 31, 2024 (unaudited)											
Balance as at January 1, 2024 as previously presented	359	287	(130)	56	(49)	376	(304)	8,298	8,893	60	8,953
Effect of initial application of IFRS 17 and IFRS 9*	-	(287)	-	-	-	-	-	547	260	-	260
Balance as at January 1, 2024 after initial application of IFRS 17 and IFRS 9*	359	-	(130)	56	(49)	376	(304)	8,845	9,153	60	9,213
Comprehensive income for the period											
Profit for the period	-	-	-	-	-	-	-	237	237	3	240
Other comprehensive income for the period	-	-	5	-	-	19	-	3	27	-	27
Total comprehensive income for the period	-	-	5	-	-	19	-	240	264	3	267
Transactions with owners recognized directly in equity											
Dividends distributed	-	-	-	-	-	-	-	(350)	(350)	-	(350)
Share-based payment	-	-	-	4	-	-	-	-	4	-	4
Purchase of treasury shares	-	-	-	-	-	-	(39)	-	(39)	-	(39)
Noncontrolling interests in subsidiaries	-	-	-	-	-	-	-	-	-	8	8
Dividend to noncontrolling interests	-	-	-	-	-	-	-	-	-	(5)	(5)
Balance as at March 31, 2024	<u>359</u>	<u>-</u>	<u>(125)</u>	<u>60</u>	<u>(49)</u>	<u>395</u>	<u>(343)</u>	<u>8,735</u>	<u>9,032</u>	<u>66</u>	<u>9,098</u>

* See Note 16 regarding the application of IFRS 1, *First-time Adoption of International Financial Reporting Standards*, which includes the initial application of IFRS 17, *Insurance Contracts*, and IFRS 9, *Financial Instruments*. Relevant comparative figures were restated

Condensed Consolidated Interim Statements of Changes in Equity (contd.)

	Attributed to shareholders of the Company										
	Share capital and premium	Capital reserve for available for sale assets	Translation reserve for foreign activity	Capital reserve for share-based payment	Capital reserve for transactions with non-controlling interests	Capital reserve for revaluation of fixed assets	Treasury shares	Retained earnings	Total	Non-controlling interests	Total equity
	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions
For the year ended December 31, 2024 (unaudited)											
Balance as at January 1, 2024 as previously presented	359	287	(130)	56	(49)	376	(304)	8,298	8,893	60	8,953
Effect of initial application of IFRS 17 and IFRS 9*	-	(287)	-	-	-	-	-	547	260	-	260
Balance as at January 1, 2024 after initial application of IFRS 17 and IFRS 9*	359	-	(130)	56	(49)	376	(304)	8,845	9,153	60	9,213
Comprehensive income (loss) for the year											
Profit for the year	-	-	-	-	-	-	-	1,598	1,598	14	1,612
Other comprehensive income (loss) for the year	-	-	(13)	-	-	22	-	12	21	-	21
Total comprehensive income (loss) for the year	-	-	(13)	-	-	22	-	1,610	1,619	14	1,633
Transactions with owners recognized directly in equity											
Dividends distributed	-	-	-	-	-	-	-	(800)	(800)	-	(800)
Exercise of options	33	-	-	(33)	-	-	-	-	-	-	-
Share-based payment	-	-	-	17	-	-	-	-	17	-	17
Purchase of treasury shares	-	-	-	-	-	-	(126)	-	(126)	-	(126)
Noncontrolling interests in subsidiaries	-	-	-	-	-	-	-	-	-	20	20
Dividend to noncontrolling interests	-	-	-	-	-	-	-	-	-	(7)	(7)
Balance as at December 31, 2024	<u>392</u>	<u>-</u>	<u>(143)</u>	<u>40</u>	<u>(49)</u>	<u>398</u>	<u>(430)</u>	<u>9,655</u>	<u>9,863</u>	<u>87</u>	<u>9,950</u>

* See Note 16 regarding the application of IFRS 1, *First-time Adoption of International Financial Reporting Standards*, which includes the initial application of IFRS 17, *Insurance Contracts*, and IFRS 9, *Financial Instruments*. Relevant comparative figures were restated

Condensed Consolidated Interim Statements of Cash Flows

	Annex	For the three months ended March 31		For the year ended December 31
		2025	2024*	2024*
		(Unaudited)	(Unaudited)	(Unaudited)
		NIS million	NIS millions	NIS millions
Cash flows from operating activity				
Before income tax	A	(59)	(1,658)	(2,731)
Taxes paid		(157)	(3)	(329)
Net cash used in operating activity		(216)	(1,661)	(3,060)
Cash flows from investing activity				
Acquisition of a subsidiary consolidated for the first time	B	(9)	-	(562)
Cash derecognized due to deconsolidation	C	-	-	(5)
Investment in investees		(33)	(9)	(101)
Proceeds from the sale of an investment in an equity accounted investee		3	2	70
Investment in fixed assets		(17)	(12)	(45)
Investment in intangible assets		(99)	(106)	(421)
Dividend and interest from investees		11	3	48
Proceeds from sale of fixed assets and intangible assets		1	5	1
Net cash used in investment activity		(143)	(117)	(1,015)
Cash flows from financing activity				
Proceeds of issuance of liability notes, net		-	-	494
Repayment of liability notes		-	-	(385)
Purchase of treasury shares		(11)	(39)	(126)
Issue of commercial security		-	-	100
Short-term credit from banks, net		(36)	(67)	1,898
Receipt of bank loans		-	-	100
Repayment of loans from banks and others		(13)	(13)	(27)
Loan provided to related parties		-	-	(12)
Repayment of lease liabilities		(11)	(10)	(38)
Dividend paid to noncontrolling interests		(1)	(2)	(7)
Dividend to owners		(250)	-	(550)
Net cash provided by (used in) financing activity		(322)	(131)	1,447
Effect of exchange rate fluctuations on cash balances and cash equivalents		55	54	20
Net decrease in cash and cash equivalents		(626)	(1,855)	(2,608)
Retained cash and cash equivalents at the beginning of the period	D	9,858	12,466	12,466
Retained cash and cash equivalents at the end of the period	E.	9,232	10,611	9,858

* See Note 16 regarding the application of IFRS 1, *First-time Adoption of International Financial Reporting Standards*, which includes the initial application of IFRS 17, *Insurance Contracts*, and IFRS 9, *Financial Instruments*. Relevant comparative figures were restated

Condensed Consolidated Interim Statements of Cash Flows (contd.)

	For the three months ended		For the year
	March 31		ended
	2025	2024*	December 31
	(Unaudited)	(Unaudited)	(Unaudited)
	NIS millions	NIS millions	NIS millions
Annex A - Cash flows from operating activity (1) (2) (3)			
Profit for the period	497	240	1,612
Items not involving cash flows:			
Company's share of profits of equity accounted investees	(18)	(26)	(15)
Net losses (profit) from financial investments for yield-dependent insurance contracts and investment contracts	291	(2,925)	(6,851)
Losses (profits), net, from other financial investments and derivatives measured at fair value	107	(248)	3,373
Losses (profits), net, from other financial investments measured at amortized cost	(11)	(57)	(4,608)
Change in financial liabilities	758	239	5,691
Change in fair value of investment property for yield-dependent contracts	(1)	(2)	(44)
Change in fair value of other investment property	(13)	(3)	(15)
<u>Depreciation and amortization</u>			
Fixed assets	27	31	121
Intangible assets	96	84	330
Change in liabilities for non-yield-dependent insurance contracts and investment contracts	(5)	939	372
Change in liabilities for yield-dependent investment contracts	(131)	926	2,042
Change in liabilities for insurance contracts	(1,939)	709	2,283
Change in liabilities for reinsurance contracts	20	59	257
Change in reinsurance asset contracts	88	129	31
Change in insurance contract assets	41	(211)	(1,050)
Share-based payment	3	4	17
Income tax expenses	218	138	741
Changes in other statement of financial position items:			
<u>Financial investments, investment property, and cash and cash equivalents for yield-dependent insurance contracts and investment contracts:</u>			
Purchase of investment property	(1)	(9)	-
Proceeds from sale of investment property	-	13	108
Net purchase of financial investments	320	780	3,252
Change in cash and cash equivalents (4)	-	(38)	(23)
<u>Other financial investments and investment property</u>			
Purchase of investment property	(43)	-	(58)
Proceeds from sale of investment property	1	-	114
Net purchase of financial investments	400	(2,478)	(9,636)
Trade and other receivables	(381)	175	(756)
Trade and other payables	(319)	(53)	257
Costs to obtain customer management service contracts	(67)	(79)	(266)
Liabilities for employee benefits, net	3	5	(10)
Total adjustments required to present cash flows from operating activity	(556)	(1,898)	(4,343)
Total cash flows used for operating activity before taxes on income	(59)	(1,658)	(2,731)

- (1) Cash flows from operating activities include the purchase and sale, net, of financial investments and investment property, attributable to activity for insurance contracts and investment contracts
- (2) As part of the operating activities, interest received in the amount of NIS 417 million was stated (for the three months ended March 31, 2024, NIS 403 million, and for 2024, NIS 1,897 million) and interest paid in the amount of NIS 12 million (for the three months ended March 31, 2024, an amount of NIS 20 million and for 2024, NIS 298 million)
- (3) As part of the operating activities, dividend received from other financial investments was stated in the amount of NIS 79 million (for the three months ended March 31, 2024 an amount of NIS 75 million and for 2024, NIS 515 million)
- (4) Due to the termination of the old outline in the long-term care agreement with the members of Clalit Health Services and the implementation of the new outline, according to which the fund bears the full insurance risk
- * See Note 16 regarding the application of IFRS 1, *First-time Adoption of International Financial Reporting Standards*, which includes the initial application of IFRS 17, *Insurance Contracts*, and IFRS 9, *Financial Instruments*. Relevant comparative figures were restated

Condensed Consolidated Interim Statements of Cash Flows (contd.)

	For the three months ended		For the year
	March 31		ended
			December 31
	2025	2024	2024
(Unaudited)	(Unaudited)	(Unaudited)	
NIS millions	NIS millions	NIS millions	
Annex B: Acquisition of a subsidiary consolidated for the first time			
Assets and liabilities of the consolidated subsidiary at the acquisition date			
Goodwill created on acquisition	-	-	(203)
Intangible assets	(12)	(74)	(97)
Unattributed retained cost	-	(15)	-
Deferred tax assets	-	-	(6)
Fixed assets	(1)	-	-
Trade and other receivables	(1)	(4)	(76)
Current tax assets	(1)	-	-
Other financial investments	-	-	(1,002)
Financial liabilities	1	64	787
Deferred tax liabilities	-	2	2
Trade and other payables	4	3	26
Noncontrolling interests	1	8	7
Cash derecognized due to acquisition of a subsidiary consolidated for the first time	(9)	(16)	(562)
Cash paid to acquire Se-Fi	-	16	-
Total cash derecognized due to acquisition of a subsidiary consolidated for the first time	(9)	-	(562)

	For the three months ended		For the year
	March 31		ended
			December 31
	2025	2024	2024
(Unaudited)	(Unaudited)	(Unaudited)	
NIS millions	NIS millions	NIS millions	
Appendix C – Cash derecognized due to deconsolidation (see Note 39E)			
Deferred tax assets	-	-	1
Current tax assets	-	-	6
Trade and other receivables	-	-	1
Liabilities for employee benefits, net	-	-	2
Current tax liabilities	-	-	(5)
Trade and other payables	-	-	(9)
Assets net of liabilities derecognized from the Company's consolidated balance sheet due to deconsolidation	-	-	(4)
Investment in an equity accounted investee arising upon the sale due to a decrease in the holding rate	-	-	(4)
Capital gains from the sale	-	-	3
Cash derecognized due to deconsolidation	-	-	(5)

Condensed Consolidated Interim Statements of Cash Flows (contd.)

	For the three months ended		For the year
	March 31		ended
	2025	2024	December 31
	(Unaudited)	(Unaudited)	(Unaudited)
	NIS millions	NIS millions	NIS millions
Annex D - Cash and cash equivalents at the beginning of the period			
Cash and cash equivalents for yield-dependent contracts	7,388	6,733	6,733
Other cash and cash equivalents	2,470	5,733	5,733
Retained cash and cash equivalents at the beginning of the period	9,858	12,466	12,466
Annex E - Cash and cash equivalents at the end of the period			
Cash and cash equivalents for yield-dependent contracts	6,840	7,105	7,388
Other cash and cash equivalents	2,392	3,506	2,470
Retained cash and cash equivalents at the end of the period	9,232	10,611	9,858

Notes to the Condensed Consolidated Interim Financial Statements

NOTE 1 - General

A. The reporting entity

Harel Insurance Investments and Financial Services Ltd. ("the Company") is an Israeli resident company, which was incorporated in Israel. The Company's shares are traded on the Tel Aviv Stock Exchange. The Company's official address is 3 Abba Hillel Silver St., Ramat Gan.

The Company is a holding company whose principal holdings are in subsidiaries comprising insurance and finance companies. The condensed consolidated interim financial statements as at March 31, 2025 include those of the Company and its consolidated subsidiaries ("the Group"), and the Company's rights in associates and joint arrangements.

The condensed consolidated interim financial statements mainly reflect the assets, liabilities and results of the consolidated insurance companies and were therefore prepared in a format similar to the format used for preparing interim financial statements of insurance companies.

B. Swords of Iron war

Further to Note 1B to the Company's consolidated financial statements as at December 31, 2024 and the year then ended ("the Annual Statements") regarding the effect of the Swords of Iron War ("the War") on the Group, in the first quarter of 2025, there was no significant change in the scope of the exposure to the insurance risks of the Group.

Additionally, as at the publication date of the financial statements, the War has had no material impact on the continuation of growth in the total assets managed by the Group.

It is emphasized that the assessments of the Group's management concerning the possible ramifications of the War on its activity are uncertain and are beyond the Group's control. These assessments are based on the Group's best knowledge at this stage. All or part of these estimates might not materialize or may materialize differently and even significantly differently, than expected.

Notes to the Condensed Consolidated Interim Financial Statements

NOTE 2 - Basis of Preparation**A. Statement of compliance with International Financial Reporting Standards**

The condensed consolidated interim financial statements have been prepared in accordance with IAS 34, Interim Financial Reporting and in accordance with the disclosure requirements prescribed by the Commissioner of the Capital Market, Insurance and Savings ("the Commissioner") under the Supervision of Financial Services (Insurance) Law, 1981. In addition, these reports were prepared in accordance with the disclosure provisions of Chapter D of the Israel Securities Regulations (Periodic and Immediate Reports), 1970, for the holding companies of insurers. The condensed consolidated interim financial statements do not contain all the information required in the full Annual Statements. They should be read together with the Company's financial statements at the date and year ended December 31, 2024 ("the Annual Statements").

Up to December 31, 2022, the consolidated financial statements of the Group were prepared in accordance with International Financial Reporting Standards ("IFRS"). This includes data relating to consolidated subsidiaries that meet the definition of an insurer, as this term is defined in the Israel Securities Regulations (Preparation of Annual Financial Statements), 2010.

As set out in Note 3 below, in accordance with the requirements set by the Commissioner, the initial application date of IFRS 17, *Insurance Contracts* and IFRS 9, *Financial Instruments* has been postponed to January 1, 2025 (instead of the original initial application date set out in the standard. Accordingly, in the periods from January 1, 2023 to December 31, 2024, the Group's consolidated financial statements were prepared in accordance with the provisions of the Israel Securities Regulations (Periodic and Immediate Reports), 1970. According to these provisions, the data in the financial statements relating to subsidiaries that meet the definition of an "insurer", as defined in the Israel Securities Regulations (Preparation of Annual Financial Statements), 2010, were prepared in accordance with the requirements set by the Commissioner under the Supervision of Financial Services (Insurance) Law, 1981. Under these requirements, the subsidiaries continued to apply IFRS 4, *Insurance Contracts* and IFRS 39, *Financial Instruments (2017)*, which were replaced by IFRS 17 and IFRS 9, respectively. For the other issues, the consolidated financial statements were prepared in accordance with IFRS.

As stated above, due to the postponement of the application of IFRS 17 and IFRS 9 in Israel for quarterly and annual reporting periods beginning on January 1, 2025, the Company is effectively considered a first-time adopter of IFRS standards, as defined in IFRS 1, *First-time Adoption of International Financial Reporting Standards*. The transition date for reporting under IFRS is January 1, 2024. The effect of the transition to IFRS reporting on the Group's financial position, operating results, and cash flows is set out in Note 16 below.

According, these financial statements are the Group's first consolidated interim financial statements prepared under International Financial Reporting Standards, applying IFRS 1, *First-time Adoption of International Financial Reporting Standards*. Starting January 1, 2025, the Group has adopted IFRS 17 and IFRS 9 for the first time regarding the financial statement data of the subsidiaries. As a result, the Group has fully resumed the application of IFRS.

The accounting policies applied in these financial statements have been applied consistently to all presented periods, unless otherwise stated.

The condensed consolidated interim financial statements were approved for publication by the Company's Board of Directors on May 28, 2025.

Notes to the Condensed Consolidated Interim Financial Statements

NOTE 2 - Basis of Preparation (contd.)**B. Use of estimates and judgments**

Preparation of the condensed consolidated interim financial statements in accordance with IFRS 34 requires the Group's management to make judgments in estimates, assessments, and assumptions, including actuarial assumptions and estimates ("the Estimates"), which affect application of the accounting policy, and the amounts of assets and liabilities, income and expenses. It is stipulated that the actual results could differ from these Estimates, in part due to regulatory changes published or expected to be published in the insurance, pension and provident sectors and regarding which there is uncertainty as to their compatibility and repercussions. The key estimates included in the financial statements are based on actuarial assessments and external valuations.

When formulating the accounting estimates used in the preparation of the Group's financial statements, the Company's management is required to make assumptions regarding circumstances and events which involve considerable uncertainty. In applying its discretion in determining the estimates, the Company's management bases itself on past experience, various facts, external factors, and reasonable assumptions, including future expectations, to the extent that they can be assessed, based on the appropriate circumstances for each estimate.

Except as set out below and in Note 3A, the estimates and judgments used by management in applying the Group's accounting policies for the condensed consolidated interim financial statements are consistent with those used in the preparation of the Annual Statements.

Significant changes in estimates and judgments following the application of IFRS 17 and IFRS 9 include:

- Exercising judgment in analyzing the classification of insurance and reinsurance contracts to determine whether they qualify as insurance contracts, investment contracts, or contracts subject to other financial reporting standards, in accordance with the definitions of IFRS 17
- Determining coverage units based on an estimate of the extent of coverage provided by a group of contracts, taking into account the expected benefits and coverage period, which requires significant judgment
- Setting discount rates and yield assumptions for cash flows related to insurance contracts, using a bottom-up approach that integrates the risk-free interest curve and the illiquidity premium, using methodology determined by the Commissioner
- In determining the risk adjustment component for non-financial risk, the Company is required to exercise significant judgment, including in assessing the benefit for diversification, determining the appropriate confidence level, and allocating risk among portfolios and groups of insurance contracts
- The assessment of whether a contract or group of contracts is onerous is based on expectations at the initial recognition date, calculating expected cash flows based on indicators determined by the Company that indicate an onerous contract. The Company exercises judgment in determining the level of detail at which reasonable and supportable information is available for decision-making
- For certain contracts issued before the IFRS 17 transition date, the Company determined that full retrospective application was impractical and instead applied the alternative transition approaches permitted under IFRS 17; see also Note 16

C. Functional and presentation currency

The condensed interim consolidated financial statements are presented in New Israel Shekels (NIS), which is the Company's functional currency. The financial information is presented in NIS million and rounded to the nearest million.

Notes to the Condensed Consolidated Interim Financial Statements

NOTE 3 – Significant Accounting Policy

Other than that set out in sections A and B above, the Group's accounting policy in these condensed consolidated interim statements is the same accounting policy applied in the Annual Statements. Since the publication of the Group's Annual Statements, no new IFRSs or amendments to IFRSs have been issued that are expected to have a material effect on the Group's financial statements. Following is a description of the main changes in accounting policy in these condensed consolidated interim financial statements and their effects:

A. Initial application of New Standards

Starting January 1, 2025, as part of the application of IFRS 1, the Group applies the new standards and amendments to the standards described below:

1. IFRS 17, *Insurance Contracts*

From January 1, 2025, the Group applies IFRS 17, *Insurance Contracts*, for the first time ("IFRS 17" or "the Standard"). This standard replaced IFRS 4, *Insurance Contracts*.

As set out in Note 2A, due to the postponement of the application of IFRS 17 and IFRS 9, the Group adopted the IFRSs for the first time starting from January 1, 2025, with the transition date scheduled for January 1, 2024. The effect of the transition to IFRS reporting, including the effect of the application of IFRS 17 on the Group's financial position, operating results, and cash flows is set out in Note 16 below.

The Commissioner published an insurance circular on Professional Issues Relating to Implementation of IFRS 17 in Israel to allow insurance companies in Israel to prepare for adoption of IFRS 17, ("the Circular on Professional Issues"). The accounting policies described below are based, among other things, on this circular.

Below are the main points of the Group's significant accounting policies for insurance contracts following application of the Standard starting on January 1, 2024.

Contracts classification**Insurance contracts**

The Group identifies insurance contracts as those contracts under which it accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder (or the beneficiary under the contract) if a specified uncertain future event (the insured event) adversely affects the policyholder, where the amount or timing of compensation is uncertain.

The Group determines whether an insurance contract contains significant insurance risk by assessing whether the insured event could result in substantial additional payments in any commercially significant scenario, even if the likelihood of the event occurring is very low, or if the expected present value of contingent cash flows represents only a minor portion of the expected present value of the total contractual cash flows. In this assessment, the Group takes into account all its substantive rights and obligations, whether arising from contracts, laws, or regulations.

Some of the contracts entered into by the Group have the legal structure of insurance contracts, but do not transfer significant insurance risk (such as savings policies without insurance coverage or without significant insurance coverage). These contracts are classified as financial liabilities and are referred to as investment contracts.

The Group applies IFRS 9 for residential mortgage credit insurance contracts previously issued by EMI - Ezer Mortgage Insurance Company Ltd. ("EMI"), which also meet the definition of financial guarantee contracts, for reverse mortgage loans, and financial guarantee transactions for mortgage portfolios insured by third parties through Harel Insurance.

Reinsurance contracts held

In addition, the Group enters into agreements to transfer insurance risk, together with the corresponding premiums, to one or more reinsurers. If the reinsurers are unable to fulfill their obligations, the Group remains responsible to its policyholders for the reinsured portion. Such contracts are classified as reinsurance contracts held.

Notes to the Condensed Consolidated Interim Financial Statements

NOTE 3 – Accounting Policy and Reporting Principles (contd.)**A. Initial application of New Standards (contd.)****1. IFRS 17, *Insurance Contracts* (contd.)****Separating components from insurance contracts and reinsurance contracts**

An insurance and reinsurance contract held may include one or more components that would fall under the scope of another standard if they were separate contracts. For example, insurance contracts may include: an investment component, a service component other than insurance contract services ("Service Component"), embedded derivatives.

Under IFRS 17, an investment component and a Service Component will be separated from the insurance contract only if they are distinct. An embedded derivative will only be separated if it meets the criteria set out in IFRS 9. If these components are separated from the insurance contract, they will be accounted for under the scope of the relevant standard.

The Group has not identified any components requiring separation from its insurance contracts and accordingly, does not anticipate separating contract elements that would be accounted for under a different standard.

Level of aggregation of insurance contracts

The Group determines the level of aggregation for the insurance contracts it issues by dividing its business into insurance contract portfolios. A portfolio of insurance contracts includes groups of contracts with similar risks that are managed together. The Group defined the portfolios of insurance contracts based on its main product lines and subject to the Commissioner's guidelines as set out in the Professional Issues Circular. Below is the list of insurance contract portfolios defined by the Group, classified into operating segments:

Life insurance

- a. Policies with a non-yield dependent savings component;
- b. Policies with a yield-dependent savings component and variable management fees;
- c. Policies with a yield-dependent savings component and fixed management fees only;
- d. Policies without a savings component – life insurance;
- e. Policies without a savings component – work disability insurance;
- f. Annuity policies.

Health insurance

- a. Personal lines long-term care;
- b. Group long-term care;
- c. Personal lines medical and disability expenses;
- d. Group medical and disability expenses, including dental;
- e. Critical illnesses;
- f. Foreign workers, overseas travel, and long-term personal accidents;
- g. Foreign workers, overseas travel, and short-term personal accidents.

Non-life insurance

- a. Business insurance, including insurance of aircraft, shipping vessels, and cargo;
- b. Home insurance;
- c. Compulsory motor, including Pool policies;
- d. Motor property;
- e. Professional liability;
- f. Contractor insurance;
- g. Sales Law guarantees.

Notes to the Condensed Consolidated Interim Financial Statements

NOTE 3 – Accounting Policy and Reporting Principles (contd.)**A. Initial application of New Standards (contd.)****1. IFRS 17, Insurance Contracts (contd.)****Level of aggregation of insurance contracts (contd.)**

The portfolios of insurance contracts are subsequently divided into groups issued within an annual period (by calendar year) and profitable groups as follows:

- A group of contracts that are onerous at initial recognition
- A group of contracts that at initial recognition have no significant possibility of becoming onerous subsequently (at this stage, no contracts associated with this group have been identified)
- A group of remaining contracts in the portfolio

Additionally, insurance contracts measured under IFRS 17 in different measurement models (GMM, VFA, and PAA) will not be included in the same group of insurance contracts.

An insurance contract is considered onerous if, at the date of initial recognition, the expected fulfillment cash flows determined on a probability-weighted basis result in a negative cash flow. The Group's assessment of whether contracts are onerous is based on reasonable and supportable information.

When determining contract groups, the Group chose to include contracts in the same group where its practical ability to set prices or levels of benefits for policies with different characteristics is specifically restricted by law or regulation. Accordingly, the Group chose to include its proportional share of compulsory motor insurance policies issued through the Pool in the same group as the standard compulsory insurance policies it issues.

The Group determines the level of aggregation of reinsurance contracts held by dividing them into portfolios based on its main product lines, aligning as closely as possible with the level of aggregation of the insurance contracts it issues. Some purchased reinsurance contracts provide coverage for underlying insurance contracts included in different insurance groups. However, the legal form of these contracts, as a single contract, reflects the substance of the Group's contractual rights and obligations, considering that the various coverages within the contract expire together and are not sold separately. As a result, the purchased reinsurance contract is not separated into distinct insurance components to reflect different underlying groups. Reinsurance contract portfolios are then separated into groups of contracts issued within an annual period (by calendar year) and into profitability-based groups, distinguishing between a group of contracts that are net cost or net profit at initial recognition.

Initial recognition

The Group recognizes a group of insurance contracts that it issues from the earliest of:

- The beginning of the coverage period of the group of contracts;
- The date when the first payment from a policyholder in the group becomes due or when the first payment is received from the policyholder if there is no due date; or
- For a group of onerous contracts, when the group becomes onerous, if facts and circumstances indicate that there is such a group.

A group of reinsurance contracts held is recognized at the following times:

- Reinsurance contracts entered into by the Company that provide proportionate coverage: the later of the beginning of the coverage period of the group of reinsurance contracts held and the date on which any underlying insurance contract is first recognized;
- Other reinsurance contracts entered into by the Group: The beginning of the coverage period of the group of reinsurance contracts held. However, if the Group recognizes an onerous group of underlying insurance contracts at an earlier date, and the relevant reinsurance contract is entered into before that earlier date, then the group of reinsurance contracts is recognized at that earlier date; and
- Insurance contracts acquired by the Group: the acquisition date

Notes to the Condensed Consolidated Interim Financial Statements

NOTE 3 – Accounting Policy and Reporting Principles (contd.)**A. Initial application of New Standards (contd.)****1. IFRS 17, Insurance Contracts (contd.)****Contract boundaries**

When measuring groups of insurance contracts and reinsurance contracts, the Group includes all future cash flows within the boundary of each contract. Cash flows are within the contract boundaries if they arise from substantive rights and obligations (disregarding terms without commercial substance) that exist during the reporting period in which the Group can require the policyholder to pay premiums (or is obligated to pay amounts to the reinsurer), or in which the Group has a substantive obligation to provide the policyholder with insurance contract services (or to receive services from the reinsurer). A substantive obligation to provide services ends when:

- The Group has the practical ability to reassess the risks of the particular policyholder and, as a result, can set a price or level of benefits that fully reflects these risks; or
- Both of the following conditions are met:
 - The Group has the practical ability to reassess the risks of the portfolio of insurance contracts that contains the contract and, as a result, can set a price or level of benefits that fully reflects the risk of that portfolio; and
 - The pricing of premiums up to the reassessment date does not take into account the risks that relate to periods after the reassessment date.

For reinsurance contracts held, a substantive obligation to receive services ends when the reinsurer has the practical ability to reassess the risk transferred to it, and as a result can set a price or level of benefits to fully reflects those risks, or when the reinsurer has a substantive right to end the contract. The boundary of a reinsurance contract include both the cash flows from the underlying contracts that have already been issued and the cash flows from the underlying contracts that the Group is expected to issue (and transfer to the reinsurer) in the contract period. This applies as long as neither the Group nor the reinsurer has the right to cancel or reprice the obligation to transfer these expected future contracts.

For insurance contracts with renewal periods, the Group assesses whether the premiums and related cash flows arising from the renewed contract are within the boundaries of the original contract. The Group determines the pricing of renewals after assessing the risks and terms of the policyholder's coverage, with reference to pricing of new contracts with equivalent risks and terms at the time of renewal. The Group reassesses the contract boundaries of each set of insurance contracts at the end of each reporting period.

Liabilities or assets related to premiums or expected claims that are outside the boundaries of the insurance contract are not recognized. These amounts refer to future insurance contracts.

Under the provisions of the Professional Issues Circular, the Group determined the contract boundaries for the following policies identified as material:

- Private health insurance policies issued from 2016 onward

Additionally, these are health care policies that are updated every two years, and there is no practical ability to reassess portfolio risks and accordingly, set new prices that accurately reflect those risks. As a result, periods beyond the renewal date are included within the contract boundaries.

- Life insurance policies with a savings component without a guaranteed annuity factor at issuance

Life insurance policies that include a savings component up to retirement age, along with disability and/or risk coverage, are classified as insurance contracts that often provide additional coverage for annuity ("the Annuity Option"). The Annuity Option is excluded from contract boundaries, as the Company has the practical ability to reassess the contract risks and determine an annuity factor that accurately reflects those risks. The annuity option will be recognized as a new insurance contract upon its execution, in accordance with the recognition rules in the Standard, unless it was previously classified as an onerous contract (if a specific coefficient was fixed and the option became onerous).

Notes to the Condensed Consolidated Interim Financial Statements

NOTE 3 – Accounting Policy and Reporting Principles (contd.)**A. Initial application of New Standards (contd.)****1. IFRS 17, Insurance Contracts (contd.)****Measurement at initial recognition**

The Standard provides three measurement methods for insurance contracts:

- General measurement model ("GMM");
- Variable fee approach ("VFA");
- Premium allocation approach ("PAA").

General measurement model (GMM)

The Group applies the general measurement model (GMM) to all life and health insurance portfolios, except for life insurance policies that include a yield-dependent savings component (including annuity portfolios), group long-term care insurance with yield-dependent savings in health insurance, measured under the variable fee approach (VFA), and foreign worker, travel, and short-term personal accident insurance, measured under the premium allocation approach (PAA).

Measurement at initial recognition

At the date of initial recognition, the Group measures a group of insurance contracts as the total amount of the fulfilment cash flows plus the contractual service margin ("CSM") (to the extent it exists).

Fulfillment cash flows ("FCF")

Fulfillment cash flows include estimates of future cash flows, discounted to reflect the time value of money and financial risks, plus a risk adjustment for non-financial risk ("RA" or "Risk Adjustment").

The Group estimates future cash flows within contract boundaries by considering past events, current conditions, and future projections to reflect market and non-market variables affecting cash flow estimates. The estimation of these cash flows are probability-weighted, reflecting the average of all possible outcomes, and include an explicit risk adjustment for non-financial risk. The risk adjustment for non-financial risks represents the compensation required for uncertainty regarding the amount and timing of cash flows arising from non-financial risk when fulfilling insurance contracts.

Assumptions and estimates are reviewed at each reporting period to ensure they adequately reflect past, present, and future conditions.

When estimating the fulfilment cash flows, the Group includes all cash flows directly related to fulfilling the insurance contracts within the contract boundaries, including:

- Premiums, including premium adjustments and instalment premiums from policyholders, and any additional cash flows arising from these premiums;
- Claims payments and policyholder benefits, including reported but unpaid claims (IBNR), claims incurred but not reported (IBNER), and any future claims for periods covered under the contract;
- Allocation of cash flows for the purchase of insurance, attributable to the portfolio to which the insurance contract belongs, using a systematic and rational allocation basis;
- Transaction-based taxes (such as payments to National Insurance and Karnit) arising directly from existing insurance contracts and can be reasonably and consistently attributed to them (if applicable);
- Potential cash flows from recoveries (such as salvage and subrogation) for future claims covered by existing insurance contracts and, if these recoveries do not qualify for recognition as separate assets, then potential positive cash flows from recoveries for past claims;
- Other fixed and variable expenses, including overhead allocation (such as costs attributable to accounting, human resources, IT, rent and depreciation, maintenance and service), which are directly attributable to the fulfilment of insurance contracts, using a systematic and rational allocation basis;

Notes to the Condensed Consolidated Interim Financial Statements

NOTE 3 – Accounting Policy and Reporting Principles (contd.)**A. Initial application of New Standards (contd.)****1. IFRS 17, *Insurance Contracts* (contd.)****General measurement model (GMM) (contd.)****Fulfillment cash flows ("FCF") (contd.)**

- Costs incurred by the Group in investment activities and in providing investment return services to policyholders of life insurance policies with savings components and profit-participating long-term care policies.

The Group recognizes policy loans as a separate financial asset, and not as part of the fulfillment cash flows within the boundaries of insurance contracts.

Contractual service margin (CSM)

The CSM of a group of insurance contracts reflects the expected future unrealized profit that the Group will recognize when it provides insurance contract services under these contracts.

At initial recognition, the measurement of the CSM or loss component consists of the following components:

- The fulfillment cash flows at the date of initial recognition, including an adjustment to reflect the time value of money and a risk adjustment component for non-financial risk (RA);
- Any cash flows received or paid at that time (such as a premium received immediately);
- The derecognition of any asset for insurance acquisition cash flows; and
- The derecognition of any asset or liability previously recognized for cash flows related to the group of insurance contracts.

If, at initial recognition, the total amount of these components is a net positive cash inflow, the group of insurance contracts is not considered onerous, and a CSM is recognized, measured as an amount equal and opposite to these components, such that no profit is recognized at initial recognition. Conversely, if the total sum of these components is a net cash outflow, the group of insurance contracts is considered onerous, and an immediate loss is recognized as an amount equal and opposite to the sum of those components.

Discount rates

Estimates of expected cash flows for fulfilling insurance contracts are adjusted to reflect the time value of money and the financial risks associated with those cash flows (to the extent that the financial risks are not already included in the cash flow estimates).

The Group measures the time value of money using discount rates that are consistent with observable market prices and reflect the liquidity characteristics of the insurance contracts. These discount rates exclude the effects of factors that affect observable market prices but do not affect the expected cash flows of the insurance contract (such as credit risk).

The Group applies the bottom-up approach to determine the discount rates and yield assumptions (to the extent that they exist), which constitute the default approach under the Professional Issues Circular published by the Commissioner. Under this approach, the discount rate is calculated by adding the illiquidity premium (reflecting the illiquidity of the liability) to the risk-free interest curve. The risk-free interest rate curve is derived from the yield-to-maturity of marketable government bonds. The last liquid point is set at year 25. Beyond this point, the risk-free interest rate curves are determined using the Smith-Wilson method until reaching the ultimate forward rate, which is set for 60 years. The full illiquidity premium is based on the average spread of the bonds included in the Tel-Bond 60 index. This premium is partially or fully added to the risk-free interest curve, depending on the illiquidity characteristics of the relevant cash flows, according to their relative weight in the full illiquidity premium. **The Group chose to use the default weights determined by the Commissioner for this matter.**

Notes to the Condensed Consolidated Interim Financial Statements**NOTE 3 – Accounting Policy and Reporting Principles (contd.)****A. Initial application of New Standards (contd.)****1. IFRS 17, Insurance Contracts (contd.)****General measurement model (GMM) (contd.)**Discount rates (contd.)

Below are the interest rates, including the illiquidity premium with appropriate weightings, divided into key time bands, which were used by the Group to determine the discount rates and yields in the measurement of insurance contracts and reinsurance contracts (the portfolio aggregation is based on the illiquidity premium weightings that were applied):

	As at March 31, 2025 (unaudited)							
	1 year	3 years	5 years	10 years	15 years	25 years	40 years	60 years
	(%)							
Policies with a non-yield dependent savings component and annuity policies (100% weighting)	2.42	2.36	2.41	2.52	2.58	2.63	2.71	2.80
Policies with a yield-dependent savings component and variable management fees, private lines and group long-term care, compulsory vehicle and liability (weight of 80%)	2.34	2.28	2.33	2.44	2.50	2.55	2.63	2.72
Policies with a yield-dependent savings component and fixed management fees only (weight of 60%)	2.26	2.20	2.25	2.36	2.42	2.47	2.55	2.64
Other insurance portfolios (weight of 50%)	2.22	2.16	2.21	2.32	2.38	2.43	2.51	2.60
	As at March 31, 2024 (unaudited)							
	1 year	3 years	5 years	10 years	15 years	25 years	40 years	60 years
	(%)							
Policies with a non-yield dependent savings component and annuity policies (100% weighting)	1.76	1.74	1.94	2.20	2.32	2.45	2.62	2.77
Policies with a yield-dependent savings component with variable management fees, private lines and group long-term care, compulsory vehicle and liability (weight of 80%)	1.66	1.64	1.84	2.10	2.22	2.34	2.51	2.67
Policies with a yield-dependent savings component and fixed management fees only (weight of 60%)	1.56	1.54	1.74	1.99	2.11	2.24	2.41	2.56
Other insurance portfolios (weight of 50%)	1.51	1.49	1.68	1.94	2.06	2.19	2.36	2.51

Notes to the Condensed Consolidated Interim Financial Statements**NOTE 3 – Accounting Policy and Reporting Principles (contd.)****A. Initial application of New Standards (contd.)****1. IFRS 17, Insurance Contracts (contd.)****General measurement model (GMM) (contd.)**Discount rates (contd.)

	As at December 31, 2024 (unaudited)							
	1 year	3 years	5 years	10 years	15 years	25 years	40 years	60 years
	(%)							
Policies with a non-yield dependent savings component and annuity policies (100% weighting)	2.11	2.17	2.23	2.37	2.41	2.46	2.59	2.72
Policies with a yield-dependent savings component with variable management fees, private lines and group long-term care, compulsory vehicle and liability (weight of 80%)	2.02	2.09	2.15	2.29	2.33	2.37	2.51	2.64
Policies with a yield-dependent savings component and fixed management fees only (weight of 60%)	1.94	2.00	2.07	2.20	2.24	2.29	2.43	2.56
Other insurance portfolios (weight of 50%)	1.90	1.96	2.03	2.16	2.20	2.25	2.38	2.51

Risk adjustment for non-financial risk (RA)

The risk adjustment for non-financial risks represents the compensation required for uncertainty regarding the amount and timing of cash flows arising from non-financial risk when fulfilling an insurance contract. Assumptions for non-financial risks include mainly mortality, longevity, morbidity, policy cancellations, and expenses.

The purpose of risk adjustment is to reflect the diversification benefit the Group considers when determining the compensation required for bearing the risk and the Group's degree of risk aversion.

Non-financial risk adjustment is determined using the value at risk (VaR) technique, which expresses the expected loss due to the materialization of the relevant risks over one year (similar to Solvency II) and a confidence level. The confidence level set at the group level, before diversification benefits, is 75%, except for the private lines long-term care portfolio where, due to its significant risk characteristics, the confidence level is set at 90%, following strict application of the example set out in the Professional Issues Circular published by the Commissioner.

For non-life insurance, the Group applies best practice principles (with certain adjustments) to determine the non-financial risk adjustment before the diversification effect between segments.

In determining the non-financial risk adjustment at the portfolio level, the Group considers the diversification benefit among the various portfolios and segments in the Company.

For reinsurance contracts held, the Group calculates the non-financial risk adjustment as set out above, gross (without the reinsurance effect) and residual (after the reinsurance effect), and sets the non-financial risk adjustment transferred to the reinsurer as the difference between the gross and residual amounts.

Notes to the Condensed Consolidated Interim Financial Statements

NOTE 3 – Accounting Policy and Reporting Principles (contd.)**A. Initial application of New Standards (contd.)****1. IFRS 17, *Insurance Contracts* (contd.)****General measurement model (GMM) (contd.)****Insurance acquisition cash flows**

Insurance acquisition cash flows include cash flows related to sales costs, underwriting and starting activities of a group of issued or expected insurance contracts (including future insurance contracts or renewals of existing insurance contracts that are outside the contract boundaries), which are directly attributable to the portfolio of insurance contracts to which the group belongs.

Insurance acquisition cash flows that occurred before the initial recognition of the relevant group of insurance contracts are recognized separately as either an asset or a liability (as applicable) for insurance acquisition cash flows. Assets or liabilities for insurance acquisition cash flows are presented in the statement of financial position as part of the carrying amount of the related insurance contracts. As part of this, an asset related to insurance acquisition cash flows attributable to the renewal of contracts within a specific group will be presented within that group.

The Group systematically and rationally allocates insurance acquisition cash flows that can be directly attributed to a group of insurance contracts between the existing group and groups that will include insurance contracts expected to arise from renewals within that group. If insurance acquisition cash flows are not directly attributable to a specific group of insurance contracts within that group, the Group allocates the insurance acquisition cash flows systematically and logically to groups of contracts in the portfolio, including groups not yet recognized.

At the end of each reporting period, the Group assesses the recoverability of the insurance acquisition cash flow asset if facts and circumstances indicate potential impairment. In impairment testing, the carrying amount of the asset is compared with the expected net cash flows for the relevant group of insurance contracts. If part of the asset is allocated to future renewals of the relevant contract group, its carrying amount is compared with the expected net cash flows for the anticipated renewals. If an impairment loss is identified, the carrying amount of the asset is adjusted and the loss is recognized in profit or loss. If, at a later date, the impairment conditions no longer exist or improve, a gain is recognized in profit or loss for the full or partial reversal of the impairment provision. Impairment losses (reversals) are recognized under insurance service expenses.

An asset or liability (as applicable) related to insurance acquisition cash flows for a contract group is derecognized on initial recognition of the contract, against the reduction in the CSM (in GMM and VFA) or against a reduction in the carrying amount of the liability for the remaining coverage in the PAA.

The Group did not generate any assets or liabilities related to insurance acquisition cash flows in the reporting period.

Subsequent measurement

The carrying amount of a group of insurance contracts at each reporting date is the total amount of the liability for the remaining coverage and the liability for incurred claims.

- The liability for remaining coverage is measured as the fulfilment cash flows that relate to future service allocated to the Group at that date plus the remaining CSM at that date;
- The liability for incurred claims includes the fulfilment cash flows related to past service, including cash flows attributable to known claims that have not yet been paid (claims in payment), incurred but not reported (IBNR) claims, and claims incurred from events occurred but not yet reported (IBNER).

The fulfilment cash flows for insurance contracts groups are measured at the reporting date using current estimates of future cash flows, current discount rates, and current risk adjustment estimates for non-financial risk.

Notes to the Condensed Consolidated Interim Financial Statements

NOTE 3 – Accounting Policy and Reporting Principles (contd.)**A. Initial application of New Standards (contd.)****1. IFRS 17, Insurance Contracts (contd.)****General measurement model (GMM) (contd.)****Subsequent measurement (contd.)**

For a group of insurance contracts, the carrying amount of the CSM of a group of insurance contracts at the end of the reporting period is equal to the carrying amount at the beginning of the reporting period, adjusted for the following:

- The effect of any new contracts added to the group in the reporting period;
- Interest accrued on the carrying amount of the CSM in the reporting period, using locked-in discount rates at initial recognition;
- Changes in fulfilment cash flows relating to future service (as set out below), measured using nominal discount rates determined at the date of initial recognition (locked-in), except in cases where:
 - Increases in the fulfilment cash flows (paid, net) exceed the carrying amount of the CSM, resulting in a loss immediately recognized in profit or loss or a loss against the generation of a loss component; or
 - Decreases in fulfilment cash flows, if allocated to closing the loss component of the liability for the remaining coverage against immediate profit recognition (reversal of a loss) in profit or loss;
- The effect of any exchange rate differences on the CSM; and
- The amount recognized as insurance revenue in the reporting period, due to the transfer of insurance contract services in the period (current amortization), determined by allocating the CSM balance at the end of the reporting period (before any allocation) over the current and remaining coverage period.

When measuring the fulfilment cash flows, changes related to future services are measured using current discount rates, but the CSM is adjusted for these changes using locked-in discount rates at initial recognition. Applying two different interest rates results in profit or loss, recognized as part of insurance finance expenses or income.

The changes in fulfilment cash flows for a future service that adjust the CSM include the following:

- Experience adjustments from premiums received in the period and related cash flows for future service, using locked-in nominal discount rates;
- Changes in estimates of the present value of future cash flows in the liability for remaining coverage, using locked-in nominal discount rates, excluding financial risk or changes in financial risk;
- Differences between the expected investment component scheduled for payment in the period and the actual investment component paid. This adjustment is calculated by comparing the actual investment component paid with the expected payment, plus insurance finance income or expenses relating to the contractual payment before it was due;
- Changes in risk adjustment for non-financial risk for future service, using nominal discount rates at initial recognition (locked-in).

Changes in fulfilment cash flows for current or past services are recognized in the statement of income under insurance service expenses. Changes in the effect of the time value of money and financial risk are recognized under net financing expenses (income) from insurance contracts.

Notes to the Condensed Consolidated Interim Financial Statements

NOTE 3 – Accounting Policy and Reporting Principles (contd.)**A. Initial application of New Standards (contd.)****1. IFRS 17, Insurance Contracts (contd.)****Variable fee approach (VFA)**

The Group applies the VFA to all life insurance policy portfolios that include a yield-dependent savings component (including annuity portfolios), and group long-term care portfolios in health insurance with direct participation features that provide policyholders with a significant share of the fair value returns on a clearly identifiable asset portfolio (underlying items).

Initial recognition

The Group recognizes an insurance contract using the VFA if, at the date of initial recognition, it meets all of the following conditions (in aggregate):

- The contractual terms specify that the policyholder participates in a share of a group (pool) of clearly identified underlying items;
- The Group expects to pay the policyholder an amount equal to a substantial share of the fair value returns on the underlying items; and
- The Group expects a substantial proportion of any change in the amounts to be paid to the policyholder to vary with the change in the fair value of the underlying items.

The conditions for classifying insurance contracts under the VFA are assessed at the initial recognition date, and are not reassessed subsequently (unless the contract is modified and the original contract is derecognized).

Measurement at initial recognition

At the date of initial recognition, the liability for insurance contracts under the VFA is measured according to the same principles as the GMM.

Subsequent measurement

For a group of insurance contracts measured under the VFA, the carrying amount of the CSM of a group of insurance contracts at the end of the reporting period is equal to the carrying amount at the beginning of the reporting period, adjusted for the following:

- The effect of any new contracts added to the group in the reporting period;
- Changes in the amount of the Group's share of the fair value of the underlying items, except when a decrease in the Group's share of the fair value of underlying items exceeds the carrying amount of the CSM, resulting in a loss, or where applicable, the amount is first allocated to reversing the loss component, excluding the effect of applying the risk mitigation option (see also below);
- Changes in fulfilment cash flows related to future service, except when such increases make the contract onerous or, where applicable, the amount is initially allocated to reversing the loss component, and excluding the effect of applying the risk mitigation option (see below);
- The effect of any exchange rate differences on the CSM; and
- The amount recognized as insurance revenue in the reporting period, due to the transfer of insurance contract services in the period (current amortization), determined by allocating the CSM balance at the end of the reporting period (before any allocation) over the current and remaining coverage period.

Notes to the Condensed Consolidated Interim Financial Statements**NOTE 3 – Accounting Policy and Reporting Principles (contd.)****A. Initial application of New Standards (contd.)****1. IFRS 17, Insurance Contracts (contd.)****Variable fee approach (VFA) (contd.)****Risk mitigation**

As part of its business operations and regulatory obligations, the Group is required to manage investment portfolios of assets held for yield-dependent policies. The Group may actually hold as part of such portfolios financial assets whose volume exceeds the aggregate nominal value of the yield-dependent policies treated under the VFA approach. This strategy aims to hedge the effects of additional financial exposures arising from these policies, including the effect of guaranteed annuity factors, in accordance with the Group's financial risk mitigation objectives and strategy.

The Group chose to apply the risk mitigation option for changes in the fulfilment cash flows arising from changes in the effect of the time value of money and financial risks in the relevant insurance liabilities, which are hedged through these assets. Accordingly, such changes will be recognized in profit or loss under net financing expenses (revenue) arising from insurance contracts, alongside the revenue or expenses generated from these assets. It should be noted that the Group assesses and may periodically reassess the extent of surplus assets held within the participating portfolio to hedge yield-dependent liabilities, if any.

The amounts representing the adjustment to the CSM, which would have been recognized had the risk mitigation option not been applied, resulted in an increase in the CSM of between NIS 1 million and NIS 2 million in the three-month period ended March 31, 2025 (in the three-month period ended March 31, 2024, the increase was between NIS 25 million and NIS 30 million, and for the year ended December 31, 2024, the increase was between NIS 65 million and NIS million).

Premium allocation approach (PAA)

The Group applies the PAA for all non-life insurance contracts and for foreign worker, travel, and short-term personal accidents insurance. The PAA is a simplified optional approach for measuring the liability for remaining coverage compared with the GMM and the VFA.

Initial recognition

- Contracts with coverage of up to one year: the Group applies the PAA for measuring the liability for the remaining coverage of insurance contracts with coverage periods of up to one year;
- Contracts with coverage periods of more than one year: the Group applies the PAA to contracts with coverage periods longer than one year, provided that at initial recognition, they are relatively stable and no significant changes in fulfilment cash flows are expected. Insignificant changes in fulfilment cash flows indicate that there is no material difference in the liability for remaining coverage measured under the PAA compared with the GMM. As part of the assessment, the Group assessed the effect of applying the PAA compared with the GMM on the pattern of liability release for the remaining coverage period to profit or loss, the effect of discount rates and financial assumptions, and whether there is significant volatility in the amount and timing of cash flows. This generally applies to products with an average coverage period of 2-5 years.

The conditions for classifying insurance contracts under the PAA are assessed at the initial recognition date, and are not reassessed subsequently (unless the contract is modified and the original contract is derecognized).

Notes to the Condensed Consolidated Interim Financial Statements

NOTE 3 – Accounting Policy and Reporting Principles (contd.)**A. Initial application of New Standards (contd.)****1. IFRS 17, *Insurance Contracts* (contd.)****Premium allocation approach (PAA) (contd.)****Measurement at initial recognition**

At the date of initial recognition, the liability for remaining coverage is measured as the sum of premiums received, net of any insurance acquisition cash flows, plus or minus any amount resulting from the derecognition of an insurance acquisition cash flow asset at that date and plus or minus any previously recognized assets or liabilities related to cash flows for the contract group.

The Group chose to recognize insurance acquisition cash flows as an adjustment to the liability for remaining coverage rather than as an immediate expense.

The Group chose not to adjust the carrying amount of the liability for remaining coverage to reflect the time value of money or the effect of financial risk if, at initial recognition, the Group expects that the period between the provision of any service component and the payment date of the related premium does not exceed one year or if the period exceeds one year, the insurance contracts do not contain a significant financing component.

Subsequent measurement

At the end of each reporting period, the Group measures the liability for the remaining coverage for contracts under the PAA as the carrying amount of the liability at the beginning of the period, adjusted for the following:

- Addition of premiums received in the period;
- Addition of insurance acquisition cash flows that arose in the period;
- Addition of any amounts related to amortized insurance acquisition cash flows recognized as an expense in the reporting period;
- Addition of any adjustment for the financing component;
- Deduction of the amount recognized as insurance revenue for services provided in the period; and
- Deduction of any investment component paid or transferred to the liability for incurred claims.

If, at any time in the coverage period, facts and circumstances indicate that a group of insurance contracts under the PAA is onerous, the Group recognizes an immediate loss in the statement of income or increases the liability for remaining coverage by the difference between the carrying amount of the liability under the PAA and the fulfilment cash flows related to the remaining coverage of the Group, applying GMM principles.

The liability for incurred claims is calculated in accordance with the same principles as the GMM. For future cash flows related to incurred claims, which are expected to be paid or received within one year from the date the claims were incurred, **the Group chose to adjust these cash flows for the time value of money and the effect of financial risk.**

Reinsurance contracts held**General measurement model (GMM)**

The GMM accounting policy used for measuring a group of insurance contracts also applies to measurement of reinsurance contracts held, with the following adjustments:

At each reporting date, the carrying amount of a group of reinsurance contracts held is the sum of the remaining coverage component and the incurred claims component. The remaining coverage component includes the balance of the fulfilment cash flows related to services to be received under reinsurance contracts held in future periods and the balance of the CSM.

Notes to the Condensed Consolidated Interim Financial Statements

NOTE 3 – Accounting Policy and Reporting Principles (contd.)**A. Initial application of New Standards (contd.)****1. IFRS 17, *Insurance Contracts* (contd.)****Reinsurance contracts held (contd.)****General measurement model (GMM) (contd.)**

When measuring the estimates of the present value of future cash flows for a group of reinsurance contracts held, the Group applies assumptions consistent with those used for estimating the present value of future cash flows for the underlying insurance contracts, adjusted for the non-performance risk of the reinsurer. The effect of non-performance risk by the reinsurer is assessed at each reporting date and changes in this risk are recognized in the statement of income.

The risk adjustment for non-financial risk represents the amount of risk that the Group transfers to the reinsurer.

At the date of initial recognition, the CSM of a group of reinsurance contracts held reflects the net cost (asset) or net gain (liability) from acquiring the reinsurance coverage. The CSM is recognized at initial recognition as an equal and opposite value to the fulfillment cash flows, net of any derecognized assets or liabilities previously recognized for cash flows related to the group of reinsurance contracts held, adjusted for any cash flows arising at that date, and any income recognized in profit or loss due to a loss recognized for onerous underlying insurance contracts at that date. However, if the net cost of acquiring reinsurance coverage relates to events that occurred before the acquisition of the group of held reinsurance contracts, the Group immediately recognizes this cost in profit or loss as an expense.

The Group adjusts the carrying amount of the CSM for a group of reinsurance contracts held to reflect changes in fulfillment cash flows, under the same principles as issued insurance contracts, except when the underlying insurance contracts are onerous and changes in fulfillment cash flows for the underlying insurance contracts are recognized in profit or loss by adjusting the loss component. In this case, the corresponding changes in reinsurance contracts held are also recognized in profit or loss (by adjusting the loss recovery component).

Deposits held by the Group under reinsurance contracts held, for managing credit risk of reinsurers, form part of the carrying amount of the assets of the reinsurance contracts held.

Premium allocation approach (PAA)

Subject to the conditions for applying the PAA (as described above), the Group applies the PAA for all reinsurance contracts held, where the underlying insurance contracts are also measured under the PAA.

Onerous underlying insurance contracts

The Group adjusts the CSM for a group of reinsurance contracts held measured under the GMM, or the carrying amount of the asset for remaining coverage for a group of reinsurance contracts held measured under the PAA, resulting in revenue recognition, when the entity incurs a loss at initial recognition of an onerous group of underlying insurance contracts or upon the addition of onerous underlying insurance contracts, provided that the Group entered into the related reinsurance contract held before or at the same time as the recognition of the onerous underlying insurance contracts.

The adjustment amount to the CSM or the carrying amount of the asset for remaining coverage is determined by multiplying the recognized loss for the underlying insurance contracts by the percentage of claims for the underlying insurance contracts that the Group expects to recover from the reinsurance contracts held. The adjustment amount should not exceed the portion of the carrying amount of the loss component of the onerous group of underlying insurance contracts that the Group expects to recover from the reinsurance contracts held.

The loss recovery component is created or adjusted for a group of reinsurance contracts held to reflect the adjustment to the CSM or the carrying amount of the asset for the remaining coverage, as applicable. The loss recovery component determines the amounts presented in subsequent periods in the statement of income as reversals of the loss recoveries from reinsurance contracts held, and as a result, these amounts are excluded from the allocation of premiums paid to the reinsurer in reinsurance expenses.

Notes to the Condensed Consolidated Interim Financial Statements**NOTE 3 – Accounting Policy and Reporting Principles (contd.)****A. Initial application of New Standards (contd.)****1. IFRS 17, Insurance Contracts (contd.)****Coverage units and release from the contractual service margin (CSM)**

The CSM is a component of a group of insurance contracts measured under the GMM and VFA and reflects the expected future unrealized profit that the Group will recognize when it provides insurance contract services under these contracts. The insurance contract services provided by the Group include insurance coverage, investment return services for certain GMM contracts, and investment-related service for VFA contracts.

The CSM amount for a group of insurance contracts is recognized in the statement of income as insurance service revenue over the coverage period, by allocating the remaining CSM balance at the end of the reporting period (before release to profit or loss) in a format that reflects the insurance contract services provided by the Group in relation to those contracts. This is determined on the basis of the coverage units provided in the period and the coverage units expected to be provided in the future. The amount of coverage units in a group is the quantity of insurance contract services provided by the contracts in the group, determined by considering, for each contract, the quantity of the benefits provided under a contract and its expected coverage duration.

Coverage units used for release the CSM of the main portfolios:

<u>Main portfolio</u>	<u>Coverage units</u>
Non-yield dependent savings component (guaranteed)	In the accumulation period – savings amount; for insurance service – insurance amount (the amount at risk) In the annuity period – annuity amount * annuity factor
Yield-dependent savings component (profit sharing)	In the accumulation period – savings amount; for an insurance service – insurance amount (the amount at risk) In the annuity period – annuity amount * annuity factor
Annuity	Annuity amount * annuity factor
Death coverage(risk)	Insurance amount (amount at risk)
Disability insurance	Insurance amount (monthly compensation amount * survivability), including release
Personal lines and group long-term care	Insurance amount (monthly compensation amount * survivability)
Personal lines medical expenses	Number of coverages
Group medical expenses	Straight line (for each insurance contract)
Critical illnesses	Insurance amount (amount at risk)
Long-term personal accidents	Insurance amount (amount at risk)

The coverage units for reinsurance contracts held are consistent with the coverage units for the underlying contracts based on the relative part transferred to reinsurance, with adjustments for differences in services provided.

To allocate the contractual service margin to the coverage units, the Group chose not to discount the coverage units at this stage.

For information about guidelines for transition to IFRS 17, see Note 16 below.

Notes to the Condensed Consolidated Interim Financial Statements

NOTE 3 – Accounting Policy and Reporting Principles (contd.)**A. Initial application of New Standards (contd.)****1. IFRS 17, *Insurance Contracts* (contd.)****Presentation**

The Group presents separately in the statement of financial position the balances of insurance contracts portfolios classified as assets, insurance contracts portfolios classified as liabilities, reinsurance contract portfolios classified as assets, and reinsurance contract portfolios classified as liabilities.

The Group presents separately in the statement of income insurance service revenue, insurance service expenses, reinsurance expenses, reinsurance income, finance income or finance expenses arising from insurance contracts, and finance income or finance expenses arising from reinsurance contracts held.

Insurance service results

The Group's insurance service revenue represents the provision of insurance services in the period, reflecting the consideration the Group expects to receive for the services. The consideration recognized as insurance service revenue consists of premiums paid to the Company, adjusted for the effect of financing and net of any non-distinct investment components.

Non-distinct investment components, which are not separated from existing insurance contracts, primarily appear in life insurance policies with a savings component, representing amounts that the Group will return to the policyholder under any scenario, regardless of whether an insured event occurs, and do not constitute consideration for providing insurance services. Therefore, these amounts are excluded from both insurance service revenue for the consideration received for services provided and insurance service expenses, for claims and expenses paid.

Under GMM/VFA, revenue from insurance services is calculated on the basis of the amount of all the changes in the liability for the remaining coverage for the services provided in the period in which the Group expects to receive the return, plus the allocation of premiums related to recovering insurance acquisition cash flows for the reporting period. **The Group chose to make the allocation in accordance with the same coverage units used to release the CSM.**

Insurance service revenue from contracts measured under the PAA model, including the allocation of premium amounts related to the recovery of insurance acquisition cash flows, is recognized on a straight-line basis.

Insurance finance revenue or expenses from insurance contracts

Insurance finance income or expenses consist of changes in the carrying amount of the group of insurance contracts due to:

- The effect of the time value of money and changes therein;
- The effect of the financial risk and changes therein.

These effects include changes in the fair value of underlying items (FVUI) related to insurance contracts measured under the VFA and the effects of applying the risk mitigation option.

The Group chose to recognize all finance income or expenses from insurance contracts in profit or loss.

The Group chose to divide changes in the risk adjustment (RA) for non-financial risk between insurance service results and finance income or finance expenses from insurance.

Notes to the Condensed Consolidated Interim Financial Statements

NOTE 3 – Accounting Policy and Reporting Principles (contd.)**A. Initial application of New Standards (contd.)****1. IFRS 17, *Insurance Contracts* (contd.)****Presentation (contd.)****Net income or expense from reinsurance contracts held**

The Group presents separately in the consolidated statements of income the amounts expected to be recovered from reinsurers and the allocation of reinsurance premiums paid. The Group considers cash flows of reinsurance contracts contingent on claims from underlying insurance contracts as part of the expected recoveries under the reinsurance contract held, while excluding investment components and fees from the allocation of reinsurance premiums presented in the consolidated statement of income. Amounts related to loss recoveries from reinsurance for onerous direct insurance contracts are included as recoverable amounts from the reinsurer.

Amendment and derecognition of an insurance contract

When the terms of the insurance contract are amended, the Group assesses whether the amendment is significant enough to result in the derecognition of the original contract and the recognition of the amended contract as a new contract. The exercise of a right included in the original contract terms does not constitute an amendment. If the contract amendment does not result in derecognition and the recognition of a new contract, the effect of the amendment is accounted for as a change in the estimate of fulfilment cash flows, which is recognized as an experience adjustment of the original contract.

Derecognition of an insurance contract

The Group derecognizes an insurance contract when it is settled, meaning when the obligations set out in the insurance contract expire, are paid, or are canceled, or when a significant contract amendment is made (see above).

2. IFRS 9 (2014), *Financial Instruments*

As set out in Note 2A above, under the Commissioner's requirements, the initial application date of IFRS 17 and IFRS 9 was postponed to January 1, 2025 (instead of the initial application date in the Standard – January 1, 2023). The Group's subsidiaries that meet the definition of an insurer (Harel Insurance and EMI) and the management companies of pension and provident funds adopted IFRS 17 and IFRS 9 for the first time as from January 1, 2025, and the transition date under IFRS is January 1, 2024. The effect of the transition to IFRS reporting, including the effect of the application of IFRS 9 on the Group's financial position, operating results, and cash flows is set out in Note 16 below.

The other Group companies apply the provisions of IFRS 9 starting from January 1, 2023. For further information about the Group's accounting policies in accordance with IFRS 9 see Note 3I to the Annual Statements.

Classification of financial assets into groups and accounting treatment

The Group designates all financial assets, including Hetz earmarked bonds, to fair value through profit or loss, held against insurance contracts and investment contracts (both in the participating portfolio and the nostro portfolio). Within this framework, credit facilities provided by the Group (which constitute the Group's commitment to provide loans) relating to the financial asset portfolios are also measured at fair value through profit or loss.

Investments in debt instruments backing capital and other non-insurance liabilities, including investments in managed debt instruments or debt instruments held for trading are measured at fair value through profit or loss. Other investments in debt instruments are managed under a business model aimed at collecting contractual cash flows and are measured at amortized cost using the effective interest method, provided they meet the principal and interest test (SPPI) in IFRS 9. Reverse mortgage loans provided by the Group to customers do not meet the principal and interest test and are therefore measured at fair value through profit or loss.

Notes to the Condensed Consolidated Interim Financial Statements

NOTE 3 – Accounting Policy and Reporting Principles (contd.)**A. Initial application of New Standards (contd.)****2. IFRS 9 (2014), *Financial Instruments* (contd.)****Impairment of financial assets**

For investments in financial assets measured at amortized cost, IFRS 9 includes a new credit loss recognition model that replaces the existing impairment model of IAS 39 (which is based on the incurred credit loss model) with the expected credit loss model. For additional information, see Note 3J to the Financial Statements.

In view of the above, most of the Group's financial assets are measured at fair value through profit or loss. Accordingly, the provision for expected credit losses recognized is not material.

Financial guarantee contracts

As set out in section A1 above, **the Group applies IFRS 9 for residential mortgage credit insurance contracts previously issued by EMI, which also meet the definition of financial guarantee contract and for financial guarantee transactions for mortgage portfolios insured by third parties through Harel Insurance.** These contracts are measured at each reporting date at the higher of the unearned premium balance or the provision for expected credit losses, calculated in accordance IFRS 9 principles.

B. Accounting policies for new events**Issue of put option for holders of non-controlling interests**

A put option issued by the Group to holders of non-controlling interests in a subsidiary, settled in cash, is recognized from its effective date as a liability at the present value of the exercise premium. In subsequent periods, changes in the value of the liability are recognized in the statement of income.

Under the Group's accounting policy, when a put option is issued to holders of non-controlling interests, the Group derecognizes the non-controlling interests relevant to the issue of the put option, even in cases where the holders of non-controlling interests have access to economic benefits arising from their rights in the subsidiary, and from that date on, the Group's share in the profits of the subsidiary includes the portion of the non-controlling interests.

Accordingly, from the recognition date of the put option, the Group's share in the profits of the subsidiary includes the portion of the holders of non-controlling interests to which the put option was issued.

Under the Group's accounting policy, dividends distributed to holders of non-controlling interests in a subsidiary, which were derecognized due to their holding of the put option (while recognizing a liability for the put option), are recognized in equity.

Notes to the Condensed Consolidated Interim Financial Statements

NOTE 4 - Seasonality

1. Life insurance, health insurance, and financial services

In general, insurance service revenue from life insurance and management fee revenue from pension funds and provident funds, as well as claim payments, are not characterized by significant seasonality. However, a large portion of new sales are usually concentrated in December, partly due to the end of the tax year and eligibility for tax benefits related to contributions to life insurance premiums, pension funds, and provident funds. In addition, in this period, employers often make one-time supplements and contributions for compensation rights. Furthermore, in the year, there may be additional one-time contributions in premiums or benefits, the amount and timing of which vary from year to year. The revenues from the finance services segment are not characterized by seasonality.

2. Non-life insurance

In general, insurance service revenue in non-life insurance is not characterized by significant seasonality. However, it should be noted that there is some seasonality in premium receipts in the first quarter of the year, due to renewals of car insurance for employee groups and business vehicle fleets, which typically occur in January or April. The effect of this seasonality on reported profit is adjusted through the liabilities for the balance of the coverage.

The components of other expenses such as claims, and the components of other revenues such as revenues from investments do not have distinct seasonality affecting the profit. However, it should be noted that in the winter, in the first or fourth quarter of the year, or both, there is often an increase in claims, mainly in the property insurance sectors, resulting in a decrease in reported profit for the period.

The components of other revenues such as revenues from investments do not have a distinct seasonality and there is therefore no distinct seasonality in profit.

Notes to the Condensed Consolidated Interim Financial Statements

NOTE 5 – Operating Segments

The note on Operating Segments includes several segments that constitute strategic business units of the Group. The strategic business units include different products and services and the allocation of resources and evaluation of performance are managed separately. The basic products in each segment are similar in principal regarding their significance, the way they are distributed, the mix of customers, nature of the regulatory environment and also long-term demographic and economic features that are derived from exposure with features similar to insurance risks. Likewise, the results of the portfolio of investments held against insurance liabilities may significantly affect profitability.

Segment performance is measured based on the profits of the segments before income tax. The results of inter-company transactions are eliminated in the framework of the adjustments for preparation of the condensed consolidated interim financial statements. Notably, there is no outstanding debit-credit balance from the transfer of financial assets between the different segments, insofar as such transfers are made.

The Group operates in the following segments:

1. Life insurance and long-term savings

This segment includes the Group's insurance activities in the life insurance branches and the Group's operations in managing pension and provident funds.

2. Health insurance

This segment includes the Group's insurance activities in the illness and hospitalization branches, personal accident, long-term care, foreign workers, travel insurance and dental insurance. The policies sold in the framework of these insurance branches cover the range of losses incurred by the insured as a result of illness and/or accidents, including long-term care and dental treatment. Health insurance policies are offered to individuals and to groups.

3. Non-life insurance

This segment comprises four sub-segments:

Motor property (Casco): includes the Group's activities in the sale of insurance policies in the motor vehicle insurance branch ("motor property"), which covers loss sustained by a vehicle owner due to an accident, and/or theft and/or liability of the vehicle owner or the driver for property damage caused to a third party in an accident.

Compulsory motor: includes the Group's activities in the insurance segment pursuant to the requirements of the Motorized Vehicle Insurance Ordinance (New Version) - 1970 ("compulsory motor"), which covers corporal damage resulting from the use of a motor vehicle under the Compensation for Road Accident Victims Law, 1975.

Other liability: includes the Group's activities in the sale of policies covering the insured's liability to a third party (excluding cover for liabilities in the compulsory motor segment, as described above). This includes the following insurance branches: employers' liability, third-party liability, professional liability, directors' and officers' liability (D&O), and insurance against liability for defective products.

Property and other branches: this segment includes the Group's insurance activities in all property branches excluding motor property (for example, the provision of Sale Law guarantees, and homeowners).

4. Insurance companies overseas

The overseas segment consists of the activity of Interasco and Turk Nippon, insurance companies abroad that are wholly owned by the Company.

5. Financial services

The Group's activities in the capital and financial services market take place through Harel Finance Holdings Ltd. ("Harel Finance"). Harel Finance is engaged through companies controlled by it, in the following activities:

- Management of mutual funds.
- Management of securities for private customers, corporations, and institutional customers in the capital markets in Israel and abroad.

Notes to the Condensed Consolidated Interim Financial Statements

NOTE 5 – Operating Segments (contd.)**6. Credit**

The credit segment includes the following operations:

- Business and credit support for medium businesses - through a second-tier subsidiary in which the Company holds 70%, Hamazpen Shutaphim Laderech Ltd., which creates innovative financing solutions for high-quality entrepreneurs providing credit to small and medium businesses, including the provision of mezzanine loans
- Mortgage and reverse mortgage loans - through a wholly owned subsidiary of Harel Insurance, Harel 60+ Ltd. ("Harel 60+"), which provides mortgage loans, including reverse mortgage loans provided to borrowers aged 60 or more, with a lien on their home
- Real estate development financing – This activity is carried out at Harel Insurance under the real estate financing division and through its subsidiary Gamla Harel Residential Real Estate ("Gamla") The real estate development financing division at Harel Insurance focuses on the financing of residential, office, and commercial construction projects in Israel. As part of this activity, Harel Insurance provides a full financing package for some of the developers, including financial credit and a guarantee policy under the Sales (Housing) (Assurance of Investments of Persons Acquiring Apartments) Law, 1974 ("the Sales Law"). It should be noted that the results of the activity for providing a guarantee policy under the Sales Law are included in the non-life insurance segment. From 2025, the Company operates through Gamla, providing financing to construction developers, mainly to supplement the required equity for developers seeking financial backing for construction projects.
- Financial guarantees – This activity includes providing financial guarantees and development and operating services for mortgage portfolios insured by third parties through Harel Insurance and EMI. Additionally, from the first quarter of 2025, due to a change in the method for analyzing data by the Company's chief decision-maker, the Company also includes the residential mortgage credit activity in the credit segment as a monoline, through EMI. This activity was previously presented under the non-life insurance segment. Comparative figures in the Note referring to this activity have been restated accordingly.

Segment results include, on the one hand, the contribution of investments of debt assets as part of Harel 60+ and development property finance activity, and on the other, since these investments were financed by the health insurance and non-life insurance segments, respectively, the segment results included financing expenses that reflect the theoretical costs for raising credit for these activities (and in parallel, theoretical financing income was included for placing the debt assets in favor of these activities in the health insurance segment and the non-life insurance segment, respectively). Similarly, for theoretical inter-segment financing, segment liabilities include theoretical inter-segment financial liabilities with the health insurance segment and the non-life insurance segment, and on the other hand, health insurance assets and non-life insurance assets include corresponding theoretical financial debt assets.

7. Not attributed to operating segments and others

Activities that are not attributed to operating segments include mainly activities of insurance agencies, as well as the capital activities of the consolidated insurance companies.

Notes to the Condensed Consolidated Interim Financial Statements

NOTE 5 – Operating Segments (contd.)

A. Information about reportable segments

	For the three months ended March 31, 2025 (unaudited)								
	Life insurance and long-term savings	Health insurance	Non-life insurance	Insurance companies overseas	Financial services	Credit	Not attributed to operating segments and others	Adjustments and offsets	Total
	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions
Income from insurance services	726	1,441	1,222	155	-	-	-	-	3,544
Expenses from insurance services	452	1,199	1,012	155	-	-	-	-	2,818
Profit from insurance services before reinsurance	274	242	210	-	-	-	-	-	726
Reinsurance expenses	43	148	331	28	-	-	-	-	550
Reinsurance income	27	122	205	13	-	-	-	-	367
Net income (expenses) for reinsurance contracts held	(16)	(26)	(126)	(15)	-	-	-	-	(183)
Profit (loss) from insurance services	258	216	84	(15)	-	-	-	-	543
Net investment profits from assets held for sale backing yield-dependent insurance contracts and investment contracts	123	38	-	-	-	-	-	-	161
Profits (losses) from other investments, net:									
Income from interest calculated using the effective interest method	1	-	-	1	-	49	-	-	51
Other profits (losses) from investments, net	(12)	48	119	19	108	80	41	(51)	352
Share in profits of equity accounted investees directly related to investment activities	2	-	8	-	-	-	-	-	10
Total profits (losses) from other investments, net	(9)	48	127	20	108	129	41	(51)	413
Total profits (losses) from investments, net	114	86	127	20	108	129	41	(51)	574
Financing expenses (income), net from insurance contracts	119	55	22	-	-	-	-	-	196
Net financing income (expenses) from reinsurance contracts	1	56	(10)	-	-	-	-	-	47
Increase in liabilities for investment contracts due to the yield component and associated expenses	(51)	-	-	-	-	-	-	-	(51)
Profit (loss) from investments and financing, net	(55)	87	95	20	108	129	41	(51)	374
Profit (loss), net, from insurance and investment	203	303	179	5	108	129	41	(51)	917

Notes to the Condensed Consolidated Interim Financial Statements

NOTE 5 – Operating Segments (contd.)

A. Information about reportable segments (contd.)

	For the three months ended March 31, 2025 (unaudited)								
	Life insurance and long-term savings	Health insurance	Non-life insurance	Insurance companies overseas	Financial services	Credit	Not attributed to operating segments and others	Adjustments and offsets	Total
	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions
Income from management fees	268	29	-	-	73	-	2	(2)	370
Income from fees from insurance agencies	-	-	-	-	-	-	32	5	37
Other operating expenses	259	32	-	9	61	18	62	(3)	438
Other income (expenses), net	1	-	(2)	(1)	-	7	7	(6)	6
Other financing income (expenses)	(6)	-	-	4	(97)	(72)	(65)	51	(185)
Share in profits (losses) of equity accounted investees that are not directly related to investment activities	-	-	-	-	-	(1)	9	-	8
Operating profit (loss) before income tax	207	300	177	(1)	23	45	(36)	-	715
Comprehensive income before income tax	14	7	11	2	-	-	33	-	67
Total comprehensive income (loss) before taxes on income	221	307	188	1	23	45	(3)	-	782
Total segment assets as at March 31, 2025	96,532	14,740	12,283	516	18,043	7,088	10,675	(4,956)	154,921
Total segment assets for yield-dependent contracts as at March 31, 2025	79,956	3,278	-	-	-	-	-	(178)	83,056
Total segment liabilities as at March 31, 2025	90,725	14,833	10,897	450	17,406	5,189	9,982	(4,956)	144,526

Notes to the Condensed Consolidated Interim Financial Statements

NOTE 5 – Operating Segments (contd.)

A. Information about reportable segments (contd.)

For the three months ended March 31, 2024* (unaudited)

	Life insurance and long- term savings	Health insurance	Non-life insurance	Insurance companies overseas	Financial services	Credit	Not attributed to operating segments and others	Adjustments and offsets	Total
	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions
Income from insurance services	695	1,387	1,176	189	-	-	-	-	3,447
Expenses from insurance services	444	1,108	978	185	-	-	-	-	2,715
Profit from insurance services before reinsurance	251	279	198	4	-	-	-	-	732
Reinsurance expenses	40	185	321	35	-	-	-	-	581
Reinsurance income	3	134	170	9	-	-	-	-	316
Net income (expenses) for reinsurance contracts held	(37)	(51)	(151)	(26)	-	-	-	-	(265)
Profit (loss) from insurance services	214	228	47	(22)	-	-	-	-	467
Net investment profits from assets held for sale backing yield-dependent insurance contracts and investment contracts	3,162	130	-	-	-	-	-	-	3,292
Profits (losses) from other investments, net:									
Income from interest calculated using the effective interest method	1	-	-	1	-	20	25	-	47
Other profits (losses) from investments, net	136	78	166	25	49	127	50	(44)	587
Share in profits (losses) of equity accounted investees directly related to investment activities	3	4	8	-	-	-	(1)	-	14
Total profits (losses) from other investments, net	140	82	174	26	49	147	74	(44)	648
Total profits (losses) from investments, net	3,302	212	174	26	49	147	74	(44)	3,940
Financing expenses (income), net from insurance contracts	2,558	383	92	-	-	-	-	-	3,033
Net financing income (expenses) from reinsurance contracts	7	(54)	19	-	-	-	-	-	(28)
Increase in liabilities for investment contracts due to the yield component and associated expenses	(849)	-	-	-	-	-	-	-	(849)
Profit (loss) from investments and financing, net	(98)	(225)	101	26	49	147	74	(44)	30
Profit (loss), net, from insurance and investment	116	3	148	4	49	147	74	(44)	497

* See Note 16 regarding the application of IFRS 1, *First-time Adoption of International Financial Reporting Standards*, which includes the initial application of IFRS 17, *Insurance Contracts*, and IFRS 9, *Financial Instruments*. Relevant comparative figures were restated

Notes to the Condensed Consolidated Interim Financial Statements

NOTE 5 – Operating Segments (contd.)

A. Information about reportable segments (contd.)

	For the three months ended March 31, 2024* (unaudited)								
	Life insurance and long-term savings	Health insurance	Non-life insurance	Insurance companies overseas	Financial services	Credit	Not attributed to operating segments and others	Adjustments and offsets	Total
	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions
Income from management fees	240	24	-	-	64	-	2	(1)	329
Income from fees from insurance agencies	-	-	-	-	-	-	25	5	30
Other operating expenses	235	23	-	14	51	9	69	(2)	399
Other income (expenses), net	1	-	(3)	(1)	-	7	8	(5)	7
Other financing income (expenses)	(4)	-	-	5	(40)	(48)	(53)	43	(97)
Share in profits of equity accounted investees that are not directly related to investment activities	-	-	-	-	-	-	11	-	11
Operating profit (loss) before income tax	118	4	145	(6)	22	97	(2)	-	378
Other comprehensive income (loss) before income tax	8	4	4	(4)	-	-	21	-	33
Total comprehensive income (loss) before taxes on income	126	8	149	(10)	22	97	19	-	411
Total segment assets as at March 31, 2024	93,398	14,737	11,403	461	10,049	4,721	11,576	(3,880)	142,465
Total segment assets for yield-dependent contracts as at March 31, 2024	77,070	4,590	-	-	-	-	-	-	81,660
Total segment liabilities as at March 31, 2024	88,475	15,570	10,499	385	9,456	3,850	9,012	(3,880)	133,367

* See Note 16 regarding the application of IFRS 1, *First-time Adoption of International Financial Reporting Standards*, which includes the initial application of IFRS 17, *Insurance Contracts*, and IFRS 9, *Financial Instruments*. Relevant comparative figures were restated

Notes to the Condensed Consolidated Interim Financial Statements

NOTE 5 – Operating Segments (contd.)

A. Information about reportable segments (contd.)

For the year ended December 31, 2024* (unaudited)

	Life insurance and long-term savings	Health insurance	Non-life insurance	Insurance companies overseas	Financial services	Credit	Not attributed to operating segments and others	Adjustments and offsets	Total
	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions
Income from insurance services	2,809	5,586	4,835	611	-	-	-	-	13,841
Expenses from insurance services	2,077	4,512	4,137	607	-	-	-	-	11,333
Profit from insurance services before reinsurance	732	1,074	698	4	-	-	-	-	2,508
Reinsurance expenses	174	679	1,324	116	-	-	-	-	2,293
Reinsurance income	147	486	839	28	-	-	-	-	1,500
Net income (expenses) for reinsurance contracts held	(27)	(193)	(485)	(88)	-	-	-	-	(793)
Profit (loss) from insurance services	705	881	213	(84)	-	-	-	-	1,715
Net investment profits from assets held for sale backing yield-dependent insurance contracts and investment contracts	8,267	303	-	-	-	-	-	-	8,570
Profits (losses) from other investments, net:									
Income from interest calculated using the effective interest method	5	-	-	8	-	77	24	-	114
Net losses from impairment for financial assets	-	-	-	-	-	2	-	-	2
Other profits (losses) from investments, net	721	454	685	73	260	433	299	(218)	2,707
Share in profits (losses) of equity accounted investees directly related to investment activities	(12)	-	(28)	-	-	-	16	-	(24)
Total profits from other investments, net	714	454	657	81	260	508	339	(218)	2,795
Total profits (losses) from investments, net	8,981	757	657	81	260	508	339	(218)	11,365
Financing expenses (income), net from insurance contracts	6,735	866	430	-	-	-	-	-	8,031
Net financing income (expenses) from reinsurance contracts	7	(106)	115	-	-	-	-	-	16
Increase in liabilities for investment contracts due to the yield component and associated expenses	(2,073)	-	-	-	-	-	-	-	(2,073)
Profit (loss) from investments and financing, net	180	(215)	342	81	260	508	339	(218)	1,277
Profit (loss), net, from insurance and investment	885	666	555	(3)	260	508	339	(218)	2,992

* See Note 16 regarding the application of IFRS 1, *First-time Adoption of International Financial Reporting Standards*, which includes the initial application of IFRS 17, *Insurance Contracts*, and IFRS 9, *Financial Instruments*. Relevant comparative figures were restated

Notes to the Condensed Consolidated Interim Financial Statements

NOTE 5 – Operating Segments (contd.)

A. Information about reportable segments (contd.)

For the year ended December 31, 2024* (unaudited)

	Life insurance and long- term savings	Health insurance	Non-life insurance	Insurance companies overseas	Financial services	Credit	Not attributed to operating segments and others	Adjustments and offsets	Total
	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions
Income from management fees	1,022	101	-	-	300	-	10	(4)	1,429
Income from fees from insurance agencies	-	-	-	-	-	-	113	25	138
Other operating expenses	979	115	-	40	228	50	331	(8)	1,735
Other income (expenses), net	3	-	(12)	(3)	(1)	27	33	(27)	20
Other financing expenses (income)	(19)	-	-	1	(226)	(236)	(267)	216	(531)
Share in profits of equity accounted investees that are not directly related to investment activities	-	-	-	-	-	-	40	-	40
Operating profit (loss) before income tax	912	652	543	(45)	105	249	(63)	-	2,353
Other comprehensive income (loss) before income tax	17	10	-	(8)	-	-	11	-	30
Total comprehensive income (loss) before taxes on income	929	662	543	(53)	105	249	(52)	-	2,383
Total segment assets as at December 31, 2024	97,848	14,352	11,725	498	18,177	6,968	11,335	(4,607)	156,296
Total segment assets for yield-dependent contracts as at December 31, 2024	80,589	3,704	-	-	-	-	-	(176)	84,117
Total segment liabilities as at December 31, 2024	92,059	15,303	10,468	439	17,540	5,573	9,571	(4,607)	146,346

* See Note 16 regarding the application of IFRS 1, *First-time Adoption of International Financial Reporting Standards*, which includes the initial application of IFRS 17, *Insurance Contracts*, and IFRS 9, *Financial Instruments*. Relevant comparative figures were restated

Notes to the Condensed Consolidated Interim Financial Statements

NOTE 5 – Operating Segments (contd.)

B. Additional information about the life insurance and long-term savings operating segment

	For the three months ended March 31, 2025 (unaudited)				
	Provident	Pension	Investment	Life insurance	Total
	NIS millions	NIS millions	contracts NIS millions	NIS millions	NIS millions
Income from insurance services	-	-	-	726	726
Expenses from insurance services	-	-	-	452	452
Profit from insurance services before reinsurance	-	-	-	274	274
Reinsurance expenses	-	-	-	43	43
Reinsurance income	-	-	-	27	27
Net expenses from reinsurance contracts held	-	-	-	(16)	(16)
Profit from insurance services	-	-	-	258	258
Net investment profits from assets held for sale backing yield-dependent insurance contracts and investment contracts	-	-	51	72	123
Profits (losses) from other investments, net:					
Income from interest calculated using the effective interest method	-	-	-	1	1
Other profits (losses) from investments, net	1	2	-	(15)	(12)
Share in profits of equity accounted investees directly related to investment activities	-	-	-	2	2
Total profits (losses) from other investments, net	1	2	-	(12)	(9)
Total profits from investments, net	1	2	51	60	114
Financing expenses, net from insurance contracts	-	-	-	119	119
Net income for reinsurance contracts	-	-	-	1	1
Increase in liabilities for investment contracts due to the yield component and associated expenses	-	-	(51)	-	(51)
Profit (loss) from investments and financing, net	1	2	-	(58)	(55)
Profit from insurance and investment, net	1	2	-	200	203
Income from management fees	93	135	40	-	268
Other operating expenses	80	111	32	36	259
Other income (expenses), net	(1)	(3)	-	5	1
Other financing income (expenses)	(2)	(5)	-	1	(6)
Profit before income tax	11	18	8	170	207
Comprehensive income before income tax	-	-	-	14	14
Total comprehensive income before income tax	11	18	8	184	221

Notes to the Condensed Consolidated Interim Financial Statements

NOTE 5 – Operating Segments (contd.)

B. Additional information about the life insurance and long-term savings operating segment (contd.)

	For the three months ended March 31, 2024* (unaudited)				
	<u>Provident</u> <u>NIS millions</u>	<u>Pension</u> <u>NIS millions</u>	<u>Investment</u> <u>contracts</u> <u>NIS millions</u>	<u>Life insurance</u> <u>NIS millions</u>	<u>Total</u> <u>NIS millions</u>
Income from insurance services	-	-	-	695	695
Expenses from insurance services	-	-	-	444	444
Profit from insurance services before reinsurance	-	-	-	251	251
Reinsurance expenses	-	-	-	40	40
Reinsurance income	-	-	-	3	3
Net expenses from reinsurance contracts held	-	-	-	(37)	(37)
Profit from insurance services	-	-	-	214	214
Net investment profits from assets held for sale backing yield-dependent insurance contracts and investment contracts	-	-	849	2,313	3,162
Profits (losses) from other investments, net:					
Income from interest calculated using the effective interest method	-	-	-	1	1
Other profits from investments, net	1	1	-	134	136
Share in profits of equity accounted investees directly related to investment activities	-	-	-	3	3
Total profits from other investments, net	1	1	-	138	140
Total profits from investments, net	1	1	849	2,451	3,302
Financing expenses, net from insurance contracts	-	-	-	2,558	2,558
Net income for reinsurance contracts	-	-	-	7	7
Increase in liabilities for investment contracts due to the yield component and associated expenses	-	-	(849)	-	(849)
Profit (loss) from investments and financing, net	1	1	-	(100)	(98)
Profit from insurance and investment, net	1	1	-	114	116
Income from management fees	84	118	38	-	240
Other operating expenses	69	97	33	36	235
Other income (expenses), net	(1)	(3)	-	5	1
Other financing expenses	(1)	(3)	-	-	(4)
Profit before income tax	14	16	5	83	118
Comprehensive income before income tax	-	-	-	8	8
Total comprehensive income before income tax	14	16	5	91	126

* See Note 16 regarding the application of IFRS 1, *First-time Adoption of International Financial Reporting Standards*, which includes the initial application of IFRS 17, *Insurance Contracts*, and IFRS 9, *Financial Instruments*. Relevant comparative figures were restated

Notes to the Condensed Consolidated Interim Financial Statements

NOTE 5 – Operating Segments (contd.)

B. Additional information about the life insurance and long-term savings operating segment (contd.)

	For the year ended December 31, 2024* (unaudited)				
	Provident NIS millions	Pension NIS millions	Investment contracts NIS millions	Life insurance NIS millions	Total NIS millions
Income from insurance services	-	-	-	2,809	2,809
Expenses from insurance services	-	-	-	2,077	2,077
Profit from insurance services before reinsurance	-	-	-	732	732
Reinsurance expenses	-	-	-	174	174
Reinsurance income	-	-	-	147	147
Net expenses from reinsurance contracts held	-	-	-	(27)	(27)
Profit from insurance services	-	-	-	705	705
Net investment profits from assets held for sale backing yield-dependent insurance contracts and investment contracts	-	-	2,073	6,194	8,267
Profits (losses) from other investments, net:					
Income from interest calculated using the effective interest method	-	-	-	5	5
Other profits from investments, net	6	10	-	705	721
Share in losses of equity accounted investees directly related to investment activities	-	-	-	(12)	(12)
Total profits from other investments, net	6	10	-	698	714
Total profits from investments, net	6	10	2,073	6,892	8,981
Financing expenses, net from insurance contracts	-	-	-	6,735	6,735
Net income for reinsurance contracts	-	-	-	7	7
Increase in liabilities for investment contracts due to the yield component and associated expenses	-	-	(2,073)	-	(2,073)
Profit from investments and financing, net	6	10	-	164	180
Profit from insurance and investment, net	6	10	-	869	885
Income from management fees	351	515	156	-	1,022
Other operating expenses	293	408	116	162	979
Other income (expenses), net	(4)	(12)	-	19	3
Other financing expenses	(5)	(14)	-	-	(19)
Profit before income tax	55	91	40	726	912
Comprehensive income before income tax	-	-	-	17	17
Total comprehensive income before income tax	55	91	40	743	929

* See Note 16 regarding the application of IFRS 1, *First-time Adoption of International Financial Reporting Standards*, which includes the initial application of IFRS 17, *Insurance Contracts*, and IFRS 9, *Financial Instruments*. Relevant comparative figures were restated

Notes to the Condensed Consolidated Interim Financial Statements**NOTE 5 – Operating Segments (contd.)****B Additional information about the life insurance and long-term savings operating segment (contd.)**Additional information about investment contracts

	<u>For the three months ended March 31, 2025</u>	<u>For the three months ended March 31, 2024</u>	<u>For the year ended December 31, 2024</u>
	<u>(Unaudited)</u>	<u>(Unaudited)</u>	<u>(Unaudited)</u>
	<u>NIS millions</u>	<u>NIS millions</u>	<u>NIS millions</u>
Amounts received for investment contracts	909	1,047	4,216
Adjusted amounts received for investment contracts – new business	14	24	85
One-time amounts received for investment contracts	831	979	3,917

Notes to the Condensed Consolidated Interim Financial Statements

NOTE 5 – Operating Segments (contd.)**B. Additional information about the life insurance and long-term savings operating segment (contd.)**Life insurance results by main portfolio groups

	For the three months ended March 31, 2025 (unaudited)			
	Policies with a non-yield dependent savings component (a)	Policies with a yield dependent savings component (a)	Policies with no savings component	Total
	NIS millions	NIS millions	NIS millions	NIS millions
Income from insurance services	55	202	469	726
Expenses from insurance services (*)	43	151	258	452
Profit from insurance services by reinsurance contracts held	12	51	211	274
Reinsurance expenses	-	-	43	43
Reinsurance income	-	-	27	27
Net expenses from reinsurance contracts held	-	-	(16)	(16)
Profit (loss) from insurance services	12	51	195	258
Total profits (losses) from investments, net	(12)	72	-	60
Financing expenses (income), net from insurance contracts	(84)	71	132	119
Net financing income (expenses) from reinsurance contracts	-	-	1	1
Profit (loss) from investments and financing, net	72	1	(131)	(58)
Profit from insurance and investment, net	84	52	64	200
Profits from investments, net, recognized in other comprehensive income	14	-	-	14
Insurance and investment profit recognized in profit or loss and other comprehensive income	98	52	64	214
 (*) <u>Of which:</u>				
Claims and other insurance service expenses incurred	43	118	282	443
Changes related to past services – adjustment to liabilities for incurred claims	-	28	(45)	(17)

(a) Policies with a non-yield dependent savings component, including non-yield dependent annuity policies; policies with a yield-dependent savings component, including yield-dependent annuity policies

Notes to the Condensed Consolidated Interim Financial Statements

NOTE 5 – Operating Segments (contd.)

B. Additional information about the life insurance and long-term savings operating segment (contd.)

Life insurance results by main portfolio groups (contd.)

	For the three months ended March 31, 2024 (unaudited)			
	Policies with a non-yield dependent savings component (a)	Policies with a yield dependent savings component (a)	Policies with no savings component	Total
	NIS millions	NIS millions	NIS millions	NIS millions
Income from insurance services	48	194	453	695
Expenses from insurance services (*)	38	112	294	444
Profit from insurance services by reinsurance contracts held	10	82	159	251
Reinsurance expenses	-	-	40	40
Reinsurance income	-	-	3	3
Net expenses from reinsurance contracts held	-	-	(37)	(37)
Profit (loss) from insurance services	10	82	122	214
Total profits (losses) from investments, net	138	2,313	-	2,451
Financing expenses (income), net from insurance contracts	211	2,313	34	2,558
Net financing income (expenses) from reinsurance contracts	-	-	7	7
Profit (loss) from investments and financing, net	(73)	-	(27)	(100)
Profit (loss), net, from insurance and investment	(63)	82	95	114
Profits from investments, net, recognized in other comprehensive income	8	-	-	8
Insurance and investment profit (loss) recognized in profit or loss and other comprehensive income	(55)	82	95	122
(*) Of which:				
Claims and other insurance service expenses incurred	38	112	261	411
Changes related to past services – adjustment to liabilities for incurred claims	-	(19)	30	11

(a) Policies with a non-yield dependent savings component, including non-yield dependent annuity policies; policies with a yield-dependent savings component, including yield-dependent annuity policies

Notes to the Condensed Consolidated Interim Financial Statements

NOTE 5 – Operating Segments (contd.)

B Additional information about the life insurance and long-term savings operating segment (contd.)

Life insurance results by main portfolio groups (contd.)

For the year ended December 31, 2024 (unaudited)

	Policies with a non-yield dependent savings component (a)	Policies with a yield dependent savings component (a)	Policies with no savings component	Total
	NIS millions	NIS millions	NIS millions	NIS millions
Income from insurance services	203	827	1,779	2,809
Expenses from insurance services (*)	157	599	1,321	2,077
Profit from insurance services by reinsurance contracts held	46	228	458	732
Reinsurance expenses	-	-	174	174
Reinsurance income	-	-	147	147
Net expenses from reinsurance contracts held	-	-	(27)	(27)
Profit (loss) from insurance services	46	228	431	705
Total profits (losses) from investments, net	698	6,194	-	6,892
Financing expenses (income), net from insurance contracts	677	6,205	(147)	6,735
Net financing income (expenses) from reinsurance contracts	-	-	7	7
Profit (loss) from investments and financing, net	21	(11)	154	164
Profit from insurance and investment, net	67	217	585	869
Profits from investments, net, recognized in other comprehensive income	17	-	-	17
Insurance and investment profit recognized in profit or loss and other comprehensive income	84	217	585	886

(*) Of which:

Claims and other insurance service expenses incurred	156	561	1,240	1,957
Changes related to past services – adjustment to liabilities for incurred claims	1	18	8	27

(a) Policies with a non-yield dependent savings component, including non-yield dependent annuity policies; policies with a yield-dependent savings component, including yield-dependent annuity policies

Notes to the Condensed Consolidated Interim Financial Statements

NOTE 5 – Operating Segments (contd.)**B. Additional information about the life insurance and long-term savings operating segment (contd.)**Information about life insurance assets and liabilities by main portfolio group

	As at March 31, 2025 (unaudited)			
	<u>Policies with a non-yield dependent savings component (a)</u>	<u>Policies with a yield dependent savings component (a)</u>	<u>Policies with no savings component</u>	<u>Total</u>
	<u>NIS millions</u>	<u>NIS millions</u>	<u>NIS millions</u>	<u>NIS millions</u>
Liabilities (assets), net for insurance contracts	12,404	55,182	(1,135)	66,451
Payable (receivables), net	-	-	-	228
Total net liabilities (assets) for insurance contracts (**)	12,404	55,182	(1,135)	66,679
(**) Of which total for insurance contracts	-	-	(1,403)	(1,403)
Liabilities, net for reinsurance contracts	-	-	25	25

	As at March 31, 2024 (unaudited)			
	<u>Policies with a non-yield dependent savings component (a)</u>	<u>Policies with a yield dependent savings component (a)</u>	<u>Policies with no savings component</u>	<u>Total</u>
	<u>NIS millions</u>	<u>NIS millions</u>	<u>NIS millions</u>	<u>NIS millions</u>
Liabilities (assets), net for insurance contracts	12,629	54,210	(429)	66,410
Payable (receivables), net	-	-	-	2
Total net liabilities (assets) for insurance contracts (**)	12,629	54,210	(429)	66,412
(**) Of which total for insurance contracts	-	-	(738)	(738)
Liabilities, net for reinsurance contracts	-	-	35	35

(a) Policies with a non-yield dependent savings component, including non-yield dependent annuity policies; policies with a yield-dependent savings component, including yield-dependent annuity policies

Notes to the Condensed Consolidated Interim Financial Statements

NOTE 5 – Operating Segments (contd.)**B. Additional information about the life insurance and long-term savings operating segment (contd.)**Information about life insurance assets and liabilities by main portfolio groups (contd.)

	<u>As at December 31, 2024 (unaudited)</u>			
	<u>Policies with a non-yield dependent savings component (a)</u>	<u>Policies with a yield dependent savings component (a)</u>	<u>Policies with no savings component</u>	<u>Total</u>
	<u>NIS millions</u>	<u>NIS millions</u>	<u>NIS millions</u>	<u>NIS millions</u>
	Liabilities (assets), net for insurance contracts	12,660	56,133	(1,033)
Payable (receivables), net	-	-	-	38
Total net liabilities for insurance contracts (**)	12,660	56,133	(1,033)	67,798
(**) Of which total for insurance contracts	-	-	(1,331)	(1,331)
Liabilities, net for reinsurance contracts	-	-	19	19

Additional information on life insurance

	<u>For the three months ended March 31, 2025 (unaudited)</u>			
	<u>Policies with a non-yield dependent savings component (a)</u>	<u>Policies with a yield dependent savings component (a)</u>	<u>Policies with no savings component</u>	<u>Total</u>
	<u>NIS millions</u>	<u>NIS millions</u>	<u>NIS millions</u>	<u>NIS millions</u>
	Gross premiums for insurance contracts less premium refunds (*) (b)	14	720	360
(*) <u>Of which</u> : savings component (b)	13	650	-	663
Fixed management fees (b)	-	92	-	92
Variable management fees*	-	-	-	-

(a) Policies with a non-yield dependent savings component, including non-yield dependent annuity policies; policies with a yield-dependent savings component, including yield-dependent annuity policies

(b) Premiums and management fees received based on billing dates

* In the three-month period ended March 31, 2025, the Company did not charge variable management fees

Notes to the Condensed Consolidated Interim Financial Statements

NOTE 5 – Operating Segments (contd.)**B Additional information about the life insurance and long-term savings operating segment (contd.)**Additional information on life insurance (contd.)

	<u>For the three months ended March 31, 2024 (unaudited)</u>			
	<u>Policies with a non-yield dependent savings component (a)</u>	<u>Policies with a yield dependent savings component (a)</u>	<u>Policies with no savings component</u>	<u>Total</u>
	<u>NIS millions</u>	<u>NIS millions</u>	<u>NIS millions</u>	<u>NIS millions</u>
	NIS millions	NIS millions	NIS millions	NIS millions
Gross premiums for insurance contracts less premium refunds (*) (b)	15	857	333	1,205
(*) <u>Of which</u> : savings component (b)	15	782	-	797
Fixed management fees (b)	-	91	-	91
Variable management fees*	-	-	-	-
	<u>For the year ended December 31, 2024 (unaudited)</u>			
	<u>Policies with a non-yield dependent savings component (a)</u>	<u>Policies with a yield dependent savings component (a)</u>	<u>Policies with no savings component</u>	<u>Total</u>
	<u>NIS millions</u>	<u>NIS millions</u>	<u>NIS millions</u>	<u>NIS millions</u>
	NIS millions	NIS millions	NIS millions	NIS millions
Gross premiums for insurance contracts less premium refunds (*) (b)	59	3,565	1,382	5,006
(*) <u>Of which</u> : savings component (b)	57	3,268	-	3,325
Fixed management fees (b)	1	368	-	369
Variable management fees (b)	-	4	-	4

(a) Policies with a non-yield dependent savings component, including non-yield dependent annuity policies; policies with a yield-dependent savings component, including yield-dependent annuity policies

(b) Premiums and management fees received based on billing dates

* In the three-month period ended March 31, 2024, the Company did not charge variable management fees

Notes to the Condensed Consolidated Interim Financial Statements

NOTE 5 – Operating Segments (contd.)

C. Additional information about the health insurance segment

Health insurance results by main portfolio groups

For the three months ended March 31, 2025 (unaudited)

	Long-term care (LTC)		Other health			Total
	Personal lines	Group	Personal lines medical and disability expenses	Group medical and disability expenses (a)	Other (a)	
	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions	
Income from insurance services	190	133	345	358	415	1,441
Expenses from insurance services (*)	141	94	247	361	356	1,199
Profit from insurance services by reinsurance contracts held	49	39	98	(3)	59	242
Reinsurance expenses	51	70	1	-	26	148
Reinsurance income	47	57	-	-	18	122
Net expenses from reinsurance contracts held	(4)	(13)	(1)	-	(8)	(26)
Profit (loss) from insurance services	45	26	97	(3)	51	216
Total profits (losses) from investments, net	50	36	-	-	-	86
Financing expenses (income), net from insurance contracts	(160)	36	127	-	52	55
Net financing income (expenses) from reinsurance contracts	56	-	-	-	-	56
Profit (loss) from investments and financing, net	266	-	(127)	-	(52)	87
Profit (loss), net, from insurance and investment	311	26	(30)	(3)	(1)	303
Profits from investments, net, recognized in other comprehensive income	7	-	-	-	-	7
Insurance and investment profit (loss) recognized in profit or loss and other comprehensive income	318	26	(30)	(3)	(1)	310
(*) Of which:						
Claims and other insurance service expenses incurred	150	94	218	314	310	1,086
Changes related to past services – adjustment to liabilities for incurred claims	(9)	-	24	41	(1)	55

(a) Group medical and disability expenses, including dental; other health insurance, including critical illnesses, foreign workers, overseas travel, and personal accidents

Notes to the Condensed Consolidated Interim Financial Statements

NOTE 5 – Operating Segments (contd.)

C. Additional information about the health insurance segment (contd.)

Health insurance results by main portfolio groups (contd.)

	For the three months ended March 31, 2024 (unaudited)					Total NIS millions
	Long-term care (LTC)		Other health			
	Personal lines NIS millions	Group NIS millions	Personal lines medical and disability expenses NIS millions	Group medical and disability expenses (a) NIS millions	Other (a) NIS millions	
Income from insurance services	182	187	316	345	357	1,387
Expenses from insurance services (*)	112	144	218	333	301	1,108
Profit from insurance services by reinsurance contracts held	70	43	98	12	56	279
Reinsurance expenses	53	111	-	-	21	185
Reinsurance income	44	70	-	-	20	134
Net expenses from reinsurance contracts held	(9)	(41)	-	-	(1)	(51)
Profit (loss) from insurance services	61	2	98	12	55	228
Total profits (losses) from investments, net	107	105	-	-	-	212
Financing expenses (income), net from insurance contracts	255	105	23	-	-	383
Net financing income (expenses) from reinsurance contracts	(59)	4	-	-	1	(54)
Profit (loss) from investments and financing, net	(207)	4	(23)	-	1	(225)
Profit (loss), net, from insurance and investment	(146)	6	75	12	56	3
Profits from investments, net, recognized in other comprehensive income	4	-	-	-	-	4
Insurance and investment profit (loss) recognized in profit or loss and other comprehensive income	(142)	6	75	12	56	7
(*) <u>Of which:</u>						
Claims and other insurance service expenses incurred	148	144	213	310	309	1,124
Changes related to past services – adjustment to liabilities for incurred claims	(36)	-	1	12	(27)	(50)

(a) Group medical and disability expenses, including dental; other health insurance, including critical illnesses, foreign workers, overseas travel, and personal accidents

Notes to the Condensed Consolidated Interim Financial Statements

NOTE 5 – Operating Segments (contd.)

C. Additional information about the health insurance segment (contd.)

Health insurance results by main portfolio groups (contd.)

For the year ended December 31, 2024 (unaudited)

	Long-term care (LTC)		Other health			Total NIS millions
	Personal lines NIS millions	Group NIS millions	Personal lines medical and disability expenses NIS millions	Group medical and disability expenses (a) NIS millions	Other (a) NIS millions	
Income from insurance services	736	629	1,280	1,368	1,573	5,586
Expenses from insurance services (*)	481	562	891	1,267	1,311	4,512
Profit from insurance services by reinsurance contracts held	255	67	389	101	262	1,074
Reinsurance expenses	215	365	5	-	94	679
Reinsurance income	131	263	2	-	90	486
Net expenses from reinsurance contracts held	(84)	(102)	(3)	-	(4)	(193)
Profit (loss) from insurance services	171	(35)	386	101	258	881
Total profits (losses) from investments, net	521	236	-	-	-	757
Financing expenses (income), net from insurance contracts	722	236	(33)	-	(59)	866
Net financing income (expenses) from reinsurance contracts	(110)	2	-	-	2	(106)
Profit (loss) from investments and financing, net	(311)	2	33	-	61	(215)
Profit (loss), net, from insurance and investment	(140)	(33)	419	101	319	666
Profits from investments, net, recognized in other comprehensive income	10	-	-	-	-	10
Insurance and investment profit (loss) recognized in profit or loss and other comprehensive income	(130)	(33)	419	101	319	676
(*) Of which:						
Claims and other insurance service expenses incurred	590	554	836	1,218	1,207	4,405
Changes related to past services – adjustment to liabilities for incurred claims	(109)	8	48	38	(44)	(59)

(a) Group medical and disability expenses, including dental; other health insurance, including critical illnesses, foreign workers, overseas travel, and personal accidents

Notes to the Condensed Consolidated Interim Financial Statements

NOTE 5 – Operating Segments (contd.)

C. Additional information about the health insurance segment (contd.)

Information about life insurance assets and liabilities by main portfolio groups

	As at March 31, 2025 (unaudited)					
	Long-term care (LTC)		Other health			
	Personal lines	Group	Personal lines medical and disability expenses	Group medical and disability expenses (a)	Other (a)	Total
	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions
Liabilities (assets), net for insurance contracts	10,417	3,259	(580)	397	(958)	12,535
Payables (receivables), net	-	-	-	-	-	(277)
Total net liabilities (assets) for insurance contracts (**)	10,417	3,259	(580)	397	(958)	12,258
(**) Of which total for insurance contracts	-	-	(580)	-	(1,130)	(1,710)
Net liabilities for reinsurance contracts	429	(33)	1	-	(90)	307

	As at March 31, 2024 (unaudited)					
	Long-term care (LTC)		Other health			
	Personal lines	Group	Personal lines medical and disability expenses	Group medical and disability expenses (a)	Other (a)	Total
	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions
Liabilities (assets), net for insurance contracts	10,006	4,963	(493)	403	(934)	13,945
Payables (receivables), net	-	-	-	-	-	(392)
Total net liabilities (assets) for insurance contracts (**)	10,006	4,963	(493)	403	(934)	13,553
(**) Of which total for insurance contracts	-	-	(493)	-	(1,084)	(1,577)
Liabilities (assets), net, for reinsurance contracts	197	(161)	6	-	(109)	(67)

(a) Group medical and disability expenses, including dental; other health insurance, including critical illnesses, foreign workers, overseas travel, and personal accidents

Notes to the Condensed Consolidated Interim Financial Statements

NOTE 5 – Operating Segments (contd.)**C. Additional information about the health insurance segment (contd.)**

Information about life insurance assets and liabilities by main portfolio groups (contd.)

	As at December 31, 2024 (unaudited)					
	Long-term care (LTC)		Other health			Total
	Personal lines	Group	Personal lines medical and disability expenses	Group medical and disability expenses (a)	Other (a)	
	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions
Liabilities (assets), net for insurance contracts	10,549	3,734	(656)	383	(1,012)	12,998
Payables (receivables), net	-	-	-	-	-	(255)
Total net liabilities (assets) for insurance contracts (**)	10,549	3,734	(656)	383	(1,012)	12,743
(**) Of which total for insurance contracts	-	-	(656)	-	(1,168)	(1,824)
Liabilities (assets), net, for reinsurance contracts	437	(69)	1	-	(98)	271

Additional information on health insurance

	Long-term care (LTC)		Other health			Total
	Personal lines	Group	Personal lines medical and disability expenses	Group medical and disability expenses (a)	Other (a)	
	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions
	For the three months ended March 31, 2025 (unaudited)					
Gross premiums net of premium refunds (b)	200	48	350	365	452	1,415
For the three months ended March 31, 2024 (unaudited)						
Gross premiums net of premium refunds (b)	198	57	310	353	391	1,309
For the year ended December 31, 2024 (unaudited)						
Gross premiums net of premium refunds (b)	807	232	1,298	1,387	1,734	5,458
(a) Group medical and disability expenses, including dental; other health insurance, including critical illnesses, foreign workers, overseas travel, and personal accidents						
(b) Premiums received based on billing dates						

Notes to the Condensed Consolidated Interim Financial Statements

NOTE 5 – Operating Segments (contd.)**D. Additional information about the non-life insurance segment**Non-life insurance results by main portfolio groups

	For the three months ended March 31, 2025 (unaudited)			
	Compulsory motor	Motor property	Other (a)	Total
	NIS millions	NIS millions	NIS millions	NIS millions
Income from insurance services	194	388	640	1,222
Expenses from insurance services (*)	176	359	477	1,012
Profit from insurance services by reinsurance contracts held	18	29	163	210
Reinsurance expenses	2	3	326	331
Reinsurance income	(8)	2	211	205
Net expenses from reinsurance contracts held	(10)	(1)	(115)	(126)
Profit (loss) from insurance services	8	28	48	84
Total profits (losses) from investments, net	49	16	62	127
Financing expenses (income), net from insurance contracts	12	2	8	22
Net financing income (expenses) from reinsurance contracts	(6)	(2)	(2)	(10)
Profit from investments and financing, net	31	12	52	95
Profit from insurance and investment, net	39	40	100	179
Profits from investments, net, recognized in other comprehensive income	4	2	5	11
Insurance and investment profit recognized in profit or loss and other comprehensive income	43	42	105	190

(*) Of which:

Claims and other insurance service expenses incurred	170	288	311	769
Changes related to past services – adjustment to liabilities for incurred claims	(11)	10	57	56

(a) "Other" non-life insurance includes non-life insurance sectors that are not compulsory motor and motor property, and consists mainly of the results of the following insurance groups (portfolios): business insurance, home insurance, professional liability insurance, contractors insurance, and Sales Law guarantees

Notes to the Condensed Consolidated Interim Financial Statements

NOTE 5 – Operating Segments (contd.)**D. Additional information about the non-life insurance segment (contd.)**Non-life insurance results by main portfolio groups (contd.)

	For the three months ended March 31, 2024 (unaudited)			
	Compulsory motor	Motor property	Other (a)	Total
	NIS millions	NIS millions	NIS millions	NIS millions
Income from insurance services	198	361	617	1,176
Expenses from insurance services (*)	223	338	417	978
Profit from insurance services by reinsurance contracts held	(25)	23	200	198
Reinsurance expenses	2	5	314	321
Reinsurance income	(6)	3	173	170
Net expenses from reinsurance contracts held	(8)	(2)	(141)	(151)
Profit (loss) from insurance services	(33)	21	59	47
Total profits (losses) from investments, net	70	20	84	174
Financing expenses (income), net from insurance contracts	34	4	54	92
Net financing income (expenses) from reinsurance contracts	2	(1)	18	19
Profit from investments and financing, net	38	15	48	101
Profit from insurance and investment, net	5	36	107	148
Profits from investments, net, recognized in other comprehensive income	1	1	2	4
Insurance and investment profit recognized in profit or loss and other comprehensive income	6	37	109	152

(*) Of which:

Claims and other insurance service expenses incurred	172	293	294	759
Changes related to past services – adjustment to liabilities for incurred claims	32	(21)	22	33

(a) "Other" non-life insurance includes non-life insurance sectors that are not compulsory motor and motor property, and consists mainly of the results of the following insurance groups (portfolios): business insurance, home insurance, professional liability insurance, contractors insurance, and Sales Law guarantees

Notes to the Condensed Consolidated Interim Financial Statements

NOTE 5 – Operating Segments (contd.)**D. Additional information about the non-life insurance segment (contd.)**Non-life insurance results by main portfolio groups (contd.)

	For the year ended December 31, 2024 (unaudited)			
	Compulsory motor	Motor property	Other (a)	Total
	NIS millions	NIS millions	NIS millions	NIS millions
Income from insurance services	766	1,522	2,547	4,835
Expenses from insurance services (*)	1,004	1,422	1,711	4,137
Profit from insurance services by reinsurance contracts held	(238)	100	836	698
Reinsurance expenses	7	18	1,299	1,324
Reinsurance income	70	12	757	839
Net expenses from reinsurance contracts held	63	(6)	(542)	(485)
Profit (loss) from insurance services	(175)	94	294	213
Total profits (losses) from investments, net	247	82	328	657
Financing expenses (income), net from insurance contracts	162	17	251	430
Net financing income (expenses) from reinsurance contracts	17	-	98	115
Profit from investments and financing, net	102	65	175	342
Profit from insurance and investment, net	(73)	159	469	555
Investment profits (losses), net, recognized in other comprehensive income	-	-	-	-
Insurance and investment profit (loss) recognized in profit or loss and other comprehensive income	(73)	159	469	555

(*) Of which:

Claims and other insurance service expenses incurred	686	1,120	1,231	3,037
Changes related to past services – adjustment to liabilities for incurred claims	206	(18)	(3)	185

(a) "Other" non-life insurance includes non-life insurance sectors that are not compulsory motor and motor property, and consists mainly of the results of the following insurance groups (portfolios): business insurance, home insurance, professional liability insurance, contractors insurance, and Sales Law guarantees

Notes to the Condensed Consolidated Interim Financial Statements

NOTE 5 – Operating Segments (contd.)**D. Additional information about the non-life insurance segment (contd.)**

Information about non-life insurance assets and liabilities by main portfolio groups

	<u>As at March 31, 2025 (unaudited)</u>			
	<u>Compulsory motor</u>	<u>Motor property</u>	<u>Other (a)</u>	<u>Total</u>
	<u>NIS millions</u>	<u>NIS millions</u>	<u>NIS millions</u>	<u>NIS millions</u>
Liabilities, net, for insurance contracts	3,182	982	6,306	10,470
Payables (receivables), net	-	-	-	(772)
Total net liabilities for insurance contracts (**)	3,182	982	6,306	9,698
(**) Of which total for insurance contracts	-	-	-	-
Assets, net, for reinsurance contracts	(271)	(7)	(2,087)	(2,365)

	<u>As at March 31, 2024 (unaudited)</u>			
	<u>Compulsory motor</u>	<u>Motor property</u>	<u>Other (a)</u>	<u>Total</u>
	<u>NIS millions</u>	<u>NIS millions</u>	<u>NIS millions</u>	<u>NIS millions</u>
Liabilities, net, for insurance contracts	3,504	902	6,253	10,659
Payables (receivables), net	-	-	-	(807)
Total net liabilities for insurance contracts (**)	3,504	902	6,253	9,852
(**) Of which total for insurance contracts	-	-	-	-
Assets, net, for reinsurance contracts	(296)	(12)	(1,886)	(2,194)

(a) "Other" non-life insurance includes non-life insurance sectors that are not compulsory motor and motor property, and consists mainly of the results of the following insurance groups (portfolios): business insurance, home insurance, professional liability insurance, contractors insurance, and Sales Law guarantees

Notes to the Condensed Consolidated Interim Financial Statements

NOTE 5 – Operating Segments (contd.)**D. Additional information about the non-life insurance segment (contd.)**

Information about non-life insurance assets and liabilities by main portfolio groups (contd.)

	As at December 31, 2024 (unaudited)			
	Compulsory motor	Motor property	Other (a)	Total
	NIS millions	NIS millions	NIS millions	NIS millions
Liabilities, net, for insurance contracts	3,214	907	6,149	10,270
Payables (receivables), net	-	-	-	(285)
Total net liabilities for insurance contracts (**)	3,214	907	6,149	9,985
(**) Of which total for insurance contracts	-	-	-	-
Assets, net, for reinsurance contracts	(308)	(10)	(2,087)	(2,405)

Additional information about non-life insurance by main portfolio groups

	Compulsory motor	Motor property	Other (a)	Total
	NIS millions	NIS millions	NIS millions	NIS millions
For the three months ended March 31, 2025 (unaudited)				
Gross premiums net of premium refunds (b)	259	475	816	1,550
For the three months ended March 31, 2024 (unaudited)				
Gross premiums net of premium refunds (b)	250	449	794	1,493
For the year ended December 31, 2024 (unaudited)				
Gross premiums net of premium refunds (b)	769	1,550	2,612	4,931

(a) "Other" non-life insurance includes non-life insurance sectors that are not compulsory motor and motor property, and consists mainly of the results of the following insurance groups (portfolios): business insurance, home insurance, professional liability insurance, contractors insurance, and Sales Law guarantees

Notes to the Condensed Consolidated Interim Financial Statements

NOTE 6 - Taxes on Income**1. Special tax arrangements for the insurance sector****Application of IFRS 17 and IFRS 9**

Beginning on January 1, 2025, the Group applies IFRS 17 and IFRS 9 for the first time. As at the publication date of the financial statements, the method for accounting for tax reports for insurance companies following application of the reporting standards has not yet been finalized

2. Tax rates applicable to the income of the Group companies

Current taxes for the reported period are calculated in accordance with the tax rates presented below.

The statutory tax rates applicable to financial institutions, including the Company's subsidiaries which are financial institutions, commencing in 2025 are as follows: corporate tax at a rate of 23%, profit tax at a rate of 18% - namely, tax at a rated weight of 34.75%.

Statutory tax rates applicable to financial institutions, including the Company's subsidiaries that are financial institutions:

Year	Companies tax (%)	Capital gains tax (%)	Tax in financial institutions (%)
2024	23%	17%	34.19%
2025 onwards	23%	18%	34.75%

Notes to the Condensed Consolidated Interim Financial Statements

NOTE 7 – Financial Investments and Derivative Instruments**A. Financial investments held against yield-dependent contracts – financial investments by asset type**

	<u>As at March 31</u>		<u>As at December 31</u>
	<u>2025</u>	<u>2024</u>	<u>2024</u>
	<u>(Unaudited)</u>	<u>(Unaudited)</u>	<u>(Unaudited)</u>
	<u>NIS millions</u>	<u>NIS millions</u>	<u>NIS millions</u>
<u>Debt instruments:</u>			
<u>Non-marketable debt instruments:</u>			
Deposits in banks and financial institutions	10	12	10
Non-marketable corporate bonds	493	540	488
Loans (including investees)	9,454	10,169	9,467
Other non-marketable debt instruments	129	120	128
Total non-marketable debt instruments	10,086	10,841	10,093
<u>Marketable debt assets</u>			
Government bonds	14,473	14,650	15,953
Marketable corporate bonds	9,196	8,066	7,897
Other marketable debt assets	13	12	13
Total marketable debt instruments	23,682	22,728	23,863
Total debt instruments	33,768	33,569	33,956
<u>Capital instruments:</u>			
<u>Non-marketable capital instruments:</u>			
Non-marketable shares	2,218	2,501	2,148
<u>Marketable capital instruments</u>			
Marketable shares	10,572	9,876	11,351
Total capital instruments	12,790	12,377	13,499
<u>Other investments:</u>			
Other investments*	26,346	25,877	25,912
Derivative instruments**	126	348	355
Total other investments	26,472	26,225	26,267
Total financial investments	73,030	72,171	73,722
Liabilities for derivative instruments	1,028	175	529

* Other investments include mainly investments in ETNs, participation notes in mutual funds and investment funds, and structured products

** Derivative instruments mainly include futures contracts and options

Notes to the Condensed Consolidated Interim Financial Statements

NOTE 7 – Financial Investments and Derivative Instruments (contd.)**B. Other financial investments (not for yield-dependent contracts)**

	As at March 31, 2025 (unaudited)		
	NIS millions	NIS millions	NIS millions
	Financial investments measured at fair value through profit or loss	Other financial investments measured at amortized cost	Total
Debt instruments:			
<u>Non-marketable debt instruments:</u>			
Deposits in banks and financial institutions	7,320	9,426	16,746
Earmarked bonds	6,594	-	6,594
Non-marketable corporate bonds	519	-	519
Loans (including investees)	7,723	2,177	9,900
Total non-marketable debt instruments	22,156	11,603	33,759
<u>Marketable debt assets</u>			
Government bonds	7,434	-	7,434
Marketable corporate bonds	3,082	-	3,082
Total marketable debt instruments	10,516	-	10,516
Total debt instruments	32,672	11,603	44,275
Balance of credit loss provision	-	33	33
Capital instruments:			
<u>Non-marketable capital instruments:</u>			
Non-marketable shares	1,061	-	1,061
Marketable shares	1,736	-	1,736
Total capital instruments	2,797	-	2,797
Other investments:			
Other investments*	6,084	-	6,084
Derivative instruments**	190	-	190
Total other investments	6,274	-	6,274
Total financial investments	41,743	11,603	53,346
Liabilities for derivative instruments	654	-	654

* Other investments include mainly investments in ETNs, participation notes in mutual funds and investment funds, and structured products

** Derivative instruments mainly include futures contracts and options

Notes to the Condensed Consolidated Interim Financial Statements**NOTE 7 – Financial Investments and Derivative Instruments (contd.)****B. Other financial investments (not for yield-dependent contracts) (contd.)**

	As at March 31, 2024 (unaudited)		
	NIS millions	NIS millions	NIS millions
	Financial investments measured at fair value through profit or loss	Other financial investments measured at amortized cost	Total
Debt instruments:			
<u>Non-marketable debt instruments:</u>			
Deposits in banks and financial institutions	5,722	3,730	9,452
Earmarked bonds	6,763	-	6,763
Non-marketable corporate bonds	525	-	525
Loans (including investees)	7,357	823	8,180
Total non-marketable debt instruments	20,367	4,553	24,920
<u>Marketable debt assets</u>			
Government bonds	5,984	-	5,984
Marketable corporate bonds	2,929	-	2,929
Total marketable debt instruments	8,913	-	8,913
Total debt instruments	29,280	4,553	33,833
Balance of credit loss provision	-	3	3
<u>Capital instruments:</u>			
<u>Non-marketable capital instruments:</u>			
Non-marketable shares	669	-	669
<u>Marketable capital instruments</u>			
Marketable shares	1,718	-	1,718
Total capital instruments	2,387	-	2,387
Other investments:			
Other investments*	6,630	-	6,630
Total other investments	6,630	-	6,630
Total financial investments	38,297	4,553	42,850
Liabilities for derivative instruments	112	-	112

* Other investments include mainly investments in ETNs, participation notes in mutual funds and investment funds, and structured products

Notes to the Condensed Consolidated Interim Financial Statements

NOTE 7 – Financial Investments and Derivative Instruments (contd.)**B. Other financial investments (not for yield-dependent contracts) (contd.)**

	As at December 31, 2024 (unaudited)		
	NIS millions	NIS millions	NIS millions
	Financial investments measured at fair value through profit or loss	Other financial investments measured at amortized cost	Total
Debt instruments:			
<u>Non-marketable debt instruments:</u>			
Deposits in banks and financial institutions	8,666	6,964	15,630
Earmarked bonds	6,638	-	6,638
Non-marketable corporate bonds	523	-	523
Loans (including investees)	7,748	2,140	9,888
Total non-marketable debt instruments	23,575	9,104	32,679
<u>Marketable debt assets</u>			
Government bonds	6,820	-	6,820
Marketable corporate bonds	3,116	-	3,116
Total marketable debt instruments	9,936	-	9,936
Total debt instruments	33,511	9,104	42,615
Balance of credit loss provision	-	4	4
Capital instruments:			
<u>Non-marketable capital instruments:</u>			
Non-marketable shares	3,476	-	3,476
Marketable shares	1,014	-	1,014
Total capital instruments	4,490	-	4,490
Other investments:			
Other investments*	6,398	-	6,398
Derivative instruments**	357	-	357
Total other investments	6,755	-	6,755
Total financial investments	44,756	9,104	53,860
Liabilities for derivative instruments	350	-	350

* Other investments include mainly investments in ETNs, participation notes in mutual funds and investment funds, and structured products

** Derivative instruments mainly include futures contracts and options

Notes to the Condensed Consolidated Interim Financial Statements**NOTE 8 – Borrowings and Credit**

	<u>As at March 31</u>		<u>As at</u>
	<u>2025</u>	<u>2024</u>	<u>December 31</u>
Composition of the carrying amount of borrowings and credit *	<u>(Unaudited)</u>	<u>(Unaudited)</u>	<u>(Unaudited)</u>
	<u>NIS millions</u>	<u>NIS millions</u>	<u>NIS millions</u>
<u>Borrowings and credit presented at amortized cost</u>			
Bank loans	1,582	998	3,280
Non-bank loans **	200	-	200
Loans from other interested parties	169	99	166
Bonds***	6,354	6,184	6,345
Bonds fully backed by parallel bank deposits***	9,260	3,572	8,265
Commercial security	100	-	100
Other liabilities	20	-	20
Total borrowings and credit presented at amortized cost	17,685	10,853	18,376
<u>Financial guarantee contracts accounted for as a financial liability</u>	<u>64</u>	<u>39</u>	<u>39</u>
Total financial liabilities	17,749	10,892	18,415
Of which, subordinated debt instruments constituting Tier 2 capital.	5,480	5,241	5,475

* Financial liabilities are presented net of interest payable. Interest payable is included under payables

** Non-bank loans other than loans from the parent company, loans from related companies, and loans from other interested parties

*** The bonds issued by a special purpose company (SPC) of Harel Finance, which is a wholly-owned subsidiary of the Company, are fully backed by parallel bank deposits (back-to-back) in Israeli banks with a local AAA rating assigned by S&P Maalot and Moody's Midroog

Additional information

1. Midroog rating

a. On February 16, 2025, Midroog announced a financial strength rating for Harel Insurance of Aa1.il, with stable outlook, and ratings of Aa3.il(hyb) for subordinated liability notes (secondary capital and tier-2 capital) that were issued by Harel Finance & Issues as part of Series 9 - 18 bonds, with stable outlook;

b. On March 23, 2025, Midroog reaffirmed the Company's rating of Aa2.il with stable outlook and reaffirmed the Aa2.il rating for Series 1 bonds issued by the Company.

2. Financial covenants

For information about financial covenants for a bank loan taken by the Company, for short-term loans taken by a second-tier subsidiary of the Company, for a loan and credit facility provided by a number of banks and institutional entities (including Harel Insurance) for a second-tier subsidiary, for a loan taken out by Harel Finance and Provident, for a credit facility of Harel Finance with a bank, and for Series 1 bonds issued by the Company, see Note 24 to the Annual Statements. At March 31, 2025 and at the date of publication of the report, the Company and the subsidiaries are in compliance with the prescribed financial covenants.

3. Expansion of bonds (Series 2) by Harel Interest and Deposit Ltd.

On March 6, 2025, Harel Interest and Deposit Ltd. (a wholly owned second-tier subsidiary of Harel Finance, which is a wholly-owned company of the Company) issued NIS 900 million par value Series 2 bonds to the public, through a shelf prospectus dated November 27, 2024. The proceeds from the issuance amounted to NIS 899 million.

Notes to the Condensed Consolidated Interim Financial Statements

NOTE 9 – Profit (Loss) from Insurance and Reinsurance Services

	For the three months ended March 31, 2025 (unaudited)				
	Life insurance	Health insurance	Non-life insurance	Insurance companies overseas	Total
	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions
<u>Income from insurance services</u>					
Contracts for which the PAA was not applied					
Amounts related to changes in liabilities for remaining coverage (LRC):					
Amount of the CSM recognized in profit or loss for services provided	176	224	-	-	400
Change in RA for non-financial risk resulting from past risks	32	49	-	-	81
Claims and other expected insurance service expenses incurred	497	1,012	-	-	1,509
Other	7	17	-	-	24
Allocation of the portion of the premium that relates to recovering insurance acquisition cash flows	14	16	-	-	30
Total contracts for which the PAA was not applied	726	1,318	-	-	2,044
Contracts for which the PAA was applied	-	123	1,222	155	1,500
Total income from insurance services:	726	1,441	1,222	155	3,544
<u>Expenses from insurance services</u>					
Claims and other insurance service expenses incurred	443	1,086	769	117	2,415
Changes relating to past services – adjustment of liabilities for incurred claims (LIC)	(17)	55	56	1	95
Losses (reversal of loss) for groups of onerous insurance contracts	12	11	(2)	-	21
Amortization of insurance acquisition cash flows	14	47	189	37	287
Total expenses from insurance services	452	1,199	1,012	155	2,818
Profit from insurance services before reinsurance	274	242	210	-	726
<u>Reinsurance expenses</u>					
Contracts for which the PAA was not applied					
Amounts related to changes in assets for remaining coverage (ARC):					
Amount of the CSM recognized in profit or loss for services received	4	16	-	-	20
Change in RA for non-financial risk resulting from past risks	2	7	-	-	9
Reimbursement of claims for underlying insurance contracts and other expected insurance service expenses incurred	20	121	-	-	141
Other	17	3	-	-	20
Total contracts for which the PAA was not applied	43	147	-	-	190
Contracts for which the PAA was applied	-	1	331	28	360
Total reinsurance expenses	43	148	331	28	550
<u>Reinsurance income</u>					
Reimbursement of claims for underlying insurance contracts and other insurance service expenses incurred	65	106	165	11	347
Changes relating to past services – adjustment to assets for incurred claims	(38)	16	40	2	20
Total reinsurance income	27	122	205	13	367
Net expenses for reinsurance contracts held	(16)	(26)	(126)	(15)	(183)
Profit (loss) from insurance services	258	216	84	(15)	543

Notes to the Condensed Consolidated Interim Financial Statements

NOTE 9 – Profit (loss) from Insurance and Reinsurance Services (contd.)

	For the three months ended March 31, 2024 (unaudited)				
	Life insurance	Health insurance	Non-life insurance	Insurance companies overseas	Total
	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions
<u>Income from insurance services</u>					
Contracts for which the PAA was not applied					
Amounts related to changes in liabilities for remaining coverage (LRC):					
Amount of the CSM recognized in profit or loss for services provided					
	194	195	-	-	389
Change in RA for non-financial risk resulting from past risks					
	29	47	-	-	76
Claims and other expected insurance service expenses incurred					
	472	1,043	-	-	1,515
Other					
	(3)	7	-	-	4
Allocation of the portion of the premium that relates to recovering insurance acquisition cash flows					
	3	4	-	-	7
Total contracts for which the PAA was not applied	695	1,296	-	-	1,991
Contracts for which the PAA was applied	-	91	1,176	189	1,456
Total income from insurance services:	695	1,387	1,176	189	3,447
<u>Expenses from insurance services</u>					
Claims and other insurance service expenses incurred					
	411	1,124	759	142	2,436
Changes relating to past services – adjustment of liabilities for incurred claims (LIC)					
	11	(50)	33	1	(5)
Losses for groups of onerous insurance contracts					
	19	13	3	1	36
Amortization of insurance acquisition cash flows					
	3	21	183	41	248
Total expenses from insurance services	444	1,108	978	185	2,715
Profit from insurance services before reinsurance	251	279	198	4	732
<u>Reinsurance expenses</u>					
Contracts for which the PAA was not applied					
Amounts related to changes in assets for remaining coverage (ARC):					
Amount of the CSM recognized in profit or loss for services received					
	6	15	-	-	21
Change in RA for non-financial risk resulting from past risks					
	2	6	-	-	8
Reimbursement of claims for underlying insurance contracts and other expected insurance service expenses incurred					
	19	166	-	-	185
Other					
	13	(3)	-	-	10
Total contracts for which the PAA was not applied	40	184	-	-	224
Contracts for which the PAA was applied	-	1	321	35	357
Total reinsurance expenses	40	185	321	35	581
<u>Reinsurance income</u>					
Reimbursement of claims for underlying insurance contracts and other insurance service expenses incurred					
	1	110	130	5	246
Changes relating to past services – adjustment to assets for incurred claims					
	2	24	40	4	70
Total reinsurance income	3	134	170	9	316
Net expenses for reinsurance contracts held	(37)	(51)	(151)	(26)	(265)
Profit (loss) from insurance services	214	228	47	(22)	467

Notes to the Condensed Consolidated Interim Financial Statements

NOTE 9 – Profit (Loss) from Insurance and Reinsurance Services (contd.)

	<u>For the year ended December 31, 2024 (unaudited)</u>				
	<u>Life insurance</u>	<u>Health insurance</u>	<u>Non-life insurance</u>	<u>Insurance companies overseas</u>	<u>Total</u>
	<u>NIS millions</u>	<u>NIS millions</u>	<u>NIS millions</u>	<u>NIS millions</u>	<u>NIS millions</u>
<u>Income from insurance services</u>					
Contracts for which the PAA was not applied					
Amounts related to changes in liabilities for remaining coverage (LRC):					
Amount of the CSM recognized in profit or loss for services provided	770	825	-	-	1,595
Change in RA for non-financial risk resulting from past risks	126	192	-	-	318
Claims and other expected insurance service expenses incurred	1,929	4,059	-	-	5,988
Other	(44)	(18)	-	-	(62)
Allocation of the portion of the premium that relates to recovering insurance acquisition cash flows	28	33	-	-	61
Total contracts for which the PAA was not applied	<u>2,809</u>	<u>5,091</u>	<u>-</u>	<u>-</u>	<u>7,900</u>
Contracts for which the PAA was applied	<u>-</u>	<u>495</u>	<u>4,835</u>	<u>611</u>	<u>5,941</u>
Total income from insurance services:	<u>2,809</u>	<u>5,586</u>	<u>4,835</u>	<u>611</u>	<u>13,841</u>
<u>Expenses from insurance services</u>					
Claims and other insurance service expenses incurred	1,957	4,405	3,037	448	9,847
Changes relating to past services – adjustment of liabilities for incurred claims (LIC)	27	(59)	185	(3)	150
Losses (reversal of loss) for groups of onerous insurance contracts	65	25	(10)	(1)	79
Amortization of insurance acquisition cash flows	28	141	925	163	1,257
Total expenses from insurance services	<u>2,077</u>	<u>4,512</u>	<u>4,137</u>	<u>607</u>	<u>11,333</u>
Profit from insurance services before reinsurance	<u>732</u>	<u>1,074</u>	<u>698</u>	<u>4</u>	<u>2,508</u>
<u>Reinsurance expenses</u>					
Contracts for which the PAA was not applied					
Amounts related to changes in assets for remaining coverage (ARC):					
Amount of the CSM recognized in profit or loss for services received	21	64	-	-	85
Change in RA for non-financial risk resulting from past risks	7	25	-	-	32
Reimbursement of claims for underlying insurance contracts and other expected insurance service expenses incurred	78	586	-	-	664
Other	68	1	-	-	69
Total contracts for which the PAA was not applied	<u>174</u>	<u>676</u>	<u>-</u>	<u>-</u>	<u>850</u>
Contracts for which the PAA was applied	<u>-</u>	<u>3</u>	<u>1,324</u>	<u>116</u>	<u>1,443</u>
Total reinsurance expenses	<u>174</u>	<u>679</u>	<u>1,324</u>	<u>116</u>	<u>2,293</u>
<u>Reinsurance income</u>					
Reimbursement of claims for underlying insurance contracts and other insurance service expenses incurred	99	531	677	21	1,328
Changes relating to past services – adjustment to assets for incurred claims	48	(45)	162	7	172
Total reinsurance income	<u>147</u>	<u>486</u>	<u>839</u>	<u>28</u>	<u>1,500</u>
Net expenses for reinsurance contracts held	<u>(27)</u>	<u>(193)</u>	<u>(485)</u>	<u>(88)</u>	<u>(793)</u>
Profit (loss) from insurance services	<u>705</u>	<u>881</u>	<u>213</u>	<u>(84)</u>	<u>1,715</u>

Notes to the Condensed Consolidated Interim Financial Statements

NOTE 10 – Profit (Loss) From Investments and Financing, Net

	For the three months ended March 31, 2025 (unaudited)							
	Life insurance	Health insurance	Non-life insurance	Insurance companies overseas	Financial services	Credit	Other	Total
	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions
Profits (losses) from investments, net:								
Profits (losses) from new investments from assets held to cover yield-dependent contracts	123	38	-	-	-	-	-	161
Profits (losses) from other investments, net:								
Income from interest calculated using the effective interest method	1	-	-	1	-	49	-	51
Other profits (losses) from investments, net	(12)	48	119	19	108	80	41	403
Share in profits of equity accounted investees directly related to investment activities	2	-	8	-	-	-	-	10
Total profits (losses) from other investments, net	(9)	48	127	20	108	129	41	464
Total investment profits (losses), net, recognized in the statement of income	114	86	127	20	108	129	41	625
Financing expenses net from insurance contracts:								
Change in liabilities for insurance contracts arising from changes in the fair value of the underlying items of VFA contracts	68	36	-	-	-	-	-	104
Effects of the risk reduction option for VFA contracts	2	-	-	-	-	-	-	2
Accrued interest	74	83	42	-	-	-	-	199
Effects of changes in interest rates and other financial assumptions (including inflation)	(21)	(71)	(20)	-	-	-	-	(112)
Effect of the difference between discounting at the current interest rate and discounting at the original interest rate on changes in the FCF attributed to CSM	(4)	7	-	-	-	-	-	3
Total net finance expenses from insurance contracts recognized in the statement of profit or loss	119	55	22	-	-	-	-	196
Net financing income from reinsurance contracts:								
Accrued interest	2	11	13	-	-	-	-	26
Effects of changes in interest rates and other financial assumptions (including inflation)	-	45	(7)	-	-	-	-	38
Effect of the difference between discounting at the current interest rate and discounting at the original interest rate on changes in the FCF attributed to CSM	(1)	-	-	-	-	-	-	(1)
Loss from exchange rate differences, net	-	-	(16)	-	-	-	-	(16)
Total net financing income (expenses) from reinsurance contracts recognized in the statement of income	1	56	(10)	-	-	-	-	47
Increase in liabilities for investment contracts due to the yield component and associated expenses	(51)	-	-	-	-	-	-	(51)
Total investment profit (loss), net, from investments and financing, net, recognized in the statement of income	(55)	87	95	20	108	129	41	425

Notes to the Condensed Consolidated Interim Financial Statements

NOTE 10 – Profit (Loss) from Investments and Financing, Net (contd.)

	For the three months ended March 31, 2024 (unaudited)							
	Life insurance	Health insurance	Non-life insurance	Insurance companies overseas	Financial services	Credit	Other	Total
	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions
Profits (losses) from investments, net:								
Profits (losses) from new investments from assets held to cover yield-dependent contracts	3,162	130	-	-	-	-	-	3,292
Profits (losses) from other investments, net:								
Income from interest calculated using the effective interest method	1	-	-	1	-	20	25	47
Other profits (losses) from investments, net	136	78	166	25	49	127	50	631
Share in profits (losses) of equity accounted investees directly related to investment activities	3	4	8	-	-	-	(1)	14
Total profits (losses) from other investments, net	<u>140</u>	<u>82</u>	<u>174</u>	<u>26</u>	<u>49</u>	<u>147</u>	<u>74</u>	<u>692</u>
Total investment profits (losses), net, recognized in the statement of income	<u>3,302</u>	<u>212</u>	<u>174</u>	<u>26</u>	<u>49</u>	<u>147</u>	<u>74</u>	<u>3,984</u>
Financing expenses net from insurance contracts:								
Change in liabilities for insurance contracts arising from changes in the fair value of the underlying items of VFA contracts	2,264	105	-	-	-	-	-	2,369
Effects of the risk reduction option for VFA contracts	27	-	-	-	-	-	-	27
Accrued interest	76	87	40	-	-	-	-	203
Effects of changes in interest rates and other financial assumptions (including inflation)	195	182	48	-	-	-	-	425
Effect of the difference between discounting at the current interest rate and discounting at the original interest rate on changes in the FCF attributed to CSM	(4)	8	-	-	-	-	-	4
Profit from exchange rate differences, net	-	1	4	-	-	-	-	5
Total net finance expenses from insurance contracts recognized in the statement of profit or loss	<u>2,558</u>	<u>383</u>	<u>92</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,033</u>
Net financing income from reinsurance contracts:								
Accrued interest	2	14	12	-	-	-	-	28
Effects of changes in interest rates and other financial assumptions (including inflation)	5	(68)	12	-	-	-	-	(51)
Loss from exchange rate differences, net	-	-	(5)	-	-	-	-	(5)
Total net financing income (expenses) from reinsurance contracts recognized in the statement of income	<u>7</u>	<u>(54)</u>	<u>19</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(28)</u>
Increase in liabilities for investment contracts due to the yield component and associated expenses	<u>(849)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(849)</u>
Total investment profit (loss), net, from investments and financing, net, recognized in the statement of income	<u>(98)</u>	<u>(225)</u>	<u>101</u>	<u>26</u>	<u>49</u>	<u>147</u>	<u>74</u>	<u>74</u>

Notes to the Condensed Consolidated Interim Financial Statements

NOTE 10 – Profit (Loss) from Investments and Financing, Net (contd.)

	For the year ended December 31, 2024 (unaudited)							
	Life insurance	Health insurance	Non-life insurance	Insurance companies overseas	Financial services	Credit	Other	Total
	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions
Profits (losses) from investments, net:								
Profits (losses) from new investments from assets held to cover yield-dependent contracts	8,267	303	-	-	-	-	-	8,570
Profits (losses) from other investments, net:								
Income from interest calculated using the effective interest method	5	-	-	8	-	77	24	114
Net losses from impairment for financial assets	-	-	-	-	-	2	-	2
Other profits (losses) from investments, net	721	454	685	73	260	433	299	2,925
Share in profits (losses) of equity accounted investees directly related to investment activities	(12)	-	(28)	-	-	-	16	(24)
Total profits (losses) from other investments, net	714	454	657	81	260	512	339	3,017
Total investment profits (losses), net, recognized in the statement of income	8,981	757	657	81	260	512	339	11,587
Financing expenses net from insurance contracts:								
Change in liabilities for insurance contracts arising from changes in the fair value of the underlying items of VFA contracts	6,076	236	-	-	-	-	-	6,312
Effects of the risk reduction option for VFA contracts	68	-	-	-	-	-	-	68
Accrued interest	295	349	154	-	-	-	-	798
Effects of changes in interest rates and other financial assumptions (including inflation)	384	204	275	-	-	-	-	863
Effect of the difference between discounting at the current interest rate and discounting at the original interest rate on changes in the FCF attributed to CSM	(88)	76	-	-	-	-	-	(12)
Profit from exchange rate differences, net	-	1	1	-	-	-	-	2
Total net finance expenses from insurance contracts recognized in the statement of profit or loss	6,735	866	430	-	-	-	-	8,031
Amounts recognized in profit or loss	6,735	866	430	-	-	-	-	8,031
Net financing income from reinsurance contracts:								
Accrued interest	8	54	44	-	-	-	-	106
Effects of changes in interest rates and other financial assumptions (including inflation)	-	(164)	74	-	-	-	-	(90)
Effect of the difference between discounting at the current interest rate and discounting at the original interest rate on changes in the FCF attributed to CSM	(1)	4	-	-	-	-	-	3
Loss from exchange rate differences, net	-	-	(3)	-	-	-	-	(3)
Total net financing income (expenses) from reinsurance contracts recognized in the statement of income	7	(106)	115	-	-	-	-	16
Increase in liabilities for investment contracts due to the yield component and associated expenses	(2,073)	-	-	-	-	-	-	(2,073)
Total investment profit (loss), net, from investments and financing, net, recognized in the statement of income	180	(215)	342	81	260	512	339	1,499

Notes to the Condensed Consolidated Interim Financial Statements

NOTE 11 – Fair Value of Financial Instruments

The fair value levels are defined as follows:

Level 1: quoted prices (unadjusted) in active markets for identical instruments.

Level 2: inputs other than quoted market prices included within Level 1 that are observable, either directly or indirectly.

Level 3: inputs that are not based on observable market data (unobservable inputs).

When a market price cannot be quoted for financial instruments because there is no active market, the fair value is estimated using recognized pricing models, such as the present value of future cash flows discounted at a risk-free interest rate plus a credit margin reflecting the financial instrument's inherent risk. The estimation of fair value based on future cash flow projections and determining the interest rate and credit margin is subjective. Therefore, for most financial instruments, the fair value valuation does not necessarily indicate their realizable value on the reporting date. The valuation was based on the interest rates in effect at the reporting date, without accounting for volatility. Assuming other interest rates, the fair value may be substantially different.

Main methods and assumptions used to estimate the fair value of financial instruments

- Securities and other marketable investments – by market value;
- Non-marketable debt instruments (other than Hetz earmarked bonds) – measured at fair value by way of profit or loss and of non-marketable financial debt assets, where information about the fair value is given for the purposes of the Note only, is determined by discounting the cash flows they are expected to produce; the interest rates used for discounting are determined by the company that wins the Commissioner's quotation tender, which provides interest rate quotes based on different risk ratings, and in some cases by independent external valuers;
- Hetz earmarked bonds ("Hetz Bonds") are non-marketable and non-transferable, issued (and redeemed) under agreements between insurance companies and the State of Israel. These bonds are allocated according to a specific percentage of insurance liabilities for insurance contracts that include a yield guaranteed savings component. The fair value calculation uses the indirect approach, where fair value is calculated according to the amortized cost of the Hetz Bonds plus the excess value arising from the difference between the stated interest rate for the Hetz Bonds and the risk-free interest curve, plus the illiquidity premium used in the financial statements. This calculation is similar to the calculation method for solvency based on Solvency II. The cash flow estimate for Hetz Bonds is based on the projected future development of the backed insurance liabilities, calculated according to the allocation outline in the Hetz Bonds circular (Insurance Circular 2023-1-6, Amendment to the Provisions of the Consolidated Circular, Chapter 3, Part 4, Section 5; Reporting to the Commissioner of the Capital Market – Hetz Bonds dated March 21, 2023), and therefore includes assumptions for significant unobservable data, such as the annuity take-up rate (TUR), mortality rate, retirement age, and cancellation rate;
- Non-marketable equity instruments – the fair value of non-marketable equity instruments measured through profit or loss based on valuations generally provided by independent external valuers. The data in the valuations include mainly future profits, dividends, market discount rates, and earnings multiples of benchmark companies;
- Derivative financial instruments – derivative financial instruments with an active market are valued based on market prices, and instruments traded in several markets are assessed according to the most active market.
- For derivative financial instruments that are not traded in an active market, valuation models used by the Company in its ongoing operations are applied, taking into account the risks inherent in the financial instrument (such as market risk or credit risk);
- Other investments – mainly investments in ETFs, participation certificates in mutual funds and investment funds, and structured products with a fair value based on net asset value (NAV), typically provided by independent third parties (mainly investment managers).

Notes to the Condensed Consolidated Interim Financial Statements**NOTE 11 – Fair Value of Financial Instruments (contd.)****A. Financial instruments held against yield-dependent contracts**1. Fair value hierarchy of financial instruments

The following table presents an analysis of the financial assets (liabilities) held against insurance contracts and yield investment contracts measured at fair value through profit or loss.

	<u>As at March 31, 2025 (unaudited)</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
	<u>NIS millions</u>	<u>NIS millions</u>	<u>NIS millions</u>	<u>NIS millions</u>
Financial assets:				
Marketable debt instruments	19,612	4,070	-	23,682
Non-marketable debt instruments	(1)	9,021	1,066	10,086
Capital instruments	10,530	55	2,205	12,790
Other investments	14,573	122	11,777	26,472
Total financial assets	44,714	13,268	15,048	73,030
Financial liabilities:				
Derivative instruments	207	821	-	1,028
Total financial liabilities	207	821	-	1,028

	<u>As at March 31, 2024 (unaudited)</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
	<u>NIS millions</u>	<u>NIS millions</u>	<u>NIS millions</u>	<u>NIS millions</u>
Financial assets:				
Marketable debt instruments	19,981	2,747	-	22,728
Non-marketable debt instruments	-	9,797	1,044	10,841
Capital instruments	9,849	35	2,493	12,377
Other investments	15,127	130	10,968	26,225
Total financial assets	44,957	12,709	14,505	72,171
Financial liabilities:				
Derivative instruments	1	174	-	175
Total financial liabilities	1	174	-	175

	<u>As at December 31, 2024 (unaudited)</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
	<u>NIS millions</u>	<u>NIS millions</u>	<u>NIS millions</u>	<u>NIS millions</u>
Financial assets:				
Marketable debt instruments	21,281	2,582	-	23,863
Non-marketable debt instruments	-	9,221	872	10,093
Capital instruments	11,309	53	2,137	13,499
Other investments	14,533	352	11,382	26,267
Total financial assets	47,123	12,208	14,391	73,722
Financial liabilities:				
Derivative instruments	408	121	-	529
Total financial liabilities	408	121	-	529

Notes to the Condensed Consolidated Interim Financial Statements**NOTE 11 – Fair Value of Financial Instruments (contd.)****A. Financial instruments held against yield-dependent contracts (contd.)**2. Financial instruments measured at level-3 fair value hierarchy

	<u>For the three months ended March 31, 2025 (unaudited)</u>			
	<u>Financial assets</u>			
	<u>Non- marketable debt instruments</u>	<u>Capital instruments</u>	<u>Other investments</u>	<u>Total financial assets</u>
	NIS millions	NIS millions	NIS millions	NIS millions
Balance as at January 1, 2025	872	2,137	11,382	14,391
Total profits (losses) that were recognized:				
In profit or loss (*)	20	46	539	605
Interest and dividend receipts	(13)	(9)	(382)	(404)
Purchases	214	41	507	762
Sales	-	(10)	(268)	(278)
Redemptions	(27)	-	(1)	(28)
Balance as at March 31, 2025	<u>1,066</u>	<u>2,205</u>	<u>11,777</u>	<u>15,048</u>
(*) Recognized under profits (losses) from new investments from assets held to cover yield-dependent contracts				
Total profits (losses) for the period included in profit or loss for assets and liabilities held as at March 31, 2025:				
Net investment profits from assets held for sale backing yield-dependent insurance contracts and investment contracts	<u>39</u>	<u>46</u>	<u>538</u>	<u>623</u>

Notes to the Condensed Consolidated Interim Financial Statements**NOTE 11 – Fair Value of Financial Instruments (contd.)****A. Financial instruments held against yield-dependent contracts (contd.)**2. Financial instruments measured at level 3 fair value hierarchy (contd.)

	For the three months ended March 31, 2024 (unaudited)			
	Financial assets			
	Non- marketable debt instruments	Capital instruments	Other investments	Total financial assets
	<u>NIS millions</u>	<u>NIS millions</u>	<u>NIS millions</u>	<u>NIS millions</u>
Balance as at January 1, 2024	1,002	2,408	10,644	14,054*
Total profits (losses) that were recognized:				
In profit or loss (*)	123	53	236	412
Interest and dividend receipts	(15)	(10)	(78)	(103)
Purchases	99	49	340	488
Sales	-	(7)	(174)	(181)
Redemptions	(156)	-	-	(156)
Transfers from Level 3	(9)	-	-	(9)
Balance as at March 31, 2024	<u>1,044</u>	<u>2,493</u>	<u>10,968</u>	<u>14,505</u>
(*) Recognized under profits (losses) from new investments from assets held to cover yield-dependent contracts				
Total profits (losses) for the period included in profit or loss for assets and liabilities held as at March 31, 2024:				
Net investment profits from assets held for sale backing yield-dependent insurance contracts and investment contracts	<u>19</u>	<u>60</u>	<u>237</u>	<u>316</u>

* See Note 16 regarding the application of IFRS 1, *First-time Adoption of International Financial Reporting Standards*, which includes the initial application of IFRS 17, *Insurance Contracts*, and IFRS 9, *Financial Instruments*. Relevant comparative figures were restated

Notes to the Condensed Consolidated Interim Financial Statements**NOTE 11 – Fair Value of Financial Instruments (contd.)****A. Financial instruments held against yield-dependent contracts (contd.)**2. Financial instruments measured at level 3 fair value hierarchy (contd.)

	For the year ended December 31, 2024 (unaudited)			
	Financial assets			
	Non- marketable debt instruments	Capital instruments	Other investments	Total financial assets
	<u>NIS millions</u>	<u>NIS millions</u>	<u>NIS millions</u>	<u>NIS millions</u>
Balance as at January 1, 2024	1,002	2,408	10,644	14,054*
Total profits (losses) that were recognized:				
In profit or loss (*)	47	(82)	629	594
Interest and dividend receipts	(62)	(46)	(479)	(587)
Purchases	181	94	1,563	1,838
Sales	-	(237)	(975)	(1,212)
Redemptions	(286)	-	-	(286)
Transfers from Level 3	(10)	-	-	(10)
Balance as at December 31, 2024	<u>872</u>	<u>2,137</u>	<u>11,382</u>	<u>14,391</u>
(*) Recognized under profits (losses) from new investments from assets held to cover yield-dependent contracts				
Total profits (losses) for the period included in profit or loss for assets and liabilities held as at December 31, 2024:				
Profits (losses) from new investments from assets held to cover yield-dependent contracts	<u>(6)</u>	<u>(63)</u>	<u>626</u>	<u>557</u>

* See Note 16 regarding the application of IFRS 1, *First-time Adoption of International Financial Reporting Standards*, which includes the initial application of IFRS 17, *Insurance Contracts*, and IFRS 9, *Financial Instruments*. Relevant comparative figures were restated

Notes to the Condensed Consolidated Interim Financial Statements**NOTE 11 – Fair Value of Financial Instruments (contd.)****B. Other financial instruments not held against yield-dependent contracts**1. Fair value hierarchy of financial instruments

Analysis of financial instruments measured at fair value through profit or loss

	As at March 31, 2025 (unaudited)			
	Level 1	Level 2	Level 3	Total
	NIS millions	NIS millions	NIS millions	NIS millions
Financial assets:				
Non-marketable debt instruments other than earmarked bonds	-	15,041	521	15,562
Earmarked bonds	-	-	6,594	6,594
Marketable debt instruments	10,165	351	-	10,516
Capital instruments	1,716	20	1,061	2,797
Other investments	1,699	188	4,387	6,274
Total financial assets	13,580	15,600	12,563	41,743
Financial liabilities:				
Derivative instruments	5	649	-	654
Other financial liabilities	15,614	2,342	-	17,956
Total financial liabilities	15,619	2,991	-	18,610

	As at March 31, 2024 (unaudited)			
	Level 1	Level 2	Level 3	Total
	NIS millions	NIS millions	NIS millions	NIS millions
Financial assets:				
Non-marketable debt instruments other than earmarked bonds	-	13,159	447	13,606
Earmarked bonds	-	-	6,763	6,763
Marketable debt instruments	8,445	468	-	8,913
Capital instruments	1,708	10	669	2,387
Other investments	2,377	265	3,986	6,628
Total financial assets	12,530	13,902	11,865	38,297
Financial liabilities:				
Derivative instruments	-	112	-	112
Other financial liabilities	6,184	-	-	6,184
Total financial liabilities	6,184	112	-	6,296

Notes to the Condensed Consolidated Interim Financial Statements

NOTE 11 – Fair Value of Financial Instruments (contd.)**B. Other financial instruments not held against yield-dependent contracts (contd.)**1. Fair value hierarchy of financial instruments (contd.)

	As at December 31, 2024 (unaudited)			
	Level 1	Level 2	Level 3	Total
	NIS millions	NIS millions	NIS millions	NIS millions
Financial assets:				
Non-marketable debt instruments other than earmarked bonds	-	16,497	440	16,937
Earmarked bonds	-	-	6,638	6,638
Marketable debt instruments	9,511	425	-	9,936
Capital instruments	3,457	19	1,014	4,490
Other investments	2,168	355	4,232	6,755
Total financial assets	15,136	17,296	12,324	44,756
Financial liabilities:				
Derivative instruments	3	347	-	350
Other financial liabilities	14,610	3,805	-	18,415
Total financial liabilities	14,613	4,152	-	18,765

2. Financial instruments measured at level 3 fair value hierarchy

	For the three months ended March 31, 2025 (unaudited)				
	Financial assets				
	Non-marketable debt instruments other than earmarked bonds	Earmarked bonds	Capital instruments	Other investments	Total financial assets
	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions
Balance as at January 1, 2025	440	6,638	1,014	4,232	12,324
Total profits (losses) recognized in profit or loss*	47	(44)	38	208	249
Interest and dividend receipts	-	-	(3)	(192)	(195)
Purchases	58	-	12	216	286
Sales	(24)	-	-	(77)	(101)
Balance as at March 31, 2025	521	6,594	1,061	4,387	12,563
(*) Recognized under profits (losses) from other investments, net					
Total profits (losses) for the period included in profit or loss for assets and liabilities held as at March 31, 2025:					
Profits from investments, net of assets held to cover investment contracts and non-yield dependent contracts, capital, and other liabilities	-	-	6	197	203

Notes to the Condensed Consolidated Interim Financial Statements**NOTE 11 – Fair Value of Financial Instruments (contd.)****B. Other financial instruments not held against yield-dependent contracts (contd.)**2. Financial instruments measured at level-3 fair value hierarchy (contd.)

	<u>For the three months ended March 31, 2024 (unaudited)</u>				
	<u>Financial assets</u>				
	<u>Non- marketable debt instruments other than earmarked bonds</u>	<u>Earmarked bonds</u>	<u>Capital instruments</u>	<u>Other investments</u>	<u>Total financial assets</u>
	<u>NIS millions</u>	<u>NIS millions</u>	<u>NIS millions</u>	<u>NIS millions</u>	<u>NIS millions</u>
Balance as at January 1, 2024	493	6,638	675	3,857	11,663*
Total profits (losses) that were recognized:					
Total profits (losses) recognized in profit or loss (*)	(46)	125	(12)	59	126
Interest and dividend receipts	-	-	-	(26)	(26)
Purchases	-	2	6	133	141
Sales	-	-	-	(37)	(37)
Settled	-	(2)	-	-	(2)
Balance as at March 31, 2024	447	6,763	669	3,986	11,865
(*) Recognized under profits (losses) from other investments, net					
Total profits (losses) for the period included in profit or loss for assets and liabilities held as at March 31, 2024:					
Profits (losses) from investments, net of assets held to cover investment contracts and non-yield dependent contracts, capital, and other liabilities	-	-	(14)	69	55

* See Note 16 regarding the application of IFRS 1, *First-time Adoption of International Financial Reporting Standards*, which includes the initial application of IFRS 17, *Insurance Contracts*, and IFRS 9, *Financial Instruments*. Relevant comparative figures were restated

Notes to the Condensed Consolidated Interim Financial Statements**NOTE 11 – Fair Value of Financial Instruments (contd.)****B. Other financial instruments not held against yield-dependent contracts (contd.)**2. Financial instruments measured at level-3 fair value hierarchy (contd.)

	<u>For the year ended December 31, 2024 (unaudited)</u>				
	Financial assets				
	Non- marketable debt instruments other than earmarked bonds	Earmarked bonds	Capital instruments	Other investments	Total financial assets
	<u>NIS millions</u>	<u>NIS millions</u>	<u>NIS millions</u>	<u>NIS millions</u>	<u>NIS millions</u>
Balance as at January 1, 2024	493	6,638	675	3,857	11,663*
Total profits (losses) that were recognized:					
Total profits (losses) recognized in profit or loss (*)	(53)	388	(14)	180	501
Interest and dividend receipts	-	(265)	(9)	(152)	(426)
Purchases	-	226	503	622	1,351
Sales	-	-	(141)	(275)	(416)
Settled	-	(349)	-	-	(349)
Balance as at December 31, 2024	<u>440</u>	<u>6,638</u>	<u>1,014</u>	<u>4,232</u>	<u>12,324</u>
(*) Recognized under profits (losses) from other investments, net					
Total profits (losses) for the period included in profit or loss for assets and liabilities held as at December 31, 2024:					
Profits (losses) from investments, net of assets held to cover investment contracts and non-yield dependent contracts, capital, and other liabilities	-	-	(7)	188	181

* See Note 16 regarding the application of IFRS 1, *First-time Adoption of International Financial Reporting Standards*, which includes the initial application of IFRS 17, *Insurance Contracts*, and IFRS 9, *Financial Instruments*. Relevant comparative figures were restated

Notes to the Condensed Consolidated Interim Financial Statements**NOTE 11 – Fair Value of Financial Instruments (contd.)****C. Financial instruments at fair value for disclosure purposes only (contd.)**

	As at December 31, 2024	
	(unaudited)	
	Carrying	Fair value
	amount	
	NIS millions	NIS millions
Non-marketable financial assets:		
Deposits in banks and financial institutions	7,129	7,139
Non-marketable corporate bonds	436	523
Loans	2,140	2,180
Other non-marketable debt instruments	5,285	6,638
Total non-marketable debt instruments	<u>14,990</u>	<u>16,480</u>
Total financial assets	<u>14,990</u>	<u>16,480</u>
Financial liabilities:		
Bank loans	918	882
Non-bank loans	200	200
Loans from other interested parties	166	166
Bonds	14,610	14,336
Commercial security	100	100
Short-term credit from banks and others	2,362	2,362
Financial guarantees	39	33
Other liabilities	20	20
Total financial liabilities	<u>18,415</u>	<u>18,099</u>

Notes to the Condensed Consolidated Interim Financial Statements

NOTE 12 - Contingent Liabilities, Guarantees, and Commitments**A. Contingent liabilities**

There is a general exposure which cannot be evaluated and/or quantified due, among other things, from the complexity of the services provided by the Group to its insured and its customers. Among other things, the complexity of these arrangements incorporates the potential for interpretive and other arguments, in part due to information gaps between the Group's companies and other parties to the insurance contracts and the Group's other products, pertaining to a long series of commercial and regulatory conditions, including arguments regarding the way in which the moneys of insureds and members are invested. It is impossible to anticipate in advance the types of arguments that might be raised in this area, and the exposure resulting from these and other allegations in connection with the Group's products which are raised as part of the various legal proceedings, among other things, through a mechanism of hearings set forth in the Class Actions Law.

New interpretations of the information in insurance policies and long-term term pension products may, in some instances, affect the Group's future profits in respect of the existing portfolio, in addition to the exposure inherent in requirements to compensate customers for past activity. Likewise, there is an element of exposure due to regulatory changes and instructions issued by the Commissioner, in circulars that are in force and in draft circulars that are still under discussion, as well as in the Commissioner's Position Papers and Decisions in Principle on various topics, some of which have far-reaching legal and operational ramifications. This exposure is particularly strong in pension savings and long-term insurance, including health insurance. In these segments, agreements with the policyholders, members and customers are over a period of many years during which there may be policy changes, regulatory changes and changes in the law, including in case law. These rights are managed through complex automated systems, and in view of these changes they must be constantly adjusted. All these create considerable operational and mechanization exposure in these areas of activity. The Group's financial institutions have an enforcement plan according to which they review compliance with the regulatory provisions and take action to correct any deficiencies found.

Additionally, there is a general exposure due to complaints submitted from time to time to the Capital Markets, Insurance and Savings Authority against the Group's financial institutions, regarding the rights of insureds relating to the insurance policies and/or the law. These complaints are handled on a current basis by the public complaints division within the Company. The decisions of the Capital Market, Insurance and Savings Authority on these complaints, if and to the extent that any decision is made, might be given across the board and apply to large groups of insureds. Additionally, sometimes, the complaining entities even threaten to take action regarding their complaints in the form of class actions. At this time, it is impossible to estimate whether there is any exposure for such complaints and it is not possible to estimate whether the Capital Market, Insurance and Savings Authority will issue an across-the-board decision on these complaints and/or if class actions will be filed as a result of such processes, and it is impossible to estimate the potential exposure to such complaints. Therefore, no provision for this exposure has been included. Furthermore, as part of the policy applied by the Capital Market, Insurance and Savings Authority to enhance the controls and audits of financial institutions, from time to time the Authority conducts in-depth audits of a variety of activities of the Group's financial institutions. As a result of these audits, the Ministry of Finance may impose fines and/or financial penalties and it may also order that changes should be made regarding various operations, both in the past and in the future. Regarding instructions regarding past activity, the Capital Market, Insurance and Savings Authority might request the restitution of money or a change in conditions vis-à-vis policyholders and/or fund members which may impose financial liabilities on the Company's subsidiaries and/or increase the exposure of the subsidiaries that are insurers to a broader range of insurance events to be covered on account of these instructions, in policies that were issued.

As part of audits conducted by various regulatory authorities, including the Capital Market, Insurance and Savings Authority, in the reporting period a number of in-depth audits were and are being conducted on pension and provident, health insurance, non-life insurance, claims settlement, in the life insurance and long-term care segments, information systems and computerized databases, customer service and public complaints and also on the collection of statistical information (claims).

Notes to the Condensed Consolidated Interim Financial Statements

NOTE 12 - Contingent Liabilities, Guarantees, and Commitments (contd.)**A. Contingent liabilities (contd.)**

On March 17, 2024, Harel Insurance received a demand for a refund according to which Harel Insurance and Shirbit Insurance Ltd. (whose insurance activity is merged into Harel Insurance) are required to refund amounts of premiums in cases where the companies produced more than one compulsory motor insurance policy for the same vehicle. The refund demand is the result of an audit by the Capital Market, Insurance and Savings Authority at several insurance companies. A preliminary review shows that the recovery amounts are not expected to be substantial.

Within the context of investments made by the Group companies in debt assets, the investing companies are signed on indemnity notes of unlimited amounts vis-a-vis the trustees of the debt assets. In these indemnity notes, the Group companies (as well as the other investors in those debt assets), undertook towards the trustees to indemnify the trustees for any expense that may be imposed on them during the handling of the debt arrangements, insofar as they handle such arrangements and insofar as the said expense is not paid by the company which owns the assets. The Group companies hold several debt assets that are in an arrangement process. The exposure relating to the indemnity notes that were given in respect of these debt assets is insignificant.

In connection with a merger of the insurance activity of Dikla into Harel Insurance, and based on a request by Clalit Health Services which is Dikla's main customer and where, as part of the agreement with Clalit Dikla provides operating and management services for the Supplementary Health Services Plan and the Long-term Care plan for Clalit's members, Harel Insurance signed an indemnity note in which it undertook to indemnify Clalit Health Services for losses sustained by Clalit if and insofar as any losses are sustained, as a result of a spin-off of operations, under the conditions set out in the indemnity note.

On December 1, 2021, Harel Insurance acquired the insurance activity of Shirbit, including the rights and obligations incorporated therein.

Following is information about the exposure to class actions and motions to recognize claims as class actions filed against the Company and/or companies in the Group.

For motions to certify legal actions as class actions as detailed below, which are, in management's opinion based among other things on legal opinions that it received, where it is more likely than not that the defense arguments of the Company (or subsidiary) and certification of the action as a class action will be accepted, or where there is a 50% or more chance that in the final outcome the Company's (or subsidiaries) arguments will be accepted, where it is reasonable that a proposed compromise settlement, that does not include a significant undertaking for monetary payment will be accepted, no provision has been included in the financial statements. Regarding applications to approve a legal action, fully or partly, as class action regarding a claim, where it is more reasonable than not that the Company's defense arguments are likely to be rejected, the financial statements include provision to cover the exposure estimated by the Company's management and/or the managements of subsidiaries. In the opinion of the Company's management, based, among other things, on legal opinions it received, the financial statements include adequate provision, where such provision is necessary, to cover the estimated exposure by the Company and/or subsidiaries.

Regarding motions to certify an action as a class action under sections 26, 32, 41, 44, 46, 47, 48, 49, 50, and 51 below, it is not possible at this early stage to estimate the chances that the applications will be approved as a class action and therefore no provision was included in the financial statements for these claims.

Notes to the Condensed Consolidated Interim Financial Statements

NOTE 12 - Contingent Liabilities, Guarantees, and Commitments (contd.)**A. Contingent liabilities (contd.)**

1. In January 2008, an action was filed in the Tel Aviv District Court against the subsidiary Harel Insurance and against four additional insurance companies (hereinafter together: "the Defendants") together with a motion for its certification as a class action. The subject of the action is a claim that the respondents unlawfully collected "sub-annual factor payments" (a fee that insurance companies are allowed to collect when the amount of the annual premium is paid in several installments). The plaintiffs claim damages in the amount of NIS 1,683.54 for each year of insurance. The plaintiffs estimate that the total claim for the entire class that they seek to represent against all defendants is NIS 2.3 billion, of which NIS 307 million is against Harel Insurance. On February 1, 2010, the court approved a request for a procedural arrangement between the parties, whereby the plaintiff will strike out from the motion and the action the claim that Harel Insurance collected a sub-annual factor fee exceeding the rate permitted in policies that were issued before 1992 as well. As instructed by the court, the plaintiff submitted an amended claim and motion for its certification as a class action. On December 29, 2013 the Commissioner submitted a position that supports the position of the Defendants that there is no impediment to collecting sub-annual policy factors, on the savings component of life insurance combined savings and other term policies, including long-term care, work disability and accident disability. On July 19, 2016, the Tel Aviv District Court approved the claim as a class action in connection with the collection of a sub-annual factor on the premium component which is known as the policy factor and on the savings component in combined savings and life insurance policies, and in connection with the collection of a sub-annual policy factor in health, disability, critical illness, work disability and long-term care policies. In December 2016, an application was filed for permission to appeal the decision of Tel Aviv District Court. Following a decision of the Supreme Court from January 2017, the respondents responded to the motion for permission to appeal the decision to certify the action as a class action and it was heard by a panel of judges. In April 2017, the Supreme Court accepted the request for a stay of implementation that was filed by the Defendants and it determined that the hearing would be stayed until a decision has been made on the application for permission to appeal and on the appeal. . On May 31, 2018, the Supreme Court received the motion for leave to appeal, heard it as an appeal and accepted it, reversing the judgment of the District Court and dismissing the motion for certification of the action as a class action. On June 26, 2018, a motion was served to Harel Insurance to hold a further hearing on the judgment that the plaintiffs filed in the Supreme Court. In its decision from July 2, 2019, the Supreme Court instructed that another hearing on the judgment should take place before a panel of seven judges. In November 2019, the Attorney General announced that he would appear at the proceeding in person and in February 2020 he submitted his position supporting the judgment and the trend it reflects for strengthening the weight that should be given to the regulator's professional position in the interpretation of his instructions and that in his view, there is no room to intervene in the decision made in the judgment which is the subject of the proceeding regarding adopting the interpretive position of the Capital Market Authority. In July 2020, a further hearing on the judgment was held in the presence of a panel of seven judges and on July 4, 2021, a ruling was handed down in the additional hearing whereby the decision of the District Court, which determined that the motion for certification was accepted, it will remain unchanged and the case will be returned to the District Court for a hearing on the class action. The parties are in the process of mediation.

Notes to the Condensed Consolidated Interim Financial Statements

NOTE 12 - Contingent Liabilities, Guarantees, and Commitments (contd.)**A. Contingent liabilities (contd.)**

2. In May 2013, an action was filed in the Tel Aviv District Court, together with a motion for its certification as a class action against the subsidiary Harel Insurance. The subject of the action is the allegation that Harel Insurance ostensibly refrains from paying insurance benefits to its policyholders together with linkage differences and interest, from the date of occurrence of the insured event up to the payment date of the insurance benefits, and alternatively, for the period commencing from 30 days after the insurance claim is filed and up to the actual date of payment of the insurance benefits. The total loss claimed for all members of the class amounts to sums varying from NIS 168 million to NIS 807 million. The mediation between the parties was unsuccessful and litigation of the action was returned to the court. On August 30, 2015, the Tel Aviv District Court partially accepted the motion for certification, such that conducting of the claim as a class action was approved regarding the argument concerning non-payment of interest as required under Section 28(A) of the Insurance Contract Law ("the Law"), and the motion was dismissed insofar as it relates to the argument that Harel Insurance does not link the insurance benefits in accordance with the provisions of Section 28(A) of the Law. The plaintiffs estimate that the overall loss claimed for all members of the class in relation to the Company according to the amended statement of claim amounts to NIS 120 million. In October 2015, an application was filed for permission to appeal the decision to certify the motion as a class action. In accordance with the court's recommendation, in August 2016, the Defendants withdrew the motion for permission to appeal. On February 28, 2021, a partial ruling was given on the action (the "Partial Ruling") adopting the ruling in the certification decision according to which the class action was accepted. According to the Partial Ruling, the class is defined as any eligible person (insured, beneficiary or third party) who in the period commencing three years prior to filing the action and its termination on the day the Partial Ruling was handed down, received from Harel Insurance, not in accordance with a judgment handed down in the case, insurance compensation, without the inclusion of interest by law. Furthermore, the court stipulated that for the purpose of exercising the ruling, an expert will be appointed to determine the method of refunding the class members and calculating the amount of the refund, and it also determined that expenses will be paid to the representative plaintiffs and legal costs to their attorneys. In May 2021, Harel Insurance filed an appeal on the partial ruling in the Supreme Court. In June 2021, the Supreme Court accepted the Defendants' motion to stay implementation of the partial ruling in the sense that the proceeding to appoint an expert for implementation of the partial ruling will be delayed until a decision is made on the appeal proceeding. In November 2022, the Supreme Court denied the appeal on the partial ruling, in the absence of grounds for judicial intervention in an interim decision. It was also stipulated that the appropriate place to investigate the appeal arguments is in the form of an appeal on the final judgment. The parties are in the process of mediation.
3. In April 2014, an action was filed in the Tel Aviv District Court together with a motion for its certification as a class action against the subsidiary Harel Insurance. The subject of the action is the allegation that Harel Insurance pays the holders of Hiyunit profit-sharing policies for work disability and long-term care insurance ("the Policy") monthly compensation (which consists of monthly compensation and the outstanding bonus), which is ostensibly calculated in contravention of the Policy provisions, and that Harel Insurance, allegedly, does not pay the policyholders the bonus they have accrued up to the date of payment of the first monthly compensation according to the Policy. The total loss claimed for all members of the class that the plaintiff seeks to represent amounts to NIS 381 million. In March 2019, the Tel Aviv District Court certified litigation of the action as a class action ("the Decision"). The class in whose name the class action is to be litigated is all insureds in profit-sharing life-insurance policies managed by Harel Insurance, in which the insurance benefits are paid based on an Rm formula. In July 2019, Harel Insurance filed a motion for leave to appeal the ruling in the Supreme Court. On July 22, 2019, Harel Insurance was served with an appeal in the Supreme Court which was filed by the plaintiff in the motion for certification, on that part of the decision in which the District Court ruled not to certify litigation of the claim as a class action on the grounds of deception and that the definition of the class in the class action did not also include past insureds, including beneficiaries and heirs of insureds in the insurance policies in respect of which the claim had been certified as a class action. At the hearing, which took place in the Supreme Court on September 13, 2021, it was agreed that the class for which the class action was approved would be reduced and it was stipulated that it also includes past insureds and that the prescription period in respect of the insurance benefits is 3 years. Subject to this, with the consent of the parties, the motion for permission to appeal and the appeal were dismissed.

Notes to the Condensed Consolidated Interim Financial Statements

NOTE 12 - Contingent Liabilities, Guarantees, and Commitments (contd.)**A. Contingent liabilities (contd.)**

4. In July 2014, a motion was filed in the Lod-Center District Court for certification of a claim as a class action against the subsidiary Harel Pension & Provident and against four other pension management companies “the Defendants”). The subject of the action is the allegation that the Defendants raise the management fees paid by pension fund members from the cumulative savings (accrued balance) to the maximum rate permitted by law on the date on which the members become pensioners, receive their retirement benefit and they are no longer able to move their pension savings. In this way, the Defendants ostensibly apply the contractual right to which they are entitled under the provisions of the pension fund articles, in an unacceptable manner, in bad faith, and contrary to the provisions of the law. According to the plaintiffs, the total loss claimed for all members of the class they seek to represent amounts to NIS 48 million against all the Defendants. The court passed the application to the Commissioner for his opinion on the questions arising from the motion for certification. In September 2017, the Commissioner’s position was submitted supporting the Defendants’ position whereby the rate of the management fees collected from members in the savings period is not equal to the rate of management fees collected from post-retirement annuity recipients, given that they relate to two different periods and have different characteristics. The post-retirement management fees are reset at the time of retirement and are unrelated to the rate prior to retirement. This is therefore not considered an increase in the management fees but rather setting the rate of the management fees for the period of retirement. The “Management Fees Circular” which addresses the obligation of the management companies to notify their members does not apply to the setting of management fees for pensioners; and the obligation to give notice of a change in the management fees by virtue of the circular does not apply to the management companies regarding annuity recipients. The mediation between the parties was unsuccessful and litigation of the action was returned to the court. On March 18, 2022, the Lod-Center District Court certified litigation of the claim as a class action. The class in whose name the class action is to be litigated is anyone who is a member of a comprehensive pension fund which is listed as one of the Defendants, and who is eligible to receive an old-age pension and/or may in future be eligible to receive an old-age pension. The parties are in the process of mediation.
5. In September 2015, an action was filed in the Lod-Center District Court, together with a motion for its certification as a class action, against the subsidiaries Harel Insurance and Dikla Insurance Agency Ltd. (in its previous name Dikla Insurance Company Ltd.) (“Dikla”) and against three other insurance companies (hereinafter together: “the Defendants”). The subject of the action is the allegation that the Defendants allegedly adopted an interpretive approach whereby to recognize an insured in the investigation of a claim for long-term care as one who suffers from incontinence, this condition must be the outcome of a urological or gastroenterological illness or ailment only. This, ostensibly, in contravention of the provisions of the insurance policy. The plaintiffs have not quantified the loss claimed for all members of the class they seek to represent, but they estimate it to be hundreds of millions of shekels. The mediation between the parties was unsuccessful and litigation of the action was returned to the court. In April 2020, the Central District Court approved litigation of the claim as a class action against Harel Insurance, Dikla and against two other insurance companies, on the grounds of breach of the long-term care insurance contract that led to non-payment or underpayment of the long-term care benefits due to non-recognition of the insureds as being eligible to points for incontinence (control of bowel and bladder functions). The class in whose name the class action is being conducted is anyone who had long-term care insurance that was sold by one of the Defendants against whom the action was certified as a class action and who suffered from the loss of ability to independently control bowel or bladder functions as a result of a combination of impaired control of these functions that has not developed to organic loss of control with deteriorated functional condition, and nevertheless did not receive from the Defendants against whom the claim was certified as a class action (as applicable) points for incontinence in the assessment of their claim to receive long-term care benefits, in a manner that led to an infringement of their rights to insurance compensation in the period between September 8, 2012 and the date of approval of the action as a class action. The parties are in the process of mediation.

Notes to the Condensed Consolidated Interim Financial Statements

NOTE 12 - Contingent Liabilities, Guarantees, and Commitments (contd.)**A. Contingent liabilities (contd.)**

6. In September 2015, an action was filed in the Tel Aviv District Court, together with a motion for its certification as a class action against the subsidiary Harel Pension & Provident and against four other companies (hereinafter together: “the Defendants”). The subject of the action is the allegation that the Defendants were ostensibly in breach of their fiduciary duties towards the members of the provident funds they manage by paying commissions to the insurance agents at a rate derived from the management fees they collect from the members, thereby compensating the agents by an amount that increases in line with the increase in the management fees. Their argument is that the Defendants ostensibly practiced unjust enrichment by creating a mechanism aimed at increasing the management fees in favor of the agents and management companies. The plaintiffs estimate the loss for all members of the class they seek to represent in the amount of NIS 300 million per annum since 2008 and in total NIS 2 billion. In November 2022, the Jerusalem District Court denied the motion for certification of the action as a class action. On January 19, 2023, the subsidiary Harel Pension & Provident was served with an appeal on the judgment which the plaintiffs in the motion for certification filed in the Supreme Court.
7. In September 2015, an action was filed in the Tel Aviv District Court, together with a motion for its certification as a class action, against Shirbit and against another insurance company. The subject of the action is the allegation that Shirbit allegedly refrains from paying insurance benefits to its insureds, together with interest and linkage differences, for the period from the occurrence of the insured event until the time of payment of the insurance payments, and alternatively, for the period commencing from 30 days after the insurance claim is filed and up to the actual date of payment of the insurance benefits. The total loss claimed for members of the class against Shirbit is NIS 10 million. On May 26, 2021, the Tel Aviv District Court accepted the motion for certification. According to the ruling, the class is defined as any eligible person (insured, beneficiary or third party) who, in the period commencing three years prior to filing the action and ending on the date the action was certified as a class action, received from Shirbit, not in accordance with the judgment that was handed down, insurance benefits without the addition of interest as required by law. In September 2021, Shirbit, together with other insurance companies who were sued in a number of motions for certification on the same grounds (“the Defendants”), filed a motion for a stay of proceedings on the action, until a ruling is given on an appeal filed in the Supreme Court as part of another class action that was approved on an identical matter against other insurance companies, including Harel Insurance (see Section (A)(2) above). In October 2021, the court denied the motion for a stay of proceedings. In January 2022, the Defendants filed another motion for a stay of proceedings. In March 2022, the District Court ordered a stay of proceedings until a ruling is given on an appeal filed in the Supreme Court on the corresponding claim and it instructed that the action should be litigated jointly following the ruling on the appeal. In November 2022, the Supreme Court denied the appeal on the partial ruling in the corresponding claim, in the absence of grounds for judicial intervention in an interim decision. It was also stipulated that the appropriate place to investigate the appeal arguments is in the form of an appeal on the final judgment. In May 2023, the court revoked its decision concerning a joint proceeding for the action with a corresponding claim and it instructed that the claims should be heard separately.
8. In October 2016, an action was filed in the Tel Aviv District Court, together with a motion for its certification as a class action against the subsidiary Harel Insurance. The subject of the action is the allegation that until the annual report for 2015, Harel Insurance ostensibly neglected to disclose to its insureds, who purchased long-term care insurance with a variable premium, what premium they will be charged from the age of 65, despite the fact that, according to the plaintiff, the premium on this policy increases by hundreds of percent at the age of 65. The plaintiff argues that Harel Insurance is therefore in breach of a statutory obligation and in breach of the obligation to provide disclosure, in breach of agreement, acts in bad faith, practices unjust enrichment and acts negligently. The plaintiff further argues that charging insureds for future premiums based on tariffs that are unknown to them is a discriminatory condition in a standard contract. The plaintiff has not quantified the total loss claimed for all members of the class that it seeks to represent against Harel Insurance, although it estimates it to be millions of shekels. In July 2017, the court approved the plaintiff’s motion to amend the motion for certification so that it also addresses the claim whereby Harel Insurance ostensibly neglected to present to its insureds before they join the policy, the premium they would pay from the age of 65, despite the fact that it is obligated to do so according to the Commissioner’s circular.

Notes to the Condensed Consolidated Interim Financial Statements

NOTE 12 - Contingent Liabilities, Guarantees, and Commitments (contd.)**A. Contingent liabilities (contd.)**

8. (contd.)

In August 2017, an amended motion was filed for certification the action as a class action. The subject of the amended motion is the allegation that Harel Insurance ostensibly neglected to present to its insureds who have long-term care insurance with a variable premium, in the enrollment form and/or in the general conditions of the policy, the premium they would pay from the age of 65 onwards, before they enrolled in the insurance. In March 2019, the court ordered the transfer of the application for obtaining the Commissioner's position regarding the dispute underlying the motion for certification. In November 2019, the Commissioner's position was received according to which the provisions of Circular 2001/9 "Fair Disclosure for Insureds Enrolling in Health Insurance Policies" ("the Circular") issued by the Authority as well as the statutory provisions, obligate insurers to inform candidates for insurance at the time of purchasing the insurance of the way in which premiums may change, but the text of the Circular does not address the question of how this obligation must be fulfilled prior to enrollment and whether the obligation must be fulfilled in writing. The mediation between the parties was unsuccessful and litigation of the action was returned to the court. On February 22, 2023, the parties informed the court that they had managed to reach agreements in principle. In July 2024, the parties filed a motion in the Tel Aviv District Court to certify a settlement agreement in which it was agreed, among other things, that Harel Insurance will pay the class members a lump-sum amount of compensation based on the mechanism set out in the settlement agreement.

9. In June 2018, a claim was filed in the Jerusalem District Court together with a motion for its certification as a class action against the subsidiary Harel Insurance and against another insurance company (hereinafter together: "the Defendants"). The subject of the action is the allegation that the Defendants refuse to recognize surgery performed for which there is a medical need as an insured event under the conditions of their health insurance policies, on the grounds that it is preventive surgery. The plaintiff has not estimated the total loss claimed by all members of the class that it seeks to represent. In September 2020, the court instructed that the Commissioner's position on the issues arising from the motion for certification should be accepted. In February 2021, the Commissioner's position was accepted that based on the proper and appropriate interpretation of the definition of the term "surgery" according to Insurance Circular 2004/20 concerning the definition of medical procedures in health insurance ("the Surgery Circular"), which was issued by the Commissioner of Insurance, a private health insurance policy provides the insured with a safety net against the illnesses listed in the policy, which also includes cover for surgery which will prevent these illnesses from developing or occurring. In January 2022, the Jerusalem District Court certified litigation of the action as a class action. The class in whose name the class action is to be conducted is any person who entered into a health insurance contract with the Defendants, which includes insurance cover for surgery, and whose claim for performing surgery was dismissed on the grounds that the surgery is preventive and is not covered in the policy (even if the reason was presented differently in the letter of dismissal). In May 2022, the subsidiary Harel Insurance filed a motion for leave to appeal the ruling in the Supreme Court. On January 7, 2024, the Supreme Court dismissed the motion for leave to appeal and the motion for leave to appeal filed by the additional defendant, on the grounds that it is reasonably possible that the issues arising in the motion for approval will be ruled in favor of the Group and allowed its management as a class action. The mediation between the parties was unsuccessful.

Notes to the Condensed Consolidated Interim Financial Statements

NOTE 12 - Contingent Liabilities, Guarantees, and Commitments (contd.)**A. Contingent liabilities (contd.)**

10. In February 2019, an action was filed in the Lod-Center District Court together with a motion for its certification as a class action against the subsidiary Harel Insurance. The subject of the action is the allegation that Harel Insurance asked insureds in a group policy for the employees of Israel Electric, who received insurance benefits from which tax was not withheld at source, to return the amounts it had paid for these tax payments. The plaintiff does not quantify the total loss caused to all members of the class it seeks to represent but it estimates the loss at more than NIS 3 million. In July 2020, Harel Insurance filed a motion for summary abandonment of the motion for certification of the claim as a class action. In September 2020, the court accepted the motion filed by Harel Insurance for summary abandonment of the motion for certification of the action as a class action, and it instructed that the motion for certification should be summarily dismissed. In November 2020, a motion was served to Harel Insurance to hold a further hearing on the judgment that the plaintiffs filed in the Supreme Court. Following a hearing that was held before the Supreme Court in February 2022, the court instructed the Attorney General to submit his position on a subject of principle arising from the appeal. In September 2022, the Attorney General submitted her position according to which approval should not be given to conduct a class defense by way of judicial legislation, but only by way of primary legislation. Nonetheless, in appropriate cases, a class action may be conducted for declarative relief. In January 2023, the Supreme Court accepted the appeal and returned the hearing to the Central District Court for it to hear the motion for certification of the action as a class action from outset.
11. In June 2019, an action was filed in the Tel Aviv District Labor Court, together with a motion for its certification as a class action, against the subsidiary Harel Insurance. The subject of the action is the allegation that Harel Insurance ostensibly collects payment from insureds in life insurance policies that include insurance in the event of death and a savings component (managers insurance), for a component relating to “investment management expenses”, the collection of which is permissible by law, but without contractual agreement in the policy conditions allowing it to collect this component. The plaintiff estimates the overall loss caused to all members of the class it seeks to represent in the amount of NIS 365.3 million.
12. In June 2019, an action was filed in the Tel Aviv-Jaffa District Court, together with a motion for its certification as a class action, against the subsidiary Harel Insurance and against three other insurance companies (hereinafter together: “the Defendants”). The subject of the action is the allegation that the Defendants ostensibly refrain from paying interest on insurance benefits to their insureds, from 30 days after the claim is filed. This action and motion address the same grounds as those in a previous action and motion for certification as a class action (“the First Claim”) which was partially certified as a class action on August 30, 2015 (“the Certification Decision”) by the Tel Aviv District Court and is currently being heard in its own right (see Section (A)(2) above), but they refer to a different period from the one for which the First Claim was certified and it was filed by the plaintiffs for reasons of caution and in parallel with their request to broaden the class represented in the First Claim also to the period from the issuing of the Certification Decision until the judgment is actually given. The plaintiffs estimate the total loss claimed for all members of the class they seek to represent against Harel Insurance in the amount of NIS 90 million, and against all the Defendants in the amount of NIS 264.4 million. In July 2020, the District Court ordered a stay of proceedings until a ruling is handed down in the first action.

Notes to the Condensed Consolidated Interim Financial Statements

NOTE 12 - Contingent Liabilities, Guarantees, and Commitments (contd.)**A. Contingent liabilities (contd.)**

13. In April 2020, an action was filed in the Haifa District Court, together with a motion for its certification as a class action, against the subsidiary Harel Insurance and against eleven other insurance companies (hereinafter together: “the Defendants”). The subject of the action is the allegation that the Defendants do not refund the holders of their compulsory motor, comprehensive and third-party insurance policies for premiums that were ostensibly overpaid by the policyholders in view of the alleged substantial reduction of the risk level to which the Defendants are exposed from March 2020 in view of the contraction of economic activity due to the outbreak of the COVID-19 pandemic and subsequent reduced volume of traffic. The plaintiffs estimate the total loss claimed for all members of the class they seek to represent against Harel Insurance in the amount of NIS 130 million, and against all the Defendants in the amount of NIS 1.2 billion. In June 2020, the court instructed that the hearing should be transferred to the Tel Aviv District Court. In October 2021, the Tel Aviv District Court ordered a stay of proceedings in the proceeding before it and this until after the ruling on the proceeding regarding a refund of premiums to insureds in policies for insuring business premises, employers liability insurance and third-party insurance on account of an alleged reduction of the risk to which the Defendants are exposed following the outbreak of Covid-19 and the restrictions on economic activity, in which context the Haifa District Court denied the motion to certify the action as a class action against Harel Insurance and other insurance companies, becomes absolute (“the Judgment in the Additional Proceeding”) or insofar as an appeal on the ruling is filed in the Supreme Court – until a judgment is handed down on the appeal. In December 2021, the District Court ordered the stay of proceedings to be lifted, after the Judgment in the Additional Proceeding had become absolute.
14. In April 2020, an action was filed in the Central District Court, together with a motion for its certification as a class action against the subsidiary Harel Insurance, against six other insurance companies and against the company that manages the pool for compulsory motor insurance (“the Pool) (hereinafter together: “the Defendants”). The subject of the action is the allegation that the Defendants do not refund the holders of their compulsory motor, comprehensive and third-party insurance policies premiums that were ostensibly overpaid by the policyholders in view of the alleged drastic reduction of the risk level to which the Defendants are exposed in view of the dramatic decrease in the number of claims filed with the Defendants due to the contraction of economic activity as a result of the outbreak of the COVID-19 pandemic and alleged subsequent reduction in the volume of traffic on the roads and percentage of road accidents in Israel. The plaintiffs estimate the total loss claimed for all members of the class they seek to represent against Harel Insurance in the amount of NIS 110 million, and against all the Defendants in the amount of NIS 720 million. In June 2020, the court instructed that the hearing should be transferred to the Tel Aviv District Court. In October 2021, the Tel Aviv District Court ordered a stay of proceedings in the proceeding before it and this until after the ruling on the proceeding regarding a refund of premiums to insureds in policies for insuring business premises, employers liability insurance and third-party insurance on account of an alleged reduction of the risk to which the Defendants are exposed following the outbreak of Covid-19 and the restrictions on economic activity, in which context the Haifa District Court denied the motion to certify the action as a class action against Harel Insurance and other insurance companies, becomes absolute (“the Judgment in the Additional Proceeding”) or insofar as an appeal on the ruling is filed in the Supreme Court – until a judgment is handed down on the appeal. In December 2021, the District Court ordered the stay of proceedings to be lifted, after the Judgment in the Additional Proceeding had become absolute.

Notes to the Condensed Consolidated Interim Financial Statements

NOTE 12 - Contingent Liabilities, Guarantees, and Commitments (contd.)**A. Contingent liabilities (contd.)**

15. In April 2020, an action was filed in the Haifa District Court, together with a motion for its certification as a class action, against Shirbit and against eleven other insurance companies (hereinafter together: "the Defendants") including Harel Insurance (see section (A)(13) above). The subject of the action is the allegation that the Defendants do not refund the holders of their compulsory motor, comprehensive and third-party insurance policies for premiums that were ostensibly overpaid by the policyholders in view of the alleged substantial reduction of the risk level to which the Defendants are exposed from March 2020 in view of the contraction of economic activity due to the outbreak of the COVID-19 pandemic and subsequent reduced volume of traffic. The plaintiffs estimate the total loss claimed for all members of the class they seek to represent against Shirbit in the amount of NIS 38 million, and against all the Defendants in the amount of NIS 1.2 billion. In June 2020, the court instructed that the hearing should be transferred to the Tel Aviv District Court. In October 2021, the Tel Aviv District Court ordered a stay of proceedings in a proceeding being heard by the court and this until after a ruling on a proceeding to which Shirbit is not a party regarding a refund of premiums to insureds in policies for insuring business premises, employers liability insurance and third-party insurance on account of an alleged reduction of the risk to which the Defendants are exposed following the outbreak of COVID-19 and the restrictions on economic activity, in which context the Haifa District Court dismissed the motion to certify an action as a class action that had been filed against other insurance companies, becomes absolute ("the Judgment in the Additional Proceeding") or insofar as an appeal is filed on the ruling in the Judgment in the Additional Proceeding in the Supreme Court – until a judgment is handed down on the appeal. In December 2021, the District Court ordered the stay of proceedings to be lifted, after the Judgment in the Additional Proceeding had become absolute.
16. In May 2020, an action was filed in the Tel Aviv District Court, together with a motion for its certification as a class action against the subsidiary Harel Pension & Provident and against thirteen other management companies (hereinafter together: "the Defendants"). The subject of the action is the allegation that the Defendants ostensibly classify part of the provisions for their customers to the education funds that they manage as taxable provisions, despite the fact that they are not considered as such. The plaintiffs have not quantified the loss claimed for all members of the class they seek to represent, but they estimate it, on the low side, in the amount of hundreds of millions of shekels. In April 2021, a motion was filed for permission to file a third-party notice against the Tax Authority. In August 2021, the Tax Authority responded to the motion and argued, among other things, that according to its position, the motion for certification should have been filed in an appropriate proceeding against the Tax Authority and not against the defendants and that there is no place to certify the motion in the manner in which it was filed. Furthermore, the court asked to instruct that the Tax Authority should be included as a respondent to the proceeding and to instruct it to submit its position on the arguments set out in the motion for certification. In February 2022, the court instructed that the Tax Authority should be included as a respondent in the proceeding. The Tax Authority submitted its response in August 2022 and, among other things, argued that the proceeding is inconsistent with investigation as a class proceeding and that the respondents operate in these contexts as a "conduit" to transfer money. The Authority rejected the applicants' position whereby the calculation should be annual, stated that the statutory calculation should be monthly, and explained that in its circulars, over the years, it allowed the calculation to be made on an aggregate monthly basis. The parties are in the process of mediation.
17. In July 2020, an action was filed in the Lod-Central District Court, together with a motion for its certification as a class action, against the subsidiary Harel Insurance and against four other insurance companies (hereinafter together: the Defendants"). The subject of the action is the allegation that the Defendants ostensibly do not reduce the insurance premiums for insureds determined with exclusions on account of a pre-existing medical condition despite the fact that the exclusions allegedly reduce the insurance risk relative to the risk in policies for insureds for whom similar exclusions were not determined. The plaintiffs estimate the total loss claimed for all members of the class they seek to represent against Harel Insurance in the amount of NIS 760 million, and against all the Defendants in the amount of NIS 1.9 billion.

Notes to the Condensed Consolidated Interim Financial Statements

NOTE 12 – Contingent Liabilities, Guarantees, and Commitments (contd.)**A. Contingent liabilities (contd.)**

18. In September 2020, an action was filed against the subsidiary Harel Insurance in the Tel Aviv District Court, together with a motion for its certification as a class action. The subject of the action is the allegation that Harel Insurance allegedly does not disclose to its travel insurance policyholders that the limitation relating to baggage insurance with respect to the maximum amount of compensation for loss or theft of an item also applies to the loss or theft of a valuable item. The plaintiffs estimate the total loss claimed for all members of the class they seek to represent in the amount of NIS 447 million. In December 2021, the court submitted the motion to the Commissioner to obtain his position in relation to the dispute underlying the motion for certification of the action as a class action. In March 2022, the Commissioner's position was submitted according to which Harel's interpretation is inconsistent with the simple wording of the policy. In April 2024, the Tel Aviv District Court certified litigation of the action as a class action. The class in whose name the class action will be litigated is anyone who purchased and/or was insured with a travel insurance policy with Harel Insurance in the three years preceding the filing of the motion for certification, and who had an insured incident of loss or theft of baggage defined as "valuable" with a value of more than USD 300, and was not compensated for the full amount, up to a total of USD 500, by Harel Insurance.
19. In December 2020, an action was filed in the Tel Aviv Jaffa District Court, together with a motion for its certification as a class action, against the subsidiary Harel Pension & Provident. The subject of the action is the allegation that Harel Pension & Provident does not, ostensibly, comply with the statutory provisions relating to the location of members with whom contact has been lost and relating to the location and notification of beneficiaries and heirs of deceased members. It is further alleged that Harel Pension & Provident ostensibly collected excess management fees in a manner contrary to the statutory provisions. The plaintiffs have not quantified the loss claimed for all members of the class they seek to represent, but they estimate it to be tens and even hundreds of millions of shekels. In September 2022, the Tel Aviv District Court partially certified litigation of the claim as a class action. The class in whose name the class action will be litigated is all the lawful beneficiaries and/or heirs of deceased members, as well as all members with whom contact has been severed and that Harel Pension & Provident collected from their accounts management fees at a rate in excess of the rate permitted by law, and this, from 2006 and up to the date of filing the motion for certification. The parties are in the process of mediation.
20. In March 2021, an action was filed in the Central District Court together with a motion for its certification as a class action against the subsidiary Harel Insurance. The subject of the action is the allegation that Harel Insurance ostensibly unlawfully rejects claims by insureds in personal accident policies for payment of compensation for hospitalization days in a medical center which is not a general hospital, on the grounds that the policy defines a "hospital" as a general hospital only, and that the policy is ostensibly worded in a misleading manner and in contravention of the law, while violating Circular 2001/9 of the Commissioner of Insurance on the subject of "proper disclosure for insureds when enrolling in a health insurance policy". The plaintiff does not quantify the total loss caused to all members of the class it seeks to represent but it estimates the loss at more than NIS 2.5 million. The parties are in the process of mediation.
21. In March 2021, an action was filed in the Tel Aviv District Court, together with a motion for its certification as a class action against the subsidiary Harel Insurance and against two other insurance companies (hereinafter together: "the Defendants"). The subject of the action is the allegation that the Defendants ostensibly reject claims by health insurance policyholders, which include cover for medications that are not included in the health services basket, in respect of the costs of medical cannabis, despite the fact that it is argued that medical cannabis ostensibly meets the definition of "medication" in the policies. The plaintiffs estimate the total loss claimed for all members of the class they seek to represent against all the Defendants in the amount of NIS 79 million. The parties are in the process of mediation.

Notes to the Condensed Consolidated Interim Financial Statements

NOTE 12 – Contingent Liabilities, Guarantees, and Commitments (contd.)**A. Contingent liabilities (contd.)**

22. In April 2021, an action was filed in the Tel Aviv District Court, together with a motion for its certification as a class action, against the Company and against 14 different financial institutions - banks, insurance companies, investment houses, credit companies and credit card companies (hereinafter together: “the Defendants”). The subject of the action is the allegation that personal information about the Defendants’ customers who utilize the digital services on the Defendants websites and apps is ostensibly passed on to third parties, particularly to Google and its advertising services, without the customers’ explicit consent. The plaintiffs have not quantified the loss claimed for all members of the class they seek to represent, but they estimate it to be millions of shekels. The mediation between the parties was unsuccessful and litigation of the action was returned to the court.
23. In July 2021, an action was filed in the Tel Aviv District Court, together with a motion for its certification as a class action, against the subsidiary Harel Insurance and against six other insurance companies (hereinafter together: “the Defendants”). The subject of the action is the argument that when calculating the monthly benefit paid to insureds in life insurance policies which include profit sharing from the investment portfolio, the Defendants allegedly deduct interest from the monthly return accrued to the insureds, without any appropriate stipulation to this effect in the policy conditions and without the rate of interest being specified in the policies. The plaintiffs have not quantified the loss claimed for all members of the class they seek to represent, but they estimate that it is more than NIS 2.5 million. The parties are in the process of mediation.
24. In September 2021, an action was filed in the Jerusalem District Court together with a motion for its certification as a class action against the subsidiaries Harel Pension & Provident and Harel Insurance (hereinafter together: “the Defendants”). The subject of the action is the allegation that the Defendants allegedly send advertisements by SMS and email and this, ostensibly, without obtaining the recipient’s consent to receive such advertisements, without specifying that it is advertising, without including a message concerning the right to refuse to receive advertisements and without providing an option to refuse. This ostensibly in contravention of the Communications (Telecommunications and Broadcasts) Law, 1982. The plaintiffs estimate the total loss claimed for all members of the class they seek to represent in the amount of NIS 10 million. The parties conducted a mediation process. On March 31, 2024, the parties filed a motion for certification of a settlement agreement with the District Court, in which it was agreed, among other things, that the defendants would compensate the eligible class members, as defined in the settlement agreement, by providing a defined number of days of travel insurance free of charge, which can be utilized by the eligible class members as set out in the settlement agreement.
25. In October 2021, an action was filed in the Lod-Center District Court, together with a motion for its certification as a class action, against the subsidiary Harel Insurance and against an additional insurance company (hereinafter together: “the Defendants”). The subject of the action is the allegation that the Defendants ostensibly and unlawfully dismiss insurance claims for special-needs children, in the context of a long-term care policy, despite the fact that, according to the plaintiffs, they meet the definition of “cognitively impaired” according to the policy, and this without conducting any examination as to whether their condition corresponds with this definition. The plaintiffs estimate the overall loss claimed for all members of the class they seek to represent against both defendants together in the amount of NIS 2.97 billion.

Notes to the Condensed Consolidated Interim Financial Statements

NOTE 12 – Contingent Liabilities, Guarantees, and Commitments (contd.)**A. Contingent liabilities (contd.)**

26. In October 2021, an action was filed in the Tel Aviv District Court, together with a motion for its certification as a class action against the subsidiary Harel Insurance. The subject of the action is the allegation, in part, that Harel Insurance ostensibly does not pay insureds in profit-sharing life insurance policies, according to which the insurance benefits are paid on the basis of an Rm formula, the full payment for the investment profits according to the policy instructions and that it ostensibly fails to calculate the yield rate in accordance with the policy instructions. This action addresses grounds which correspond partially with those addressed in a previous action and motion for certification as a class action - the Ben Ezra case (“the First Claim”), which was partially certified for litigation as a class action on March 27, 2019, by the Tel Aviv District Court and the application of which was limited by the Supreme Court to a number of specific policies only (see Section (A)(3) above). As a result, this action and motion for its certification as a class action was filed in relation to the other policies which are no longer included in the First Action. The plaintiff estimates the overall loss caused to all members of the class it seeks to represent in the amount of NIS 1.4 billion.
27. In December 2021, an action was filed in the Lod-Center District Court together with a motion for its certification as a class action against the subsidiary Harel Insurance. The subject of the action is the allegation that Harel Insurance allegedly increases the premiums collected from its insureds in home structural insurance policies when they are renewed without obtaining their express agreement in advance to raise the premiums. The plaintiffs have not quantified the loss claimed for all members of the class they seek to represent, but they estimate that it is more than NIS 2.5 million. The parties conducted a mediation process that was unsuccessful and the hearing of the action returned to the court.
28. In March 2022, an action was filed against the subsidiary Harel Insurance, together with a motion for its certification as a class action, in the Tel Aviv District Court. The subject of the action is the allegation that Harel Insurance allegedly unlawfully collected and collects from the insureds a premium for insurance cover for preventive surgery. The plaintiff does not quantify the total loss claimed for all members of the class it seeks to represent but it estimates the loss to be substantially more than NIS 2.5 million.
29. In April 2022, an action was filed in the Central District Court together with a motion for its certification as a class action against the subsidiary Harel Insurance. The subject of the action is the allegation that Harel Insurance is in breach of its lawful obligation to pay linkage differences in respect of insurance benefits paid in the non-life insurance segments for the period between the date on which the insured event occurs and the date of payment of the insurance benefits. The plaintiff does not quantify the loss claimed for all members of the class it seeks to represent. The parties conducted a mediation process. In August 2024, the parties filed a motion for certification of a settlement agreement with the Central District Court, in which it was agreed, among other things, that Harel Insurance would pay compensation to the class members as defined in the settlement agreement, for linkage differences that were not paid by law upon payment of the insurance benefits.
30. In September 2022, an action was filed in the Tel Aviv District Court, together with a motion for its certification as a class action, against the subsidiary Harel Insurance and four other insurance companies. The subject of the action is the allegation that the Defendants only indemnify women insureds for expenses for prenatal tests and examinations for newborns, thus ostensibly discriminating against male insureds in their health policies. The plaintiff does not estimate the overall loss caused to all members of the class it seeks to represent but estimates it to be more than NIS 2.5 million. The parties are in the process of mediation.
31. In September 2022, an action was filed against the subsidiary Harel Insurance in the Tel Aviv District Court, together with a motion for its certification as a class action. The subject of the action is the allegation that Harel Insurance ostensibly neglects to pay policyholders with the Preferred Bonus health policy (“the Policy”) the full cumulative premiums, in contravention of the policy instructions, and that Harel Insurance ostensibly collected excess premiums from the insureds in this policy. The plaintiff does not estimate the overall loss caused to all members of the class it seeks to represent.

Notes to the Condensed Consolidated Interim Financial Statements

NOTE 12 – Contingent Liabilities, Guarantees, and Commitments (contd.)**A. Contingent liabilities (contd.)**

32. In May 2023, an action was filed in the Tel Aviv District Court, together with a motion for its certification as a class action, against the subsidiary Harel Insurance. The subject of the action is the allegation that Harel Insurance ostensibly marketed a health insurance policy stipulating that the fourth child onwards will receive free insurance cover, and that nonetheless it still charged payment for a health policy for the fourth child onwards born after 2016. The plaintiffs have not quantified the overall loss claimed for all members of the class they seek to represent, but they estimate that it is more than NIS 2.5 million.
33. In June 2023, an action was filed in the Tel Aviv District Court together with a motion for its certification as a class action against the subsidiaries, Harel Insurance Company, Harel Pension & Provident, against two additional insurance companies, and against two additional management companies ("the Defendants"), on the grounds that the Defendants allegedly withheld tax from the "recognized annuity" component that was tax exempt, thus ostensibly reducing the amount of the annuity received by the class members, in contravention of the law. The plaintiffs estimate the total loss claimed for all members of the class they seek to represent in the amount of NIS 297 million.
34. In July 2023, an action was filed in the Central District Court together with a motion for its certification as a class action against the subsidiary Harel Insurance. The subject of the action is the allegation that Harel Insurance ostensibly transfers money to its insureds by check rather than by bank transfer or a credit card credit, and this ostensibly in contravention of the provisions of the law. The plaintiff quantifies the total loss claimed by all members of the class that it seeks to represent at more than NIS 3 million.
35. In September 2023, an action was filed in the Tel Aviv District Labor Court, together with a motion for its certification as a class action, against the subsidiary Harel Insurance and against Clalit Health Services "the Defendants"). The subject of the action is the allegation that the Defendants collect payment from parents for long-term care insurance for their children who have reached the age of 19, and this ostensibly without express permission or consent prior to starting the charge and without notifying, warning and/or informing as required by law. The plaintiffs do not quantify the loss claimed for all members of the class they seek to represent.
36. In September 2023, an action was filed in the Central District Court together with a motion for its certification as a class action against the subsidiary Harel Insurance. The subject of the action is the allegation that Harel Insurance rejects, ostensibly unlawfully, claims for the cover of expenses for treatment with injections under fluoroscopy (contrast media injections) for insureds in health insurance policies, alleging that the treatment is an injection not included in the definition of surgery according to the policies and this, ostensibly, in a misleading manner and in contravention of the law. The plaintiff does not quantify the total loss caused to all members of the class it seeks to represent but it estimates the loss at more than NIS 2.5 million. The parties conducted a mediation process.
37. In September 2023, an action was filed in the Central District Court together with a motion for its certification as a class action against the Company and against Marpet Ltd., in which the Company is the controlling shareholder (jointly: "the Defendants"). The subject of the action is the allegation that the Defendants ostensibly market medical services for pets in a misleading manner and in contravention of the law. The plaintiff does not quantify the total loss caused to all members of the class it seeks to represent but it estimates the loss at more than NIS 2.5 million. In its ruling of June 2024, the court referred the motion to the Commissioner of Insurance in the Capital Market, Insurance and Savings Authority for his position regarding the disputes underlying the motion for certification of the class action. In February 2025, Capital Market, Insurance, and Savings Authority ("the Authority") submitted its position regarding the request for approval, according to which the product marketed by Marpat is an insurance contract that includes the option to purchase a supplement, an appendix to the insurance contract ("the Service Letter"), for routine care through service providers. According to the Authority, even if part of the product marketed by Marpat includes a service agreement that does not qualify as insurance contract, its sale under a contract that is essentially an insurance contract makes it subject to the relevant legal provisions.

Notes to the Condensed Consolidated Interim Financial Statements

NOTE 12 – Contingent Liabilities, Guarantees, and Commitments (contd.)**A. Contingent liabilities (contd.)**

38. In September 2023, an action was filed in the Tel Aviv District Court, together with a motion for its certification as a class action, against the subsidiary Harel Insurance and seven other insurance companies (jointly: “the Defendants”). The subject of the action is the allegation that the Defendants ostensibly refuse to provide towing services for insureds with policies that include a service note for the provision of vehicle towing services, and this ostensibly without disclosing this in the text of the service notes. The plaintiffs estimate the total loss claimed for all members of the class they seek to represent in the amount of NIS 80 million. In November 2024, the court ruled that the proceedings should be divided by filing separate motions for certification and ordered the dismissal of the motion for certification against some of the defendants, including Harel Insurance, and awarded costs in their favor. In January 2025, the plaintiff filed an appeal on the Judgment in the Supreme Court.
39. In November 2023, an action was filed in the Tel Aviv District Court, together with a motion for its certification as a class action, against the subsidiary Harel Insurance and seven other insurance companies (jointly: “the Defendants”). The subject of the action is the allegation that in extreme scenarios such as the Swords of Iron War, the risk is expected to drop sharply and a large, unplanned profit might be created in future for the insurance companies, this without appropriate relief that includes a significant cut in premiums for insureds in policies in which the risk components were reduced significantly and in some cases do not exist at all if premiums continue to be collected without any change. The plaintiffs estimate the total loss claimed for all members of the class against all the Defendants in the amount of NIS 10.02 million.
40. In April 2024, an action was filed in the Tel Aviv District Court together with a motion for its certification as a class action against the subsidiary Harel Insurance. The subject of the action is the allegation that Harel Insurance sent, ostensibly, advertising material to the applicants and a wide group of recipients, without the express prior consent of the recipient and without noting the legal name of Harel Insurance, which is ostensibly contrary to the Telecommunications Law (Telecommunications and Broadcasts), 1982. The plaintiffs quantify the alleged damage at NIS 5 million, but state that at this stage, it is not possible to accurately estimate the amount.
41. In April 2024, an action was filed in the Central District Court, together with a motion for its certification as a class action, against the subsidiary Harel Insurance and against four other insurance companies/agencies (jointly: “the Defendants”). The subject of the action is the allegation that the defendants or anyone on their behalf, ostensibly violate the provisions of the Supervision of Financial Services (Insurance) Law, 1981 and the directives of the Commissioner of Insurance, by selling, ostensibly, comprehensive motor insurance policies that include service documents for related services as an integral part of the policies, without setting out the prices of the service documents and without giving the customers the option to choose between at least two service providers. The plaintiff estimates the overall loss incurred by all the members of the class it seeks to represent at more than NIS 2.5 million, but notes that the amount cannot be accurately estimated.
42. In May 2024, an action was filed in the Haifa District Court, together with a motion for its certification as a class action, against the subsidiary Harel Insurance and four other insurance companies (jointly: “the Defendants”). The subject of the action is the allegation that the windshield installers acting on behalf of the defendants, as part of a service document for windshield insurance, do not calibrate the safety systems installed on the car windshields when dismantling of a broken windshield and installing a new one, and this is contrary to the instructions of the Ministry of Transportation and the instructions of the car manufacturers, and that the defendants allegedly violate the principle of indemnification and the restoration of the situation to the way it was before, and act, allegedly, in violation of the provisions of the Financial Services (Insurance) Supervision Law, 1981 and the provisions of the Commissioner of Insurance, in that, under the exercise of “windshield insurance” for cars, they refrain, ostensibly, from instructing windshield installers to calibrate the safety systems installed on the windshield of the car, when dismantling a broken windshield and installing a new (replacement) windshield and refrain, ostensibly, from mentioning this fact when marketing the service document or after delivering the car to the insured. The plaintiffs estimate the overall loss incurred by all the members of the class they seek to represent at more than NIS 2.5 million, but note that the amount cannot be accurately estimated at this stage.

Notes to the Condensed Consolidated Interim Financial Statements

NOTE 12 – Contingent Liabilities, Guarantees, and Commitments (contd.)**A. Contingent liabilities (contd.)**

43. In July 2024, an action was filed in the Haifa Regional Labor Court, together with a motion for its certification as a class action against the subsidiary Harel Insurance and against two other insurance companies (hereinafter together: "the Defendants"). The subject of the action is that in disability insurance, the defendants change, unilaterally, the insurance terms and determine, ostensibly, the end of the insurance period, according to the "insurance age" of the insured, which is different from their calendar age, and calculated, ostensibly, by the defendants when the policy is purchased the policy, contrary to the provisions of the policy and the law, and without disclosing this to the insured. The plaintiffs estimate the total loss claimed for all members of the class they seek to represent in the amount of NIS 2.5 million.
44. In December 2024, an action was filed in the Central District Court together with a motion for its certification as a class action against the subsidiary Harel Insurance. The claim involves allegations that Harel Insurance rejects or underpays claims for specialized treatment abroad, specifically Ksharsutra, for insureds with private health insurance policies covering specialized medical treatments abroad, while claims for similar medical events under group insurance policies, ostensibly under the same conditions, are approved, which is allegedly contrary to the provisions of the policy and the law. The plaintiff does not quantify the total loss claimed for all members of the class, on the grounds that the amount cannot be assessed at this stage.
45. In December 2024, an action was filed in the Central District Court together with a motion for its certification as a class action against the subsidiary Harel Insurance. The claim involves allegations that Harel Insurance acts in contravention of the law and its commitment to its insured, by allegedly charging, in policies denominated in USD, insurance premiums calculated at a USD rate higher than the representative USD rate to which it committed. The plaintiff does not quantify the total loss caused to all members of the class it seeks to represent but it estimates the loss at more than NIS 2.5 million.
46. In December 2024, an action was filed in the Central District Court together with a motion for its certification as a class action against the subsidiary Harel Insurance. The claim involves allegations that in the event of a total loss of a vehicle (or constructive total loss), Harel Insurance allegedly calculates the vehicle's value in a manner that violates the provisions of the insurance contract, to the disadvantage of its customers, through improper reductions in the vehicle's value, and that the Company does not refund the insurance premiums for the unused portion following the insurance, at their real value. The plaintiffs estimate the total loss claimed for all members of the class they seek to represent in the amount of NIS 2.5 million.
47. In December 2024, an action was filed in the Central District Court together with a motion for its certification as a class action against the subsidiary Harel Insurance. The claim involves allegations that Harel Insurance did not, allegedly, offer insureds of the group long-term care insurance policy for Clalit Health Services retirees and their families ("the Group Policy") the option to transition to a continuation individual policy, while maintaining the insurance terms in the group policy. which is allegedly in violation of the provisions of the policy and the law. The plaintiffs do not quantify the loss claimed for all members of the class they seek to represent, but they estimate that it is more than NIS 2.5 million.

Notes to the Condensed Consolidated Interim Financial Statements

NOTE 12 – Contingent Liabilities, Guarantees, and Commitments (contd.)**A. Contingent liabilities (contd.)****Actions filed in the reporting period**

48. In January 2025, an action was filed in the Tel Aviv District Labor Court, together with a motion for its certification as a class action, against the subsidiary Harel Pension & Provident and against the old pension fund (“HAL”), managed by Harel Pension “the Defendants”). The claim involves allegations that that H.A.L. Pension Fund should be required to revalue the annuities paid to members and retirees of Plan A, as defined in the motion for certification as a class action, despite the fact that revaluation is currently, allegedly, only applied to the annuities of members and retirees of Plan B, as defined in the motion, including by merging the two existing regulations of the H.A.L. Pension Fund into one regulation.. The plaintiff estimates the overall loss caused to all members of the class it wishes to represent against both Defendants together, at NIS 346 million.
49. In March 2025, an action was filed against the subsidiary Harel Insurance, together with a motion for its certification as a class action, in the Tel Aviv District Court. The claim also involves allegations that Harel Insurance allegedly sent advertising materials to group members regarding the process of purchasing travel insurance on its website, without obtaining their prior express written consent. Some of the group members are not Harel Insurance customers and did not engage with it for travel insurance, which is allegedly contrary to the Communications Law (Telecommunication and Broadcasting), 1982. The plaintiff quantifies the alleged damages at NIS 10 million.
50. In March 2025, an action was filed in the Magistrate's Court in Ramla together with a motion for its certification as a class action against Marpet Ltd., in which the Company is the controlling shareholder (“Marpet”). The claim involves allegations that Marpet charges a fee for a veterinary video call service outside of regular business hours, allegedly in a misleading manner and contrary to the law. The plaintiff does not quantify the total loss caused to all members of the class it seeks to represent but it estimates the loss at less than NIS 2.5 million.
51. In May 2025, an action was filed in the Lod Central Region District Court, together with a motion for certification as a class action, against the subsidiary Harel Insurance and against other insurance companies and insurance agencies(hereinafter together: “the Defendants”). The claim involves allegations that the defendants condition the sale of compulsory insurance on the purchase of an additional insurance product –comprehensive insurance, third-party insurance, or another product, in violation of the law. The plaintiff estimates the overall alleged damage for all the members of the class, against all defendants, at more than NIS 2.5 million, but notes that the amount cannot be accurately estimated at this stage.

Notes to the Condensed Consolidated Interim Financial Statements**NOTE 12 – Contingent Liabilities, Guarantees, and Commitments (contd.)****A. Contingent liabilities (contd.)****Summary table**

The following table summarizes the amounts claimed as part of the contingent motions for the approval of class actions, actions that were certified as a class action, and other significant claims against the Company and/or subsidiaries, as specified by the plaintiffs in the suits they filed. It should be clarified that the amount claimed does not necessarily constitute the sum of the exposure estimated by the Company, given that these are the plaintiffs' estimates and they will be investigated in the litigation process.

Type	Number of claims	Amount claimed in NIS million
<u>Actions certified as a class action:</u>		
Amount pertaining to the Company and/ or consolidated subsidiaries is specified	5	1,265
Claim relates to several companies and no specific amount was attributed to the Company and/ or consolidated subsidiaries	1	48
Claim amount is not specified	3	
<u>Pending motions for certification of actions as class actions:</u>		
Amount pertaining to the Company and/ or consolidated subsidiaries is specified	9	2,913
Claim relates to several companies and no specific amount was attributed to the Company and/ or consolidated subsidiaries	7	5,782
Claim amount is not specified	26	

The total provision for the claims filed against the Group companies as set out above, as at March 31, 2025, March 31, 2024, and December 31, 2024 amounts to NIS 219 million, NIS 162 million, and NIS 201 million, respectively.

As at March 31, 2025, a total of NIS 203 million of the total provision amount relates to claims and costs directly attributable to insurance contracts and are therefore included in the liability measurement for the insurance contracts (as at March 31, 2024 - NIS 148 million, as at December 31, 2024 – NIS 185 million).

Notes to the Condensed Consolidated Interim Financial Statements

NOTE 12 – Contingent Liabilities, Guarantees, and Commitments (contd.)**B Actions settled in the reporting period**

1. In June 2024, an action was filed in the Tel Aviv District Court together with a motion for its certification as a class action against the subsidiary Harel Insurance. The subject of the action was the allegation that Harel Insurance allegedly indemnifies only the insured/mother, for services received at the postnatal recovery facility, and does not indemnify the accompanying insured/guest at the facility, which is, ostensibly, contrary to the terms of the policy and in contravention of the law. In December 2024, an action was filed for withdrawal of the plaintiff from the motion for certification. As part of the motion for withdrawal, Harel Insurance agreed to clarify the wording in the policies specified in the motion for withdrawal ("the Policies") and to extend the terms of one of the policies to also apply to the insured spouse of the mother, provided the insurance coverage under the policy is valid. The parties petitioned the court to order each party to present its arguments regarding the compensation and attorney fees for the plaintiff and the plaintiff's legal counsel. In January 2025, the court approved the plaintiff's motion for withdrawal from the motion for certification, and it ordered that the motion for certification and personal claim be struck out. The court also ordered the parties to submit written arguments regarding compensation and attorney fees – and subsequently ordered the payment of compensation and attorney fees in immaterial amounts.
2. In May 2024, an action was filed in the Tel Aviv District Court, together with a motion for its certification as a class action, against the subsidiary Harel Insurance, three other insurance companies, and insurance agencies (jointly: "the Defendants"). The subject of the action was the allegation that the defendants do not provide coverage for mental illnesses in travel insurance and therefore discriminate against people with mental disabilities who require hospitalization abroad. In November 2024, the court ordered the plaintiff to notify, by February 9, 2025, whether the plaintiff had succeeded in appointing a representative attorney ("the Ruling"). In February 2025, the court ordered the dismissal of the motion for certification, after the plaintiff failed to submit a notification regarding the appointment of a representative attorney as required by the Ruling.
3. In June 2014, an action was filed in the Tel Aviv District Court together with a motion for its certification as a class action against the subsidiary Dikla. The subject of the action was the argument that under the provisions of the group long-term care insurance policy for members of Clalit Health Services Supplementary Long-term Care Plus ("the Policy"), Dikla fails to pay insureds who require long-term care insurance benefits for the days in which they were hospitalized in a general or rehabilitation hospital, and that these days are not included in the number of days for calculating the waiting period determined in the policy, and this ostensibly in contravention of the Commissioner's instructions and the provisions of the law. The plaintiff estimates the total loss claimed for all members of the class that the plaintiff seeks to represent at NIS 35 million. The court passed the motion to the Commissioner for position regarding the disputes underlying the motion for certification of the action as a class action. In January 2016, the Commissioner's position was submitted which stated that the policy definition of the insured event does not violate the instructions of the Capital Market, Insurance and Savings Authority and that the policy which is the subject of the claim was approved separately by the Capital Market, Insurance and Savings Authority. In December 2018, the court dismissed the motion to certify the claim as a class action on the grounds that non-payment of the insurance benefits in respect of the hospitalization period is contrary to the Commissioner's instructions, but it approved the conducting of the action as a class action on the grounds of a breach of an insurance circular on the subject of fair disclosure to insureds when they are enrolled in a health insurance policy. The class in whose name the class action is to be conducted is all Dikla policyholders who purchased long-term care insurance after October 1, 2001, who were entitled to claim insurance benefits in the period between May 29, 2011 and May 29, 2014, and where the proper disclosure form attached to the purchased policy does not mention or refer to the section that states that the date of occurrence of the insured event is the date on which the insured first becomes eligible, or the date on which the insured was discharged from a general or rehabilitation hospital, whichever is later. In May 2019, Dikla filed a motion in the Supreme Court for permission to appeal the decision. In June 2019, the plaintiff in the motion for certification filed an appeal in the Supreme Court against the District Court's ruling not to certify litigation of the claim as a class action according to which non-payment of the insurance benefits for the hospitalization period contravenes the Commissioner's instructions and also that, as argued by the plaintiff, the court did not rule on the additional argument of breach of contract.

Notes to the Condensed Consolidated Interim Financial Statements

NOTE 12 – Contingent Liabilities, Guarantees, and Commitments (contd.)**B Actions settled in the reporting period (contd.)**

3. (contd.)

At the hearing, which took place at the Supreme Court on May 10, 2021, the motion for permission to appeal and the appeal were dismissed, after the parties accepted the Supreme Court's recommendation to withdraw them, while preserving all their arguments. In January 2022, the parties informed the court of their agreement to enter into a mediation process. The mediation between the parties was unsuccessful and litigation of the action was returned to the court. On June 26, 2024, the parties filed a motion for certification of a settlement agreement at the Tel Aviv District Court, in which it was agreed that the eligible class members, as defined in the settlement agreement, will be paid a financial remedy of completing insurance benefits as set out in the settlement agreement. In February 2025, the court gave validity to a judgment for the settlement agreement, subject to amendments of the court. Among other things, the court approved the parties' agreement that the eligible class members, as defined in the settlement agreement, would be awarded financial relief in the form of supplemental insurance benefits as set out in the settlement agreement, subject to the modifications set out in the judgment.

4. In December 2020, four motions to certify actions as class actions were filed against Shirbit (three motions to certify actions as class actions were filed in the Lod-Center District Court and one motion was filed in the Tel Aviv District Court), on similar grounds of a data security failure against the backdrop of a cyber security attack on Shirbit's servers by hackers and the publication of personal information about Shirbit's customers. In June 2021, the plaintiffs in the four motions to certify actions as class actions, filed a consolidated motion for certification. The subject of the consolidated action is the allegation that alleged security omissions in Shirbit caused the leak of information and data in Shirbit's possession. The parties conducted a mediation process. In June 2023, the parties filed a motion in the Lod-Center District Court to approve a settlement agreement in which it was agreed, among other things, that the subsidiary Harel Insurance Company Ltd. will pay financial compensation to the class members, as they are defined in the settlement agreement, for whom "sensitive information" and/or "non-sensitive information", according to their definition in the settlement agreement, was published. In April 2025, the Lod Center District court gave validity to a judgment for the settlement agreement.

Notes to the Condensed Consolidated Interim Financial Statements

NOTE 13 - Capital Requirements and Management

1. Solvency II based economic solvency regime

An economic solvency regime based on Solvency II applies to Harel Insurance, and this pursuant to the implementation provisions published in June 2017 and revised in October 2020 ("Provisions of the Economic Solvency Regime").

Economic solvency ratio

The economic solvency ratio is calculated as the ratio between the eligible economic own funds of Harel Insurance and the solvency capital requirement (SCR).

The eligible economic own funds are defined as the sum of the equity arising from the economic balance and debt instruments which include loss-absorbing mechanisms (additional tier-1 capital, tier-2 capital instruments, subordinated tier-2 capital, hybrid tier-2 and tier-3 capital).

The economic balance items are calculated according to economic value, where the insurance liabilities are calculated on the basis of a best estimate of all the anticipated future flows from current business, excluding margins for conservatism and plus a risk margin.

The purpose of the SCR is to estimate the exposure of the economic shareholders equity to a series of scenarios set out in the economic solvency regime provisions which reflect insurance risks, market and credit risks as well as operational risks.

Among other things, an economic solvency regime includes transitional measures relating to compliance with the capital requirements, which allow the economic capital to be increased by deducting from the insurance reserves the amount calculated in accordance with the provisions of the economic solvency regime ("the Deduction"). The Deduction will gradually decrease until 2032 ("the Transitional Period"). There is also a different maximum recognition limitation for tier-2 capital.

According to the consolidated circular, the economic solvency ratio report for data as at December 31 and June 30 each year will be included in the periodic report subsequent to the period of the calculation.

In May 28, 2025, together with the approval of the financial statements, Harel Insurance approved the economic solvency ratio report for June 30, 2024. The report is published on its website:

<https://www.harel-group.co.il/about/harel-group/harel/investor-relations/Pages/repayment-ability.aspx>.

According to the report, Harel Insurance has a capital surplus even without taking the transitional provisions into account.

The calculation prepared by Harel Insurance for data at December 31, 2024, was reviewed in accordance with ISAE 3400 - Review of Future Financial Information. This standard is relevant for audits of the solvency calculation and it is not part of the auditing standards applicable to financial reports. A special report prepared by the external auditors emphasized that the forecasts and assumptions are based, in principle, on past experience, as it emerges from actuarial studies conducted from time to time. In view of the reforms in the In view of the reforms in the Capital Market, Insurance and Savings, and changes in the economic environment, past data do not necessarily reflect future performance. In some cases, the information is based on assumptions about future events, management activity as well as the future development of the risk margin pattern that will not necessarily materialize or that may materialize differently from the assumptions that formed the basis for the information. Moreover, actual performance could differ significantly from the information, given that the combination of scenarios of events could materialize in a significantly different manner from the assumptions in the information.

Notes to the Condensed Consolidated Interim Financial Statements

NOTE 13 - Capital Requirements and Management (contd.)

1. Solvency II based economic solvency regime (contd.)

Economic solvency ratio (contd.)

A special report prepared by the external auditors noted that they did not examine the reasonability of the Deduction amount in the transitional period as at December 31, 2024, other than to check that the Deduction does not exceed the projected discounted amount of the risk margin and the solvency capital requirement in respect of life and health risks for existing business in the transitional period, based on the pattern of future development of the required capital that affects calculation of the expected release of equity, as well as the release of the projected risk margin, as specified in the provisions concerning calculation of the risk margin. Furthermore, attention is drawn to the information in the Solvency Report concerning the uncertainty arising from regulatory changes and exposure to contingencies, the effect of which on the solvency ratio cannot be estimated.

Notably, the model in its current format is extremely sensitive to changes in market and other variables, such as changes in the interest rate, changes in investment profits, revised actuarial assumptions and changes relating to the activity of Harel Insurance and regarding the uncertainty inherent in the actuarial and financial assumptions and forecasts used in the preparation of the report.

2. Own Risk and Solvency Assessment (ORSA) for insurance companies

On January 5, 2022, the Commissioner published an amendment to the provisions of the Consolidated Circular on Reporting to the Commissioner of the Capital Market - Own Risk and Solvency Assessment (ORSA) of insurance companies ("the Amendment"). The Amendment stipulates that insurance companies shall report their Own Risk and Solvency Assessment (ORSA) to the Commissioner once a year, in January. According to the Amendment, the Company will submit a report to the Commissioner that includes a summary of the results, business position and interrelationships, exposure to risk, assessment of solvency ratio and capital requirements, forward-looking assessment and scenarios and sensitivity analyses.

Harel Insurance submitted the required report to the Commissioner in January 2025.

3. Capital management policy of Harel Insurance

It is Harel Insurance's policy to hold a robust capital base to guarantee its solvency and its ability to meet its commitments towards its insureds, to ensure that it is capable of continuing its business activity and so that it can provide a return for its shareholders. Harel Insurance is subject to the capital requirements and regulations stipulated regarding the distribution of a dividend.

On January 14, 2025, the Board of Directors of Harel Insurance approved a revised capital management plan and at this stage, threshold conditions were determined for a dividend distribution, which include a minimum economic solvency ratio, taking the transitional provisions into account, at a rate of 135% and a minimum solvency ratio without taking the transitional provisions into account, at a rate of 115%.

For information about a dividend distribution policy approved by the Company's Board of Directors and Board of Directors of Harel Insurance on February 28, 2021, see Note 15D to the Annual Statements.

4. Equity requirements in management companies

- a. Subsidiaries that manage mutual funds and investment portfolios are obligated to hold minimum capital in accordance with the directives of the Israel Securities Authority. The companies take regular action to ensure that they are in compliance with this requirement. As at March 31, 2025, the subsidiaries are in compliance with these requirements.
- b. Subsidiaries that manage pension funds and provident funds are subject to equity requirements set by the Commissioner. As at March 31, 2025, the subsidiaries are in compliance with these requirements.

Notes to the Condensed Consolidated Interim Financial Statements**NOTE 13 - Capital Requirements and Management (contd.)**

5. Share buyback plan

- a. Pursuant to the information in Note 15B2(c) to the Annual Statements, in the reporting period, the Company purchased 206,812 shares at a cost of NIS 11 million. As at the publication date of the report, the Company has purchased 375,967 shares at a cost of NIS 19 million.
- b. On March 25, 2025, the Company's Board of Directors approved a buyback plan for additional shares of the Company in the amount of up to NIS 100 million. This plan will be implemented from time to time as will be determined by the Company's management, which was authorized by the Board of Directors to purchase securities at its discretion during the period prescribed for implementation of the plan.

6. Dividends

	<u>For the three months ended</u> <u>March 31</u>		<u>For the year</u> <u>ended</u> <u>December 31</u>
	<u>2025</u>	<u>2024</u>	<u>2024</u>
	<u>(Unaudited)</u>	<u>(Unaudited)</u>	<u>(Unaudited)</u>
	<u>NIS millions</u>	<u>NIS millions</u>	<u>NIS millions</u>
Declared and paid	-	-	550
Declared and not yet paid as at the reporting date	-	350	250

In the three-month period ended March 31, 2025, a dividend of NIS 250 million (NIS 1.21 per share) was paid, which was declared in prior periods.

NOTE 14 – Material Events in the Reporting Period

1. Put option for holders of non-controlling interests

On January 1, 2025, a put option came into effect, issued by the Company to holders of non-controlling interests in its subsidiary. Accordingly, on this date, the Company recognized a liability at the present value of the estimated exercise premium for the option against equity, while deducting the non-controlling interests of the subsidiary associated with the option. From this date, the Company's share in the subsidiary's profits includes the share of the holders of non-controlling interests that received the put option from the Company, which were deducted as set above.

2. Agreement with Pama Leasing Ltd. ("Pama")

In March 2025, the Company entered into a non-binding memorandum of understanding (MoU) with Pama, a company providing asset-backed retail credit (financing loans for vehicle purchases), for an investment in Pama in exchange for the allocation of 30% of Pama's share capital, based on a pre-money valuation of NIS 400 million. Under the MoU, it was agreed, among other things, that the parties would negotiate the drafting of detailed agreements within 60 days after signing the MoU or for a longer period as agreed in writing ("the Interim Period"). In the Interim Period, Harel will conduct business, legal, tax, and accounting due diligence on Pama. Additionally, Pama and its shareholders or their representatives will refrain from negotiating or engaging with any third parties. At this stage, it is uncertain whether the agreements will be finalized.

Notes to the Condensed Consolidated Interim Financial Statements

NOTE 15 – Material Events After the Reporting Period

1. Allocation of options for senior officers and employees of the Group

In March 2024, the compensation committee and the board of directors approved a stock options plan based on the options plan approved in August 2021. The plan included the approval of 2,500,000 options as a "reserve" for additional future allotments. On April 29, 2025, the allocation of 1,065,000 options was approved for 21 managers in the Group (including four Company officers).

In addition, in April 2025, the Company's Compensation Committee and Board of Directors approved an additional options plan for senior officers and employees of the Group, which includes up to 5,500,000 options exercisable for 5,500,000 ordinary NIS 0.1 par value shares of the Company, subject to adjustments, without any cash consideration. Of all the options included in the outline, a total of 3,425,000 options were allocated to 168 managers in the Group. The remaining options that were not allotted to specific recipients will allow for future allotments to other senior officers and employees.

In addition, the allocation of 65,000 options was approved for two company consultants. These options are not part of the stock options outline or part of the allocation report included in the plan, however the conditions for exercising these options are the same as those for exercising the options for the Group's officers and employees.

2. Principal approval for the issue of bonds (Series 21) by means of a second-tier subsidiary - Harel Finance & Issues

In April 2025, Harel Finance & Issues raised NIS 1,000 million (of which an amount of NIS 400 million was purchased by the Company) through a public offering of a new series of bonds (Series 21) in accordance with the shelf offering report published on April 24, 2025, based on the shelf prospectus dated February 28, 2023, which was extended on February 25, 2025. ("the Shelf Offering Report" and "Shelf Prospectus", respectively). Under the conditions set out in the Shelf Prospectus and Shelf Offering Report, the amount raised was deposited with Harel Insurance, to be used at its discretion and for which it is responsible, and Harel Insurance has an undertaking towards the trustee for the bonds to comply with the payment conditions of the bonds. The annual interest rate for by the bonds (Series 21) as determined in the tender is 5.85%. Additionally, the issued bonds (Series 21) were recognized by the Commissioner of the Capital Market, Insurance and Savings Authority as an additional Tier-1 capital instrument of Harel Insurance, all as detailed in the Shelf Prospectus and in the Shelf Offering Report. For the purpose of this issue, S&P Maalot announced a rating of iA+ for the issued bonds (Series 21).

3. Expected appointment of an officer – Chief Investment Officer

On April 7, 2025, the Company's Board of Directors approved the appointment of Dan Kerner as the Company's Chief Investment Officer, effective from July 2025, subject to the approval of the Commissioner of Capital Markets, Insurance and Savings. Dan Kerner will also be appointed as Deputy CEO and Chief Investment Officer of subsidiary Harel Insurance, and Chief Investment Officer of other subsidiaries of the Company that operate as institutional entities.

4. Convening of an annual and special general meeting

On April 29, 2025, an annual and special general meeting of the Company was convened, with the following items on the agenda: (1) Discussion of the Periodic Report for 2024; (2) reappointment of an auditor and appointing the Company's Board of Directors to determine their fee; (3) reappointment of serving directors of the Company, who are not external directors, for a further term of office (Yair Hamburger, Gideon Hamburger, Ben Hamburger, Yoav Manor, Michel Siboni, and Doron Cohen); (4) appointment of Asaf Kochan as a director in the Company; (5) appointment of Ayelet Ben-Ezer for an additional term as an external director in Company; (6) revised employment conditions for Idan Tamir, the grandson of Yair Hamburger, one of the Company's controlling shareholders, for his employment as VP of Business Development and Marketing at Harel Insurance. The meeting is called for June 09, 2025.

Notes to the Condensed Consolidated Interim Financial Statements

NOTE 15 – Material Events After the Reporting Period (contd.)

5. Cooperation with Union Group in a proposal to acquire the holdings of Israel Discount Bank Ltd. ("Discount Bank") in Israel Credit Cards Company Ltd. ("Cal")

On May 6, 2025, the Company, together with Union Investments and Development Ltd. ("Union"), submitted a proposal to acquire the holdings of Bank Discount in Cal (72% in capital and 79% in voting rights), as part of the Company's strategy to diversify its profit sources and expand its activity in the credit sector. On May 19, 2025, a representative of Discount Bank informed the representatives of the Company and Union that their proposal had been selected, along with additional proposals, to move to the second phase of the process for the sale of Cal.

NOTE 16 – Effect of Initial Application of IFRS 17 and IFRS 9

As set out in Note 2A above. up to December 31, 2022, the consolidated financial statements of the Group were prepared in accordance with International Financial Reporting Standards ("IFRS"). This includes data relating to consolidated subsidiaries that meet the definition of an insurer, as this term is defined in the Israel Securities Regulations (Preparation of Annual Financial Statements), 2010.

In accordance with the Commissioner's guidelines published as part of a series of documents, the latest of which is titled Roadmap for the Adoption of IFRS 17, *Insurance Contracts* ("the Roadmap"), the initial date of application of IFRS 17 and IFRS 9 ("the New Standards") for insurance companies in Israel (where their mandatory date of application by these companies under IFRS should have been January 1, 2023) was revised is applicable on or after quarterly and annual periods commencing January 1, 2025. The transition date for application of the New Standards is January 1, 2024. As a result, between January 1, 2023 and December 31, 2024, insurance companies in Israel continued to apply IFRS 4, *Insurance Contracts* and IFRS 39, *Financial Instruments: Recognition and Measurement* ("IAS 39"), which they applied until that date, and which were replaced by the New Standards. Any other IFRS are applied by insurance companies in accordance with the dates prescribed therein. Consequently, between January 1, 2023 and December 31, 2024 ("the Interim Period"), the Group's consolidated financial statements did not fully comply with IFRS.

Accordingly, under IFRS 1, *First-time Adoption of International Financial Reporting Standards*, the Group is considered a first-time adopter of IFRS, as defined in IFRS 1. Consequently, the Group's Annual Statements for 2025 will be its first financial statements prepared in accordance with IFRS, as defined in IFRS 1. The transition date for applying the New Standards (January 1, 2024) is also the Group's official transition date to IFRS, as set out in IFRS 1.

The condensed consolidated interim financial statements as at March 31, 2025 and for the 3 months then ended (the Interim Statements) have been prepared in accordance with IAS 34, *Interim Financial Reporting* and in accordance with the disclosure requirements prescribed by the Commissioner of the Capital Market, Insurance and Savings ("the Commissioner") under the Supervision of Financial Services (Insurance) Law, 1981. In addition, these reports were prepared in accordance with the disclosure provisions of Chapter D of the Israel Securities Regulations (Periodic and Immediate Reports), 1970, to the extent these regulations apply to a corporation that consolidates insurance companies. These interim financial statements are the first interim reports prepared by the Group for part of the period covered in its first IFRS-compliant financial statements. IFRS 1 was also applied in their preparation.

However, since, in the interim period, aside from not applying the New Standards, the Group continued to apply other IFRSs according to the dates set out therein, the effect of first-time adoption of IFRS under application of IFRS 1 on the Group's financial statements focuses on the application of relevant provisions and exemptions under IFRS 1 for initial application of the New Standards. For IFRSs that are not New Standards, the Group's accounting policy in these interim reports remains consistent with the policy applied in its Annual Statements for 2024.

It should be noted that in relation to the Group's financial statements, the relevant provisions and exemptions under IFRS 1 for initial application of the New Standards do not materially differ from the transitional provisions set out in the New Standards themselves, which the Company has outlined in this Note.

In accordance with IFRS 1, the following explanations describe how the transition from reporting under the Commissioner's guidelines, in accordance with the Supervision Law, to IFRS reporting has affected the Group's financial position and results. The transition had no effect on the cash flows reported by the Group.

Notes to the Condensed Consolidated Interim Financial Statements**NOTE 16 – Effect of Initial Application of IFRS 17 and IFRS 9 (contd.)****A. Effect on the statement of financial position**

	<u>As previously reported</u>	<u>Effect of initial application of the New Standards</u>	<u>After application of the New Standards</u>	<u>As previously reported</u>	<u>Effect of initial application of the New Standards</u>	<u>After application of the New Standards</u>
	<u>Balance as at January 01, 2024 (audited)</u>			<u>Balance as at March 31, 2024 (unaudited)</u>		
	<u>NIS millions</u>	<u>NIS millions</u>	<u>NIS millions</u>	<u>NIS millions</u>	<u>NIS millions</u>	<u>NIS millions</u>
Assets						
Cash and cash equivalents for yield-dependent contracts	6,733	-	6,733	7,105	-	7,105
Other cash and cash equivalents	5,733	-	5,733	3,506	-	3,506
Financial investments for yield-dependent contracts measured at fair value	71,117	-	71,117	72,160	11	72,171
Other financial investments measured at fair value (1)	21,091	14,921	36,012	23,439	14,858	38,297
Other financial investments measured at amortized cost (2)	18,020	(13,524)	4,496	17,879	(13,326)	4,553
Trade and other receivables (3)	1,793	(549)	1,244	1,769	(512)	1,257
Premiums due (4)	1,699	(1,699)	-	1,732	(1,732)	-
Current tax assets	76	-	76	21	-	21
Insurance contract assets (5)	-	2,104	2,104	-	2,315	2,315
Reinsurance contract assets (5)	5,605	(2,897)	2,708	5,516	(2,941)	2,575
Investments accounted for at equity	1,516	-	1,516	1,554	-	1,554
Investment property for yield-dependent contracts	1,898	-	1,898	1,896	-	1,896
Other investment property	2,548	-	2,548	2,551	-	2,551
Fixed assets	1,391	-	1,391	1,401	-	1,401
Intangible assets	2,452	64	2,516	2,559	62	2,621
Costs to obtain customer management service contracts (6)	545	-	545	620	-	620
Deferred acquisition costs (6)	2,569	(2,569)	-	2,614	(2,614)	-
Deferred tax assets	20	-	20	22	-	22
Total assets	<u>144,806</u>	<u>(4,149)</u>	<u>140,657</u>	<u>146,344</u>	<u>(3,879)</u>	<u>142,465</u>
Total assets for yield-dependent contracts	<u>80,608</u>	<u>(394)</u>	<u>80,214</u>	<u>81,902</u>	<u>(242)</u>	<u>81,660</u>

Notes to the Condensed Consolidated Interim Financial Statements

NOTE 16 – Effect of Initial Application of IFRS 17 and IFRS 9 (contd.)

A. Effect on the statement of financial position (contd.)

	As previously reported	Effect of initial application of the New Standards	After application of the New Standards	As previously reported	Effect of initial application of the New Standards	After application of the New Standards
	Balance as at January 1, 2024 (audited)			Balance as at March 31, 2024 (unaudited)		
	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions
Liabilities						
Borrowings and credit	10,878	-	10,878	10,892	-	10,892
Liabilities for derivative instruments	6,168	-	6,168	5,889	-	5,889
Trade and other payables (3)	5,703	(3,881)	1,822	5,856	(3,615)	2,241
Current tax liabilities	31	-	31	83	-	83
Liabilities for yield-dependent investment contracts	19,122	-	19,122	20,020	-	20,020
Liabilities for non-yield-dependent investment contracts	143	-	143	139	-	139
Liabilities for insurance contracts (5)	92,598	(844)	91,754	93,416	(945)	92,471
Liabilities for reinsurance contracts (5)	-	181	181	-	240	240
Liabilities for employee benefits, net	263	-	263	268	-	268
Deferred tax liabilities	947	135	1,082	974	150	1,124
Total liabilities	135,853	(4,409)	131,444	137,537	(4,170)	133,367
Equity						
Share capital and share premium	359	-	359	359	-	359
Treasury shares	(304)	-	(304)	(343)	-	(343)
Capital reserves (7)	540	(287)	253	563	(282)	281
Retained earnings	8,298	547	8,845	8,162	573	8,735
Total equity attributed to the Company's owners	8,893	260	9,153	8,741	291	9,032
Noncontrolling interests	60	-	60	66	-	66
Total equity	8,953	260	9,213	8,807	291	9,098
Total equity and liabilities	144,806	(4,149)	140,657	146,344	(3,879)	142,465

Notes to the Condensed Consolidated Interim Financial Statements**NOTE 16 – Effect of Initial Application of IFRS 17 and IFRS 9 (contd.)****A. Effect on the statement of financial position (contd.)**

- (1) The change is due to the transition to measurement of designated bonds and non-marketable debt assets at fair value instead of at amortized cost.
- (2) Of which: the balance of the provision for credit losses amounts to NIS 3 million and NIS 3 million as at January 1, 2024 and March 31, 2024, respectively
- (3) The change in receivables and payables is mainly due to classification of balances with policyholders or reinsurers, including deposits for reinsurers, which are included in IFRS 17 under fulfillment cash flows, and therefore classified as insurance contract liabilities or reinsurance assets, as applicable.
- (4) Under IFRS 17, the premium balance is included in the fulfilment cash flows, and therefore has been classified as liabilities for insurance contracts.
- (5) The change in insurance contract liabilities and reinsurance contract assets is mainly due to application of IFRS 17, based mainly on discounted fulfillment cash flows using current assumptions and estimates, while recognizing the CSM that reflects the unrealized profit.

CSM and RA disclosure:

	<u>As at January 1, 2024 (audited)</u>			
	<u>Life insurance and long-term savings</u>	<u>Health insurance</u>	<u>Non-life insurance</u>	<u>Total</u>
	<u>NIS millions</u>	<u>NIS millions</u>	<u>NIS millions</u>	<u>NIS millions</u>
Contractual service margin (CSM):				
CSM, gross	6,268	10,743	-	17,011
CSM, secondary	183	924	-	1,107
CSM, net (*)	6,085	9,819	-	15,904
(*) Of which:				
Growth products in life insurance and health insurance (products that the Group continues to market)	4,007	6,277	-	10,284
RA:				
RA, gross	1,196	3,145	208	4,549
Risk adjustment, secondary	68	1,026	65	1,159
RA, net	1,128	2,119	143	3,390

Notes to the Condensed Consolidated Interim Financial Statements

NOTE 16 – Effect of Initial Application of IFRS 17 and IFRS 9 (contd.)**A. Effect on the statement of financial position (contd.)**

(5) (contd.)

CSM and RA disclosure: (contd.)

	<u>As at March 31, 2024 (unaudited)</u>			
	Life insurance and long-term savings	Health insurance	Non-life insurance	Total
	NIS millions	NIS millions	NIS millions	NIS millions
	NIS millions	NIS millions	NIS millions	NIS millions
Contractual service margin (CSM):				
CSM, gross	6,479	10,912	-	17,391
CSM, secondary	177	943	-	1,120
CSM, net (*)	6,302	9,969	-	16,271
(*) Of which:				
Growth products in life insurance and health insurance (products that the Group continues to market)	4,064	6,367	-	10,431
RA:				
RA, gross	1,204	3,185	210	4,599
Risk adjustment, secondary	67	1,049	63	1,179
RA, net	1,137	2,136	147	3,420

- (6) In accordance with IFRS 17, acquisition expenses are part of the cash flows of insurance contracts. Accordingly, deferred acquisition costs in the life and health sector were deducted at the transition date, offsetting a decrease in equity (surplus). In the non-life insurance sector, these costs were included under liabilities related to insurance contracts. On the assets side of the statement of financial position, costs for obtaining customer management service contracts remain, reflecting deferred acquisition costs associated with pension and provident fund contracts.
- (7) The balance of the capital reserve for available-for-sale financial assets was reclassified to retained earnings at the transition date. Under IFRS 9, available-for-sale financial assets are measured at fair value through profit or loss.

Notes to the Condensed Consolidated Interim Financial Statements**NOTE 16 – Effect of Initial Application of IFRS 17 and IFRS 9 (contd.)****A. Effect on the statement of financial position (contd.)**

	<u>As previously reported</u>	<u>Effect of initial application of the New Standards</u>	<u>After application of the New Standards</u>
	<u>Balance as at December 31, 2024 (unaudited)</u>		
	<u>NIS millions</u>	<u>NIS millions</u>	<u>NIS millions</u>
Assets			
Cash and cash equivalents for yield-dependent contracts	7,388	-	7,388
Other cash and cash equivalents	2,470	-	2,470
Financial investments for yield-dependent contracts measured at fair value	73,711	11	73,722
Other financial investments measured at fair value (1)	29,675	15,081	44,756
Other financial investments measured at amortized cost (2)	22,736	(13,632)	9,104
Trade and other receivables (3)	2,311	(268)	2,043
Premiums due (4)	1,486	(1,486)	-
Current tax assets	24	-	24
Insurance contract assets (5)	-	3,154	3,154
Reinsurance contract assets (5)	5,369	(2,709)	2,660
Investments accounted for at equity	1,503	-	1,503
Investment property for yield-dependent contracts	1,834	-	1,834
Other investment property	2,507	-	2,507
Fixed assets	1,394	-	1,394
Intangible assets	2,840	55	2,895
Costs to obtain customer management service contracts (6)	764	37	801
Deferred acquisition costs (6)	2,609	(2,609)	-
Deferred tax assets	41	-	41
Total assets	<u>158,662</u>	<u>(2,366)</u>	<u>156,296</u>
Total assets for yield-dependent contracts	84,361	(244)	84,117

Notes to the Condensed Consolidated Interim Financial Statements**NOTE 16 – Effect of Initial Application of IFRS 17 and IFRS 9 (contd.)****A. Effect on the statement of financial position (contd.)**

	<u>As previously reported</u>	<u>Effect of initial application of the New Standards</u>	<u>After application of the New Standards</u>
	<u>Balance as at December 31, 2024 (unaudited)</u>		
	<u>NIS millions</u>	<u>NIS millions</u>	<u>NIS millions</u>
Liabilities			
Borrowings and credit	18,414	1	18,415
Liabilities for derivative instruments	7,917	(1)	7,916
Trade and other payables (3)	6,180	(3,692)	2,488
Current tax liabilities	26	-	26
Liabilities for yield-dependent investment contracts	21,284	-	21,284
Liabilities for non-yield-dependent investment contracts	108	-	108
Liabilities for insurance contracts (5)	94,307	(247)	94,060
Liabilities for reinsurance contracts	-	438	438
Liabilities for employee benefits, net	139	-	139
Deferred tax liabilities	1,083	389	1,472
Total liabilities	<u>149,458</u>	<u>(3,112)</u>	<u>146,346</u>
Equity			
Share capital and share premium	392	-	392
Treasury shares	(430)	-	(430)
Capital reserves (7)	699	(453)	246
Retained earnings	8,456	1,199	9,655
Total equity attributed to the Company's owners	<u>9,117</u>	<u>746</u>	<u>9,863</u>
Noncontrolling interests	87	-	87
Total equity	<u>9,204</u>	<u>746</u>	<u>9,950</u>
Total equity and liabilities	<u>158,662</u>	<u>(2,366)</u>	<u>156,296</u>

Notes to the Condensed Consolidated Interim Financial Statements**NOTE 16 – Effect of Initial Application of IFRS 17 and IFRS 9 (contd.)****A. Effect on the statement of financial position (contd.)**

- (1) The change is due to the transition to measurement of designated bonds and non-marketable debt assets at fair value instead of at amortized cost.
- (2) Of which: provision for credit losses in the amount of NIS 4 million
- (3) The change in receivables and payables is mainly due to classification of balances with policyholders or reinsurers, including deposits for reinsurers, which are included in IFRS 17 under fulfillment cash flows, and therefore classified as insurance contract liabilities or reinsurance assets, as applicable.
- (4) Under IFRS 17, the premium balance is included in the fulfillment cash flows, and therefore has been classified as liabilities for insurance contracts.
- (5) The change in insurance contract liabilities and reinsurance contract assets is mainly due to application of IFRS 17, based mainly on discounted fulfillment cash flows using current assumptions and estimates, while recognizing the CSM that reflects the unrealized profit.

CSM and RA Disclosure:

	As at December 31, 2024 (unaudited)			
	Life insurance and long-term savings	Health insurance	Non-life insurance	Total
	NIS millions	NIS millions	NIS millions	NIS millions
Contractual service margin (CSM):				
CSM, gross	5,496	12,256	-	17,752
CSM, secondary	136	1,068	-	1,204
CSM, net (*)	5,360	11,188	-	16,548
(*) Of which:				
Growth products in life and health insurance (products that the Group continues to market)	3,621	7,508	-	11,129
RA:				
RA, gross	1,207	3,341	212	4,760
Risk adjustment, secondary	73	1,015	70	1,158
RA, net	1,134	2,326	142	3,602

- (6) In accordance with IFRS 17, acquisition expenses are part of the cash flows of insurance contracts. Accordingly, deferred acquisition costs in the life and health sector were deducted at the transition date, offsetting a decrease in equity (surplus). In the non-life insurance sector, these costs were included under liabilities related to insurance contracts. On the assets side of the statement of financial position, costs for obtaining customer management service contracts remain, reflecting deferred acquisition costs associated with pension and provident fund contracts.
- (7) The balance of the capital reserve for available-for-sale financial assets was reclassified to retained earnings at the transition date. Under IFRS 9, available-for-sale financial assets are measured at fair value through profit or loss.

Notes to the Condensed Consolidated Interim Financial Statements**NOTE 16 – Effect of Initial Application of IFRS 17 and IFRS 9 (contd.)****B. Effect on capital at the transition date**

The change in the Group's equity as at the transition date (January 1, 2024) following application of the New Standards is mainly due to the following:

	<u>NIS millions</u> <u>(Audited)</u>
Equity as at December 31, 2023 – as previously reported	8,953
Revised measurement for insurance contract liabilities and reinsurance assets under IFRS 17 (see also 1 below)	(130)
Derecognition of deferred acquisition cost assets	(2,569)
Transition to measuring financial assets, including earmarked bonds, from amortized cost to fair value (see also 2 below)	1,397
Other effects	1,697
Recognition of deferred taxes for the tax effects arising from the changes (*)	<u>(135)</u>
Equity as at January 1, 2024 – in accordance with IFRS	<u>9,213</u>

(*) Regarding the tax effect, it should be noted that the Group estimates that the transition date for income tax purposes will be January 1, 2025, and that the full effect of the reduction in capital, after taking into account the results of 2024, will be recognized as either a carryforward loss or a current loss in subsequent periods, both for corporate tax purposes and for profit tax that apply to the insurance companies in the Group classified as financial institutions

The change in the Group's equity between **as at March 31, 2024 and December 31, 2024** is also affected by changes in the Group's comprehensive income resulting from application of the New Standards. For further information about the main changes in the Group's comprehensive income following application of the New Standards, see section B below.

(1) Insurance contracts

Under IFRS 1, the Group applies the transitional provisions set out in IFRS 17 for its insurance contracts that are within the scope of IFRS 17. The transition date for application of IFRS 17 is also the transition date for IFRS, which is January 1, 2024.

Transitional provisions:

For further information about the Group's accounting policy applied to its insurance contracts under IFRS 17, see Note 3 above. This accounting policy differs substantially from the accounting policy previously applied to the Group's insurance contracts under IFRS 4 in accordance with the Commissioner's guidelines, as set out in the Group's Annual Statements for 2024.

Under the transitional provisions, retrospective application of IFRS 17 is required ("Full Retrospective Application") impracticable. In Full Retrospective Application, the Group identifies, recognizes, and measures each group of insurance contracts and any assets for insurance acquisition cash flows as at the transition date, as if IFRS 17 had always applied. In addition, the Group will derecognize any existing balances that would not exist if IFRS 17 had not always applied. Any resulting differences are recognized in equity as at the transition date. Comparative figures for 2024 will be restated accordingly.

Notes to the Condensed Consolidated Interim Financial Statements

NOTE 16 – Effect of Initial Application of IFRS 17 and IFRS 9 (contd.)**B. Effect on capital at the transition date (contd.)****(1) Insurance contracts (contd)**

If Full Retrospective Application for a group of insurance contracts and/or an asset for insurance acquisition cash flows is impractical, the Group will apply one of the following approaches:

- Modified retrospective approach (MRA): to achieve the closest possible result for Full Retrospective Application using reasonable and supportable information, which can be achieved without undue cost or effort
- Fair value approach (FVA) – to apply this approach, the Group will determine the contractual service margin or loss component of the liability for remaining coverage at the transition date as the difference between the fair value of a group of insurance contracts at that date and the fulfilment cash flows measured at that date

The Group applied the transitional approach permitted in IFRS 17 as set out below:

The Group chose to apply Full Retrospective Application for the following portfolios:

- **All non-life insurance portfolios;**
- **Short-term health insurance portfolios measured in accordance with the PAA model;**
- **Reinsurance contracts measured in accordance with the PAA, consistently to address the gross contracts underlying the reinsurance contracts.**

The Group believes that it is impractical to retroactively apply IFRS 17 to the remaining insurance portfolios, primarily for the following reasons:

- It is not possible to determine the effect of full retrospective application due to the unavailability of required information, such as expectations regarding the profitability of insurance contracts and the risk of them becoming onerous, historical cash flow data, and information on changes in estimates and assumptions) has not been not collected or is unavailable without incurring excessive cost or effort, and implementing the new information and reporting systems on historical data would require unreasonable efforts;
- The full retrospective application approach requires assumptions about the Group's intentions in past periods or significant accounting estimates, which determined without the use of hindsight – for example, assumptions about RA for non-financial risk including its distribution or allocation, for prior periods, where these assumptions were not required by the Group.

Accordingly, the Group chose to apply the following transition approaches for the remaining insurance portfolios:

Modified retrospective approach (MRA) applied for:

- **Insurance coverage in the event of death – 2019-2023 underwriting years;**
- **Personal lines medical and disability insurance – 2019-2023 underwriting years;**
- **Critical illness – 2019-2023 underwriting years.**

Notes to the Condensed Consolidated Interim Financial Statements

NOTE 16 – Effect of Initial Application of IFRS 17 and IFRS 9 (contd.)**B. Effect on capital at the transition date (contd.)****(1) Insurance contracts (contd)**

In implementing MRA, the Group applied the following permitted adjustments to determine the CSM at the transition date:

- The future cash flows for each group of insurance contracts are estimated at the initial recognition date as the estimated amount of future cash flows at the Group's transition date, adjusted for cash flows that have already transpired between the initial recognition date and the transition date (including for cash flows associated with insurance contracts that terminated prior to the transition date);
- Non-financial risk adjustment (RA) is determined at the Group's initial recognition date as the amount of the RA at the transition date, adjusted for the expected release from the risk prior to the transition date. The expected release from risk is determined by reference to the release of risk for similar insurance contracts issued by the Group at the transition date.

The CSM at the transition date is determined by comparing the coverage units at the initial recognition date with the remaining coverage units at the transition date.

Fair value approach (FVA)

Other life and health insurance portfolios are measured in accordance with the fair value approach (FVA) at the transition date, based on the valuation of external assessors ("the Fair Value Valuation").

In accordance with the Commissioner's circular, the fair value assessment (FVA) of life and health insurance portfolios is carried out using the appraisal value (AV) method. Calculations under this method are based, to the extent possible, on calculations carried out when applying IFRS 7 and on calculations carried out within the framework of the solvency reports of Harel Insurance.

Under the fair value approach, insurance contracts issued with a time gap of more than one year may be included within the same group of contracts. **The Group chose to apply this exemption and not to separate groups into those comprising only contracts issued within a time gap of one year or less.**

Main assumptions underlying the Fair Value Valuation:

- In principle, the valuation under the AV approach determines the fair value of groups of insurance contracts by assessing the compensation a market participant would require for assuming such portfolios. This required compensation reflects the need for the market participant to allocate capital to meet the economic solvency requirement, in addition to maintaining the base amounts necessary to cover the expected cash flows for settling the insurance liabilities;
- The valuation assumes that the amounts of assets held by the market participant against insurance liabilities and the additional capital buffers required under the economic solvency regime will be invested at a risk-free interest rate until distributed as dividends;
- In accordance with the Commissioner's directives, the valuation assumes that the capital buffers held against the insurance liabilities in each group will be 121% of the solvency capital requirements (SCR) in the year following the transition date, increasing to 135% by the end of 2032 (when the transitional provisions for the economic solvency regime end);
- The valuation assumes that 40% of the capital requirements will be fulfilled through the issuance of Tier 2 capital instruments;
- In principle, the valuation is based on cash flow projections, including expense forecasts, which the Company uses for its economic solvency regime, in accordance with the Commissioner's guidelines and under the assumption they reflect the perspective of a market participant;

Notes to the Condensed Consolidated Interim Financial Statements

NOTE 16 – Effect of Initial Application of IFRS 17 and IFRS 9 (contd.)**B. Effect on capital at the transition date (contd.)****(1) Insurance contracts (contd)**Fair value approach (FVA) (contd.)

- The required capital allocation for the portfolio is affected, among other factors, by its diversification level. In accordance with the Commissioner's guidelines, the valuation is based, as a starting point, on the current diversification level in the portfolios of Harel Insurance as at the transition date, assuming this level reflects the perspective of a market participant. To estimate future capital requirements for the assessed portfolios, the valuation assumes that a market participant will introduce new products of a similar scope and type to those marketed by Harel Insurance in 2023, which will affect the forecasted diversification effect. The resulting dispersion effect is evenly allocated across the capital requirements of the assessed insurance portfolios;
- The valuation assumes that a market participant will require a total target return on equity of 13.6%, based mainly on the CAPM.

(2) Financial instruments

As set out in Note 3 above, from January 1, 2023, the Group applies the provisions of IFRS 9 for financial instruments not related to subsidiaries that meet the definition of an insurer.

On the other hand, Harel Insurance, EMI, and the management companies of pension and provident funds in the Group (“the Management Companies”) applies the provisions of IFRS 9 starting from January 1, 2025. Under IFRS 1, within the data in the Group's consolidated financial statements related to Harel Insurance, EMI and the management companies have implemented the classification and measurement provisions of IFRS 9 and the relevant disclosure requirements set out in IFRS 7, retrospectively, from the transition date – January 1, 2024.

For further information about the Group's significant accounting policies regarding its financial instruments under IFRS 9, see Note 3I to the Annual Statements for 2024 and also Note 3 above.

Application of IFRS 9 affected the classification and measurement of the financial assets of Harel Insurance, EMI, and managed companies as follows:

- Financial assets in profit-sharing portfolios

Financial assets backing insurance contracts with profit-sharing savings and other profit-sharing insurance contracts are measured at fair value through profit or loss, similar to the Group's accounting policy under IAS 39, to avoid accounting mismatch with corresponding contract liabilities. Within this framework, credit facilities provided by the Group (which constitute the Group's commitment to provide loans) relating to the financial asset portfolios are also measured at fair value through profit or loss.

- Financial assets in nostro portfolios

- Investments in equity instruments are measured at fair value through profit and loss, instead of at fair value through comprehensive income (as available-for-sale financial assets) which was previously applied by the Group under IAS 39;
- Derivative instruments are measured at fair value through profit and loss, similar to the measurement previously applied under IAS 39;

Notes to the Condensed Consolidated Interim Financial Statements

NOTE 16 – Effect of Initial Application of IFRS 17 and IFRS 9 (contd.)**B. Effect on capital at the transition date (contd.)****(2) Financial instruments (contd.)****- Financial assets in nostro portfolios (contd.)**

- Investments in debt instruments that offset insurance liabilities, including earmarked Hetz bonds - are measured at fair value through profit or loss to prevent accounting inconsistency with the measurement of insurance contract liabilities. Within this framework, credit facilities (which constitute the Group's commitment to provide loans) relating to the financial asset portfolios are also measured at fair value through profit or loss.

Under the accounting policy applied by the Group under IAS 39, these investments were measured at fair value through profit or loss; fair value through other comprehensive income (as available-for-sale financial assets); or at amortized cost (as loans and receivables) using the effective interest method, in accordance with the criteria in IAS 39 and detailed in the Group's accounting policy disclosure in its Annual Statements for 2024. In addition, as a rule, credit facilities provided by the Group at an interest rate not lower than the market interest rate were not recognized in the financial statements in the application of IAS 39.

- Investments in debt instruments backing capital and other non-insurance liabilities – Investments in managed debt instruments or debt instruments held for trading are measured at fair value through profit or loss. Other investments in debt instruments are managed under a business model aimed at collecting contractual cash flows and are measured at amortized cost using the effective interest method, provided they meet the principal and interest test (SPPI) in IFRS 9. If these investments do not meet the principal and interest test, they are measured at fair value through profit or loss. Reverse mortgage loans provided by the Group to customers do not meet the principal and interest test and are therefore measured at fair value through profit or loss.
- The Group does not hold investments in debt instruments under a business model that achieves its objective both through collecting contractual cash flows and by selling financial assets. Therefore, it does not have investments in debt instruments measured at fair value through other comprehensive income.

Under the accounting policy applied by the Group under IAS 39, these investments were measured at fair value through profit or loss; fair value through other comprehensive income (as available-for-sale financial assets); or at amortized cost (as loans and receivables) using the effective interest method, in accordance with the criteria in IAS 39 and detailed in the Group's accounting policy disclosure in its Annual Statements for 2024. These criteria are not the same as the criteria applied under IFRS 9. In addition, as a rule, credit facilities provided by the Group at an interest rate not lower than the market interest rate were not recognized in the financial statements in the application of IAS 39.

For investments in financial assets measured at amortized cost, IFRS 9 includes a new credit loss recognition model that replaces the existing impairment model of IAS 39 (which is based on the incurred credit loss model) with the expected credit loss model. For additional information, see Note 3J to the Financial Statements.

Accordingly, with the transition to IFRS, as at the transition date and as at March 31, 2024 and December 31, 2024, most of the Group's financial assets are measured at fair value through profit and loss. Accordingly, the provision for expected credit losses recognized is not material.

Notes to the Condensed Consolidated Interim Financial Statements**NOTE 16 – Effect of Initial Application of IFRS 17 and IFRS 9 (contd.)****B. Effect on capital at the transition date (contd.)****(2) Financial instruments (contd.)**Financial liabilities

In general, the classification and measurement of financial liabilities under IFRS 9 remain unchanged compared with the classification and measurement applied under IAS 39.

As set out in section A1 above, the Group applies IFRS 9 for residential mortgage credit insurance contracts previously issued by EMI, which also meet the definition of financial guarantee contracts. Accordingly, these contracts are measured at each reporting date at the higher of the unearned premium balance or the provision for expected credit losses, calculated in accordance IFRS 9 principles. As at the transition date and as at March 31, 2024, and December 31, 2024, the amounts recognized in excess of the unearned premium are not material. Prior to the initial adoption of IFRS 9, these contracts were classified as insurance contracts under IFRS 4, in accordance with the Commissioner's guidelines.

In addition, for financial guarantee transactions for mortgage portfolios insured by third parties through Harel Insurance – prior to the initial adoption of IFRS 9, these contracts were measured under IAS 39 based on the higher of the unearned premium balance or the provision required under IAS 37. With the implementation of IFRS 9 for these contracts, they are measured at the higher of the unearned premium balance or the provision for expected credit losses, calculated in accordance with IFRS 9. As at the transition date and as at March 31, 2024, and December 31, 2024, the amounts recognized in excess of the unearned premium are not material.

For the accounting of credit facilities provided by the Group that constitute commitments to provide loans measured at fair value through profit or loss, see above.

The Group recognizes expected credit loss provisions for credit facilities provided by the Group that constitute commitments to provide loans that are not measured at fair value through profit or loss. As at the transition date and as at March 31, 2025, March 31, 2024, and December 31, 2024, the amounts recognized are not material.

C. Effect on comprehensive income

	For the three months ended March 31, 2024 (unaudited)	For the year ended December 31, 2024 (unaudited)
	(NIS millions)	(NIS millions)
Comprehensive income after tax, as previously reported	236	1,147
Adjustments to comprehensive income following the transition to IFRS:		
Insurance contracts (1)	(90)	699
Financial instruments (2)	136	31
Effect of tax	(15)	(258)
Other	-	14
Other comprehensive income after tax, according to IFRS	267	1,633

Notes to the Condensed Consolidated Interim Financial Statements

NOTE 16 – Effect of Initial Application of IFRS 17 and IFRS 9 (contd.)**C. Effect on comprehensive income (contd.)****(1) Insurance contracts**

Changes in comprehensive income after application of IFRS 17 include mainly the following:

- Recognition of CSM at the transition date under the fair value approach

Application of the fair value under the transitional provisions of IFRS 17 for certain insurance portfolios, particularly contracts such as long-term care insurance and others, resulted in a reduction in capital at the transition date, offset by the recognition of the CSM and the RA for non-financial risk. These two components are released in subsequent periods to profit or loss over the relevant coverage periods, resulting in the recognition of profit that would not have been recognized under the application of IFRS 4.

- Variations in the profit release pattern for long-term life and health insurance policies

The profit release pattern in long-term life and health insurance policies, which are not measured under the PAA, differs significantly between IFRS 17 and IFRS 4, both the existing business at the transition date and a new business that is marketed after it.

Under IFRS 4, the pattern of release from risk was affected, among other things, by the actual premium amount and the development of actual claims in each period. Under IFRS 17, at the transition date, the CSM and RA components were recognized and are released to profit or loss over the coverage periods relating to different contract groups. The rate of release for these components is mainly affected by the coverage units allocated to each reporting period. Additionally, profit and loss are affected by the gap between the expected claims and incurred claims.

In savings products, the pattern of the release of profit under IFRS 4 depended on the actual collection of management fees, which was affected, among other things, on the existence of a "hole" in the management fees in the participating portfolio and on the accumulate balance at any given point in time. On the other hand, under IFRS 17, the pattern of release takes into account the expected profitability of the portfolio, including the future development of management fees, which were also taken into account for determining the fair value of the existing business in the CSM calculation for the transition date.

Additionally, insurance service revenue and insurance service expenses under IFRS 17 does not include investment components, which are mainly included in savings policies, unlike IFRS 4, however, this does not affect profit.

- Differences in sensitivity to interest rate changes

Under IFRS 4, the risk-free discount rate plus an illiquidity premium is used to discount only part of the insurance contract liabilities, specifically non-life insurance liabilities, and, when necessary, the adequacy of reserve adjustments (LAT).

On the other hand, under IFRS 17, all insurance contracts are measured by discounting future fulfilment cash flows at current discount rates, resulting in increased sensitivity to interest rate changes in profit or loss. Additionally, overall sensitivity to interest rates changes under IFRS 17, due to the fact that certain insurance portfolios, with cash flows in a net asset position, demonstrated lower sensitivity to interest rates under IFRS 4. However, under IFRS 17, they will be affected by interest rate fluctuations and may even offset part of the interest rate sensitivity of insurance portfolios with a cash flows in a liability position. In addition, changes in interest rates affect the fair value of financial investments, most of which are measured under IFRS 17 at fair value through profit or loss.

Notes to the Condensed Consolidated Interim Financial Statements

NOTE 16 – Effect of Initial Application of IFRS 17 and IFRS 9 (contd.)**C. Effect on comprehensive income (contd.)****(1) Insurance contracts (contd.)**

- Variations in the attribution of changes in actuarial assumptions, including studies and demographic changes

Under IFRS 4, research updates, demographic changes (such as mortality tables) and model updates were recognized immediately in profit or loss. On the other hand, under IFRS 17, updates for insurance contracts not accounted for under the PAA and relate to future service, adjust the CSM (until it is fully offset), and their effect is recognized in profit or loss as part of release of the CSM, as set out above.

Similarly, under IFRS 4, any effect of changes in yield rates affecting the amount of management fees in savings policies was recognized immediately in profit or loss. On the other hand, under IFRS 17, financial assumption effects and changes, including those related to the effect of management fees in savings policies, for insurance contracts accounted for under the VFA, adjust the CSM until it is fully offset, and their effect is recognized in profit or loss under the release of the CSM as set out above. It should be noted that the change in insurance contract liabilities accounted for under the VFA, arising from fair value changes in underlying items is recognized in insurance finance expenses, offset by the recognition of income from the supporting investments.

(2) Financial instruments

The changes in comprehensive income arising from application of IFRS 9 are mainly due to the measurement of most financial assets, in particular designated bonds, at fair value through profit or loss, instead of measuring some of these financial assets at cost or fair value through other comprehensive income (available for sale) under IAS 39. Additionally, there is an immaterial effect from the credit loss provision due to application of the new expected credit loss model under IFRS 9.



HAREL INSURANCE INVESTMENTS AND FINANCIAL SERVICES LTD.

**SEPARATE FINANCIAL INFORMATION FROM THE CONDENSED
CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

March 31, 2025

Financial Information from the Condensed Consolidated Interim Statements of Financial Position

	<u>March 31</u>		<u>December 31</u>
	<u>2025</u>	<u>2024*</u>	<u>2024*</u>
	<u>(Unaudited)</u>	<u>(Unaudited)</u>	<u>(Unaudited)</u>
	<u>NIS millions</u>	<u>NIS millions</u>	<u>NIS millions</u>
Assets			
Intangible assets	2	2	2
Fixed assets	15	18	16
Investments in equity accounted investees	7,731	6,616	7,147
Loans to investees	1,382	712	1,393
Investment property	38	36	36
Trade and other receivables	80	76	88
Assets for employee benefits	25	27	25
Other financial investments			
Marketable debt assets	455	-	208
Non-marketable debt assets	33	33	32
Shares	460	116	421
Other	1,221	2,050	1,853
Total other financial investments	2,169	2,199	2,514
Cash and cash equivalents	296	1,055	196
Total assets	11,738	10,741	11,417
Equity			
Share capital and share premium	405	359	392
Treasury shares	(441)	(343)	(430)
Capital reserves	256	281	246
Retained earnings	10,150	8,735	9,655
Total equity	10,370	9,032	9,863
Liabilities			
Deferred tax liabilities	21	4	25
Liabilities for employee benefits	43	41	42
Trade and other payables	138	400	321
Current tax liabilities	3	12	3
Financial liabilities	1,163	1,252	1,163
Total liabilities	1,368	1,709	1,554
Total liabilities and equity	11,738	10,741	11,417

* See Note 16 to the consolidated quarterly financial statements regarding the application of IFRS 1, *First-time Adoption of International Financial Reporting Standards*, which includes the initial application of IFRS 17, *Insurance Contracts*, and IFRS 9, *Financial Instruments*. Relevant comparative figures were restated

Yair Hamburger
Chairman of the Board
of Directors

Nir Cohen
CEO

Arik Peretz
CFO

Date of approval of the financial statements: May 28, 2025

Financial Information from the Condensed Consolidated Interim Statements of Income

	For the three months ended		For the year
	March 31		ended
	2025	2024*	December 31
	(Unaudited)	(Unaudited)	(Unaudited)
	NIS millions	NIS millions	NIS millions
Profit from investments, net, and finance income	26	43	191
Income from management fees	35	37	135
Other income	-	-	7
Total income	61	80	333
General and administrative expenses	14	11	52
Financing expenses, net	12	13	51
Total expenses	26	24	103
Company's share in profits of investees	462	195	1,421
Profit before income tax	497	251	1,651
Income tax	2	14	53
Profit for the period attributable to shareholders of the Company	495	237	1,598

* See Note 16 to the consolidated quarterly financial statements regarding the application of IFRS 1, *First-time Adoption of International Financial Reporting Standards*, which includes the initial application of IFRS 17, *Insurance Contracts*, and IFRS 9, *Financial Instruments*. Relevant comparative figures were restated

Financial Information from the Condensed Consolidated Interim Statements of Comprehensive Income

	For the three months ended		For the year
	March 31		ended
	2025	2024*	December 31
	(Unaudited)	(Unaudited)	(Unaudited)
	NIS millions	NIS millions	NIS millions
Profit for the period	495	237	1,598
Other comprehensive income (loss) items that after initial recognition as part of comprehensive income were or will be transferred to profit or loss			
Foreign currency translation differences for foreign activity	2	(1)	(8)
Group's share of comprehensive income of investees	23	8	9
Total other comprehensive income (loss) for the period that after initial recognition as part of comprehensive income was or will be transferred to profit or loss, net of tax	25	7	1
Items of other comprehensive income not transferred to profit or loss			
Revaluation reserve for fixed asset items in investees	32	27	33
Remeasurement of a defined benefit plan	-	-	(2)
Taxes on income for items of other comprehensive income not transferred to profit or loss	(9)	(7)	(11)
Other comprehensive income for the period, that will not be transferred to profit or loss, net of tax	23	20	20
Other comprehensive income for the period, net of tax	48	27	21
Total comprehensive income for the period attributable to shareholders of the Company	543	264	1,619

* See Note 16 to the consolidated quarterly financial statements regarding the application of IFRS 1, *First-time Adoption of International Financial Reporting Standards*, which includes the initial application of IFRS 17, *Insurance Contracts*, and IFRS 9, *Financial Instruments*. Relevant comparative figures were restated

Financial Information from the Condensed Consolidated Interim Statements of Changes in Equity

	<u>Share capital and premium</u>	<u>Translation reserve for foreign activity</u>	<u>Capital reserve for share-based payment</u>	<u>Treasury shares</u>	<u>Capital reserve for transactions with non-controlling interests</u>	<u>Capital reserve for revaluation of fixed assets</u>	<u>Retained earnings</u>	<u>Total</u>
	<u>NIS millions</u>	<u>NIS millions</u>	<u>NIS millions</u>	<u>NIS millions</u>	<u>NIS millions</u>	<u>NIS millions</u>	<u>NIS millions</u>	<u>NIS millions</u>
For the three months ended March 31, 2025 (unaudited)								
Balance as at January 1, 2025	392	(143)	40	(430)	(49)	398	9,655	9,863
Comprehensive income for the period								
Profit for the period	-	-	-	-	-	-	495	495
Other comprehensive income	-	25	-	-	-	23	-	48
Total comprehensive income for the period	-	25	-	-	-	23	495	543
Transactions with owners recognized directly in equity								
Issuance of a put option	-	-	-	-	(25)	-	-	(25)
Share-based payment	-	-	3	-	-	-	-	3
Purchase of treasury shares	-	-	-	(11)	-	-	-	(11)
Non-controlling interests for consolidated companies	-	-	-	-	(3)	-	-	(3)
Exercise of options	13	-	(13)	-	-	-	-	-
Balance as at March 31, 2025	405	(118)	30	(441)	(77)	421	10,150	10,370

The additional information attached to the condensed separate interim financial information is an integral part thereof.

Financial Information from the Condensed Consolidated Interim Statements of Changes in Equity (Contd.)

	Share capital and premium	Capital reserve for available for sale assets	Translation reserve for foreign activity	Capital reserve for share-based payment	Treasury shares	Capital reserve for transactions with non-controlling interests	Capital reserve for revaluation of fixed assets	Retained earnings	Total
	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions
For the three months ended March 31, 2024 (unaudited)									
Balance as at January 1, 2024 as previously presented	359	287	(130)	56	(304)	(49)	376	8,298	8,893
Effect of initial application of IFRS 17 and IFRS 9*	-	(287)	-	-	-	-	-	547	260
Balance as at January 1, 2024 after initial application of IFRS 17 and IFRS 9*	359	-	(130)	56	(304)	(49)	376	8,845	9,153
Comprehensive income for the period									
Profit for the period	-	-	-	-	-	-	-	237	237
Other comprehensive income	-	-	5	-	-	-	19	3	27
Total comprehensive income for the period	-	-	5	-	-	-	19	240	264
Transactions with owners recognized directly in equity									
Dividend to owners	-	-	-	-	-	-	-	(350)	(350)
Share-based payment	-	-	-	4	-	-	-	-	4
Purchase of treasury shares	-	-	-	-	(39)	-	-	-	(39)
Balance as at March 31, 2024	359	-	(125)	60	(343)	(49)	395	8,735	9,032

* See Note 16 regarding the application of IFRS 1, *First-time Adoption of International Financial Reporting Standards*, which includes the initial application of IFRS 17, *Insurance Contracts*, and IFRS 9, *Financial Instruments*. Relevant comparative figures were restated

Financial Information from the Condensed Consolidated Interim Statements of Changes in Equity (Contd.)

	<u>Share capital and premium</u>	<u>Capital reserve for available for sale assets</u>	<u>Translation reserve for foreign activity</u>	<u>Capital reserve for share-based payment</u>	<u>Treasury shares</u>	<u>Capital reserve for transactions with non-controlling interests</u>	<u>Capital reserve for revaluation of fixed assets</u>	<u>Retained earnings</u>	<u>Total</u>
	<u>NIS millions</u>	<u>NIS millions</u>	<u>NIS millions</u>	<u>NIS millions</u>	<u>NIS millions</u>	<u>NIS millions</u>	<u>NIS millions</u>	<u>NIS millions</u>	<u>NIS millions</u>
For the year ended December 31, 2024 (unaudited)									
Balance as at January 1, 2024 as previously presented	359	287	(130)	56	(304)	(49)	376	8,298	8,893
Effect of initial application of IFRS 17 and IFRS 9*	-	(287)	-	-	-	-	-	547	260
Balance as at January 1, 2024 after initial application of IFRS 17 and IFRS 9*	359	-	(130)	56	(304)	(49)	376	8,845	9,153
Total comprehensive income for the year									
Profit for the year	-	-	-	-	-	-	-	1,598	1,598
Other comprehensive income (loss)	-	-	(13)	-	-	-	22	12	21
Total comprehensive income (loss) for the year	-	-	(13)	-	-	-	22	1,610	1,619
Transactions with owners recognized directly in equity									
Dividend to owners	-	-	-	-	-	-	-	(800)	(800)
Share-based payment	-	-	-	17	-	-	-	-	17
Purchase of treasury shares	-	-	-	-	(126)	-	-	-	(126)
Exercise of options	33	-	-	(33)	-	-	-	-	-
Balance as at December 31, 2024	<u>392</u>	<u>-</u>	<u>(143)</u>	<u>40</u>	<u>(430)</u>	<u>(49)</u>	<u>398</u>	<u>9,655</u>	<u>9,863</u>

* See Note 16 regarding the application of IFRS 1, *First-time Adoption of International Financial Reporting Standards*, which includes the initial application of IFRS 17, *Insurance Contracts*, and IFRS 9, *Financial Instruments*. Relevant comparative figures were restated

Financial Information from the Condensed Consolidated Interim Statements of Cash Flows

	Annex	For the three months ended		For the year
		March 31		ended
		2025	2024*	December 31
		(Unaudited)	(Unaudited)	(Unaudited)
		NIS millions	NIS millions	NIS millions
Cash flows from operating activity				
Before income tax	A	21	51	159
Taxes paid		(12)	(17)	(41)
Net cash from operating activity		9	34	118
Cash flows from investment activity				
Investment in investees		(13)	(16)	(113)
Investment in fixed assets		-	-	(2)
Proceeds from sale of fixed assets		-	-	1
Dividend and interest from investees		6	3	762
Financial investments, net		361	(2,014)	(2,203)
Repayment (provision) of loans and capital notes provided to investees		12	9	(660)
Cash received from capital reduction of an investee		-	-	7
Net cash from (used for) investment activity		366	(2,018)	(2,208)
Cash flows from financing activity				
Buyback of the Company shares by the Company		(11)	(39)	(126)
Repayment of loans from banks and others		(13)	(13)	(27)
Repayment of liability notes		-	-	(92)
Repayment of lease liabilities		(1)	(1)	(3)
Loan provided to related parties		-	-	(8)
Dividend to owners		(250)	-	(550)
Net cash used in financing activities		(275)	(53)	(806)
Net increase (decrease) in cash and cash equivalents		100	(2,037)	(2,896)
Retained cash and cash equivalents at the beginning of the period		196	3,092	3,092
Retained cash and cash equivalents at the end of the period		296	1,055	196

* See Note 16 to the consolidated quarterly financial statements regarding the application of IFRS 1, *First-time Adoption of International Financial Reporting Standards*, which includes the initial application of IFRS 17, *Insurance Contracts*, and IFRS 9, *Financial Instruments*. Relevant comparative figures were restated

Financial Information from the Condensed Interim Statements of Cash Flows (Contd.)

	For the three months ended		For the year
	March 31		ended
	2025	2024*	December 31
	(Unaudited)	(Unaudited)	(Unaudited)
	NIS millions	NIS millions	NIS millions
Annex A - Cash flows from operating activities			
Profit for the period attributable to shareholders of the Company	495	237	1,598
Items not involving cash flows			
Company's share of profits of equity accounted investees	(462)	(195)	(1,421)
Net profits from financial investments	(7)	(4)	(106)
Change in fair value of investment property	(2)	(2)	(2)
Financing expenses, net	2	1	11
Income tax	2	14	53
Depreciation and amortization	1	1	3
Changes in other statement of financial position items			
Trade and other receivables	8	(13)	(25)
Trade and other payables	(17)	12	45
Liabilities for employee benefits, net	1	-	3
Total adjustments required to present cash flows from (used for) operating activity	(474)	(186)	(1,439)
Total cash flows from operating activity	21	51	159

* See Note 16 to the consolidated quarterly financial statements regarding the application of IFRS 1, *First-time Adoption of International Financial Reporting Standards*, which includes the initial application of IFRS 17, *Insurance Contracts*, and IFRS 9, *Financial Instruments*. Relevant comparative figures were restated

Notes to the Company's Separate Financial Statements

NOTE 1 - Method of Preparing the Separate Financial Information

A. General

The following is the condensed separate financial information from the Group's consolidated interim financial statements as at March 31, 2025 ("the Condensed Consolidated Interim Financial Statements"), published as part of the Periodic Report ("the Condensed Separate Interim Financial Information"), presented in accordance with the provisions of Regulation 38D ("the Regulation") and the Tenth Schedule to the Securities (Periodic and Immediate Reports) Regulations, 1970 ("the Tenth Schedule") regarding the condensed interim separate financial information of the Company. This condensed, separate interim financial information should be read in conjunction with the separate financial information for the Company as at December 31, 2024, and with the Condensed Consolidated Interim Financial Statements.

B. Definitions

- | | |
|-------------------------------------|---|
| The Company | - Harel Insurance Investments & Financial Services Ltd. |
| Consolidated companies/subsidiaries | - Companies, including partnerships, whose reports are fully consolidated, directly or indirectly, with the reports of the Company. |
| Investee companies | - Consolidated companies and companies, including partnerships, in which the Company's investment therein is included, directly or indirectly, in the financial statements on the equity basis. |
| Date of the Report | - The date of the Statement of Financial Position |

C. Method of preparing the financial information

The condensed separate interim financial information was prepared in accordance with the accounting policy detailed in Note 2 to the Company's separate annual financial statements as at December 31, 2024.

Notes to the Company's Separate Financial Statements

NOTE 2 - Material Relationships, Agreements, and Transactions with Investees

1. In the Reporting Period, Harel Mutual Funds Ltd., a subsidiary of Harel Finance, a company wholly owned by the Company, made partial repayment of a capital note in the amount of NIS 15 million. The repayment was made from the independent sources of Harel Mutual Funds Ltd.
2. On February 18, 2025, Harel UK distributed a dividend of GBP 75 thousand. The dividend was paid on February 28, 2025.

NOTE 3 – Material Events in the Reporting Period

1. On a put option for non-controlling interests, see Note 14 to the Condensed Consolidated Interim Financial Statements.
2. On an agreement with Pama Leasing Ltd. ("Pama"), see Note 14 to the Condensed Consolidated Interim Financial Statements.

NOTE 4 – Material Events After the Reporting Period

1. On the allocation of options for officers and employees of the Group, see Note 15 to the Condensed Consolidated Interim Financial Statements.
2. On the expected appointment of an officer – Chief Investment Officer, see Note 15 to the Condensed Consolidated Interim Financial Statements.
3. On the notice for an Annual and Special General Meeting, see Note 15 to the Condensed Consolidated Interim Financial Statements.
4. On cooperation with the Union Group in a proposal to acquire the holdings of Israel Discount Bank Ltd. ("Discount Bank") in Israel Credit Cards Company Ltd. ("Cal"), see Note 15 to the Condensed Consolidated Interim Financial Statements.
5. On a share-based payment, see Note 15 to the Condensed Consolidated Interim Financial Statements.



Harel Insurance Investments and Financial Services Ltd.

**Report concerning the effectiveness of
internal control over financial reporting
and disclosure**

Quarterly report concerning the effectiveness of the internal control over financial reporting and disclosure as per Regulation 38C(a)

Management, under the oversight of the Board of Directors of Harel Insurance Investments and Financial Services Ltd. ("the Company"), is responsible for defining and maintaining due internal control over the Company's financial reporting and disclosure.

In this instance, management consists of:

- A. Mr. Nir Cohen – CEO of the Company, CEO of Harel Insurance Company Ltd..
- B. Mr. Arik Peretz - the Company's VP Finance, Deputy CEO and Head of the Finance and Resources Division of Harel Insurance Company Ltd.,
- C. Mr. Gilad Shapiro - General Counsel to the Company and the Group's companies, Deputy CEO of Harel Insurance Company Ltd.
- D. Mr. Sami Babecov - VP of the Company and manager of the Group's investments, Deputy CEO and manager of the investment division of Harel Insurance Company Ltd.
- E. Ms. Osnat Manor Zisman - Internal Auditor of the Company and companies in the Group, Deputy CEO of Harel Insurance Company Ltd.
- F. Ms. Hagit Chitayat Levin - CEO of Harel Finance Holdings Ltd.
- G. Mr. Tomer Goldberg – Director of the Group's strategic and alternative investments.

Internal control over financial reporting and disclosure includes the Company's existing controls and procedures that were planned by the general manager and the most senior financial officer or are monitored by them or by the person who actually performs these duties, under the oversight of the Company's board of directors. The purpose of these controls and procedures is to provide a reasonable measure of assurance as to the reliability of financial reporting and the preparation of the financial statements pursuant to the provisions of the law, and to ensure that the information that the Company is required to disclose in its published reports in accordance with the provisions of the law, is collected, processed, summarized and reported on the dates and in the format prescribed by law.

Among other things, the internal control consists of controls and procedures designed to ensure that the information that the Company is required to disclose, as noted, is accumulated and submitted to the Company's management, including to the CEO and most senior financial officer, or to the person who actually performs these duties, so as to ensure that decisions are made at the appropriate time, with respect to the disclosure requirement.

Due to its inherent limitations, internal control over financial reporting and disclosure is not intended to provide absolute assurance that a misstatement or omission of information in the report can be prevented or detected.

With respect to the assessment of the internal control over financial reporting, Harel Insurance Company Ltd. and the Company's subsidiaries are financial institutions governed by the instructions of the Commissioner of the Capital Market, Insurance and Savings in the Ministry of Finance.

In relation to the internal control in the aforementioned subsidiaries, the Company applies the following instructions:

- Financial Institutions Circular 2010-9-7 from November 2010 - "Internal control over financial reporting – attestations, statements, and disclosures";
- Financial Institutions Circular 2010-9-6 from November 2010 – "Management's responsibility for the internal control over financial reporting - Amendment" (amendment to Financial Institutions Circular 2009-9-10);
- Financial Institutions Circular 2009-9-10, from June 2009 – "Management's responsibility for the internal control over financial reporting".

In the annual report concerning the effectiveness of the internal control over financial reporting and disclosure that was included in the periodic report for the period ended December 31, 2024

(hereinafter – the last annual report on internal control), the internal control was found to be effective. Based on this assessment, the Board of Directors and management of the Company concluded that the aforesaid internal control, as at December 31, 2024, is effective.

Prior to the date of the report, the Board of Directors and management received no information regarding any event or matter that might change the assessment of the effectiveness of the internal control, as found in the last annual report on internal control;

At the date of the report, based on the information in the last annual report on internal control, and based on information submitted to management and the Board of Directors, as noted above, the internal control is effective.

Also See Section 7 to the Board of Directors report.

Certification

I, Nir Cohen, hereby certify that:

1. I have reviewed the quarterly report of Harel Insurance Investments and Financial Services Ltd. (hereinafter - the Company) for Q1 2025 (“the Reports”);
2. Based on my knowledge, the Reports contain no misstatement of a material fact nor do they omit any statement of a material fact necessary for the purpose of ensuring that presentations they contain, in light of the circumstances under which such presentations were included, shall not be misleading with respect to the period covered in the Reports;
3. Based on my knowledge, the financial statements and other financial information contained in the Reports reasonably reflect, in all material respects, the financial position, results of operations, and cash flows of the Company at the dates and periods covered in the Reports;
4. Based on my most recent assessment of the internal control over financial reporting and disclosure, I disclosed to the auditors, to the Board of Directors and the Audit Committee and Financial Reports Committee of the Company:
 - A. Any significant deficiencies and material weaknesses in the determination or application of the internal control over financial reporting and disclosure that might reasonably compromise the Insurance Company's ability to record, process, summarize and report financial information in a manner that may cast doubt on the reliability of the financial reporting and preparation of the financial reports pursuant to the provisions of the law; and –
 - B. Any fraud, whether material or immaterial, that involves the General Manager (CEO) or any person directly accountable to him or other employees who hold a significant role in the internal control over financial reporting and disclosure;
5. I, myself or together with others in the Company:
 - A. Defined controls and procedures, or ensured that such controls and procedures are determined and in place under my oversight, for the purpose of ensuring that material information relating to the Company, including its subsidiaries as they are defined in the Securities (Annual Financial Reports) Regulations, 2010, is brought to my attention by others in the Company and the subsidiaries, particularly during the preparation of the Report; and -
 - B. Defined controls and procedures, or ensured that such controls and procedures are determined and in place under my oversight, for the purpose of providing a reasonable measure of certainty as to the reliability of the financial reporting and to ensure that the financial reports are prepared in accordance with the provisions of the law, including in accordance with generally accepted accounting standards;
 - C. No event or matter which took place during the period between the date of the last report (quarterly or periodic, as applicable) and the date of this report was brought to my attention, that might alter the conclusion of the Board of Directors and Management in relation to the effectiveness of the Company's internal control over financial reporting and disclosure.

The foregoing shall not derogate from my responsibility or from the responsibility of any other person, under any law.

May 28, 2025

Nir Cohen
CEO

Certification

I, Arik Peretz, hereby certify that:

1. I have reviewed the interim financial statements and other financial information contained in the interim financial statements of Harel Insurance Investments and Financial Services Ltd. ("the Company") for Q1 2025 ("the Reports" or "the Interim Reports");
2. Based on my knowledge, the interim financial statements and other financial information contained in the Interim Reports contain no misstatement of a material fact nor do they omit any statement of a material fact necessary to ensure that the statements they contain, in light of the circumstances under which such statements were included, shall not be misleading with respect to the period covered in the Reports;
3. Based on my knowledge, the Interim Reports and other financial information contained in the Interim Reports reasonably reflect, in all material respects, the financial position, results of operations, and cash flows of the Company at the dates and for the periods covered in the Reports;
4. Based on my most recent assessment of the internal control over financial reporting and disclosure, I disclosed to the auditors, to the Board of Directors and the Audit Committee and Financial Reports Committee of the Company:
 - A. Any significant deficiencies and material weaknesses in the determination or application of the internal control over financial reporting and disclosure to the extent that it relates to the interim financial statements and to any other information contained in the Interim Reports, that might reasonably compromise the Company's ability to record, process, summarize or report financial information in a manner that may cast doubt on the reliability of the financial reporting and preparation of the financial reports pursuant to the provisions of the law; and –
 - B. Any fraud, whether material or immaterial, that involves the General Manager (CEO) or any person directly accountable to him or other employees who hold a significant role in the internal control over financial reporting and disclosure;
5. I, myself or together with others in the Company:
 - A. Defined controls and procedures, or ensured that such controls and procedures are determined and in place under my oversight, for the purpose of ensuring that material information relating to the Company, including its subsidiaries as they are defined in the Securities (Annual Financial Reports) Regulations, 2010, is brought to my attention by others in the Company and the subsidiaries, particularly during the preparation of the Report; and -
 - B. Defined controls and procedures, or ensured that such controls and procedures are determined and in place under my oversight, for the purpose of providing a reasonable measure of certainty as to the reliability of the financial reporting and to ensure that the financial reports are prepared in accordance with the provisions of the law, including in accordance with generally accepted accounting standards;
 - C. No event or matter that took place during the period between the date of the last report (quarterly or periodic, as applicable) and the date of this report, in relation to the interim financial statements and to any other financial information contained in the Interim Financial Reports, was brought to my attention, that might, in my opinion, alter the conclusion of the Board of Directors and Management in relation to the effectiveness of the Corporation's internal control over financial reporting and disclosure.

The foregoing shall not derogate from my responsibility or from the responsibility of any other person, under any law.

May 28, 2025

Arik Peretz

CFO