FIBI FIRST INTERNATIONAL BANK OF ISRAEL

Financial Statements as of June 30, 2023

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REPORT OF THE BOARD OF DIRECTORS AND MANAGEMENT AS OF JUNE 30, 2023

The meeting of the Board of Directors held on August 15, 2023, resolved to approve and publish the unaudited consolidated financial statements of the First International Bank of Israel Ltd. (hereinafter - "the Bank") and its consolidated subsidiaries (hereinafter - "the Bank Group"), as of June 30, 2023.

GENERAL OVERVIEW, OBJECTIVES AND STRATEGY

DESCRIPTION OF THE BANK GROUP'S ACTIVITY

The business operations of the Bank Group focus on several principal areas:

- Financial brokerage between depositors and borrowers, which is the basis for commercial banking. Income from such operation is reflected in net interest income comprising the main source of profit of the Group.
- Financial and banking services producing commission income in a variety of operations in the foreign currency, international trade, securities, information services, credit cards, derivative financial instruments, etc.
- Investment and pension consulting.
- The "nostro" investments of the Bank and market and liquidity risk management.
- Operational banking services for the capital market.
- Trusteeship services for institutional customers through the Bank's trust company.

The Bank operates through three principal business divisions:

- The corporate division, which conducts all operations relating to corporate and middle-market customers, as well as business and institutional customers active on the capital market.
- The banking division, which through the branches provides banking and mortgages services to all customers segments-households, private banking and small businesses. In this framework operate UBank branches specializing in private banking and capital market operations and Otsar Hahayal branches, specializing in providing services to retail and commercial customers with emphasis on the employees and retirees of the defense forces. In addition, the PAGI sub-division branches specialize in the religious and orthodox segment.
- The customer asset division centralizing the whole operation in the capital market, money market and foreign currency operation with private customers, business customers, institutional customers and capital market professionals. Within the division operating dealing rooms of securities, foreign currency and deposits as well as investment and pension advisement settings, investment center and UBank trust company and Unique International portfolio management company.

In addition to the Bank, the Group includes Massad Bank specializing in providing services to the teachers' population in Israel.

RATIFICATION OF THE BANK'S RATING BY RATING AGENCIES

On January 10, 2023, S&P Maalot ratified the issuer rating of the Bank at the rank of AAAil/Stable and the deferred debt notes having a loss absorption mechanism at the rank of -AAil.

On May 23, 2023, the international rating agency Moody's ratified the rating of long-term deposits with the Bank in foreign currency and in Israeli currency at A2, the short-term deposits with the Bank at Prime-1, and the rating outlook at "stable".

On August 6, 2023, Midrug ratified the evaluation of the Bank's internal financial stability at the rank of aa2.il, the Bank's short-term deposits at the rank of P-1.il, the Bank's long-term deposits and the senior debt at the rank of Aaa.il/stable outlook and its subordinate debt notes with a loss absorption mechanism at Aa3.il (hyb)/stable outlook rating.

FORWARD-LOOKING INFORMATION

Part of the information detailed in these reports which does not refer to historical facts comprises forward-looking information as defined in the Securities Law, 1968. Actual results are likely to be substantially different from those included in the context of forward-looking information, including, inter alia, due to the results of changes in capital markets in Israel and around the world, macro-economic changes, regulatory changes, accounting changes, as well as other changes that might lead to the nonrealization of the assessments.

Forward-looking information is notable for such words or expressions as: "goal", "forecast," "assessment", "scenario", "predicted", "anticipated", "expected", "in the Bank's estimation" and "the Bank intends," as well as similar expressions, in addition to adjectives such as "will be able," "might be" and "will be." These forward-looking expressions involve risks and uncertainty because they are based on the Management's assessments regarding future events that may not occur or that may occur in a different manner than expected as the result, inter alia, of the aforementioned factors or as the result of the materialization of one or more of the risk factors detailed in the Chapter on risk review presented in this report.

The information in this report is based, among other, on publications of different entities, such as: the Central Bureau of Statistics, the Treasury department and the data from the Bank of Israel, as well as on public information given by different factors operating and connected with the capital and money markets, or those having an influence on these markets.

CONDENSED PRINCIPAL FINANCIAL INFORMATION AND PRINCIPAL EXECUTION INDICES

Principal financial ratios	For the six months ended June 30,		For the year ended December 31,
	2023	2022	2022
			in %
Execution indices			
Return on equity attributed to shareholders of the Bank[1]	**22.6**	13.3	16.6
Return on average assets[1]	**1.22**	0.73	0.89
Ratio of equity capital tier 1	**10.64**	10.15	10.42
Leverage ratio	**5.20**	5.02	5.19
Liquidity coverage ratio	**134**	125	127
Net stable funding ratio	**134**	134	133
Ratio of total income to average assets[1]	**3.4**	2.6	2.9
Ratio of interest income, net to average assets [1]	**2.6**	1.8	2.0
Ratio of fees to average assets [1]	**0.8**	0.8	0.8
Efficiency ratio	**42.6**	56.6	50.9
Credit quality indices			
Ratio of provision for credit losses to credit to the public	**1.12**	0.98	1.02
Ratio of total provision for credit losses [2] to credit to the public	**1.23**	1.08	1.12
Ratio of non-accruing debts or in arrears of 90 days or more to credit to the public	**0.49**	0.55	0.48
Ratio of provision for credit losses to total non-accruing credit to the public	**237.9**	184.7	219.7
Ratio of net write-offs to average total credit to the public [1]	**-**	0.04	0.03
Ratio of expenses for credit losses to average total credit to the public [1]	**0.29**	0.06	0.11

Principal data from the statement of income	For the six months ended June 30,	
	2023	2022
		NIS million
Net profit attributed to shareholders of the Bank	**1,218**	664
Interest Income, net	**2,593**	1,603
Expenses from credit losses	**171**	31
Total non-Interest income	**842**	775
Of which: Fees	**756**	755
Total operating and other expenses	**1,464**	1,346
Of which: Salaries and related expenses	**915**	815
Primary net profit per share of NIS 0.05 par value (NIS)	**12.14**	6.62

Principal data from the balance sheet	30.6.23	30.6.22	31.12.22
			NIS million
Total assets	**208,130**	192,026	195,955
of which: Cash and deposits with banks	**58,553**	56,305	57,130
Securities	**22,963**	15,349	16,010
Credit to the public, net	**118,686**	112,811	115,961
Total liabilities	**196,313**	181,606	184,920
of which: Deposits from the public	**179,013**	164,539	168,269
Deposits from banks	**4,145**	5,429	4,821
Bonds and subordinated capital notes	**4,713**	4,187	4,749
Capital attributed to the shareholders of the Bank	**11,292**	9,973	10,559

Additional data	30.6.23	30.6.22	31.12.22
Share price (0.01 NIS)	**14,420**	13,010	13,900
Dividend per share (0.01 NIS)	**486**	538	942

(1) Annualized.
(2) Including provision in respect of off-balance sheet credit instruments.

PRINCIPAL RISKS TO WHICH THE BANK IS EXPOSED

The Bank group activity involves exposure to risk, the more significant of which are: Credit risk, including credit concentration (borrower and sectorial); Market risks, the principal of which is interest rate risk; Liquidity risks; Operating risks, including cyber and information security and IT risk; Compliance and Money Laundering risks; Strategic risk; Reputation risk; Legal risk, Legislation and Regulation risk and Model risk.

All material risks are managed by and the responsibility of appointed members of Management. A regulatory requirement for capital adequacy exists in respect of credit, market and operating risks, according to the instructions of Pillar I of Basel.

Within the framework of the Internal Capital Adequacy Assessment Process ("ICAAP"), the Group performs an intensive process for the identification of additional risk centers and the challenging of identified risk centers, in accordance with Pillar I. Where required, a supplementary allocation of capital is made in respect of Pillar I risks, and an additional allocation of capital in respect of other risks and sub-risks.

Additional information is detailed in the financial statements for 2022.

LEADING AND DEVELOPING RISKS

Leading and developing risks derive from the business operations environment of the Bank, and include also risks which may be created in new areas, or new risk centers developing in existing areas, which stem, inter alia, from changes in the environment affecting areas of banking activity, including the regulatory, competitive, digital and additional environments.

The principal developing risks are macro-economic risk, strategic/business model risk, regulatory risk, cyber and data protection risks, information technology risk, cross-border risks, fair banking risk and environmental and climate risks. For additional details regarding leading and developing risks - see the Risk Report on the Internet website of the Bank.

MACRO-ECONOMIC RISK

The business results of the banking sector in Israel and of the Bank being a part thereof, are directly affected by the economic conditions in Israel and globally. Deterioration in economic conditions, (including changes in interest rates, currency exchange rates, inflation rates and more), which are also affected by political and defense conditions, might lead to impairment in income of the Bank Group, to growth in volume of troubled debts and adversely affect the results of the Group.

As estimated by the Bank, the level of macro-economic risk continues to be high due to the continuation of high inflationary levels, the effect of rising interest rates in Israel and globally, volatility of the local capital markets, geo-political changes, and more, which may lead to a rise in the level of different risks, to a slowdown in economic activity and may adversely affect the business activity of the Bank, the financial condition of borrowers and the income of the Bank Group.

On August 2, 2023, Bank of Israel published the Financial Stability Report for the first half of 2023. The Report noted that the level of risk in the macro-economic channel of the economy, has risen from level of "Medium-low" in the previous period, to a level of "Medium-high" in the present period. Furthermore, it is noted that in the reported period the economy was affected, inter alia, by uncertainty regarding the ramifications of changes in legislation relating to the legal system in Israel on the performance of the economy and on the financial system in general.

For additional details, see the Chapter of Principal Economic Developments, hereunder. For details regarding the impact of the credit rating of the State of Israel, see the Chapter on Capital and Capital Adequacy.

The Bank continues the follow-up and the monitoring of the different risks, including those, the probability of their realization increased as a result of the said developments, their implications and impact upon the Bank.

REGULATORY RISK

This risk stems from the trend of increasing regulatory requirements in recent years in Israel and around the world. The said regulatory changes and the implementation of regulatory reforms increase uncertainty and competition in the financial sector and creates risks to the income and equity of the Group, including by way of preventing or imposing restrictions on business activity. These changes also require preparation, implementation and integration of regulatory requirements involving heavy costs and investments (such as investment in computer systems) for the Bank. Furthermore, noncompliance with the provisions of the law and regulations applying to the Bank and to the Group exposes them to sanctions, including monetary sanctions, claims by customers, including class action suits, subjecting the banking corporation and its officers to criminal responsibility, as well as impairment of the public image of the Bank. The regulatory risk is managed by the Bank as part of the legal risk, of compliance risk and of strategy risk.

Alongside reforms and many regulatory initiatives that had been and are promoted in recent years, with respect to the financial sector generally and the banking industry in particular, and on background of the speedy and significant rise of Bank of Israel interest, a trend was recorded in recent months introducing regulatory and legislative initiatives. Such initiatives, which are still at their beginning stages, are intended to or might, inter alia, affect or interfere directly or indirectly with the prices of services and products of banks and with the interest rates in practice at the banking system, both with respect to credit to the public and to deposits by the public.

In this respect, the following initiatives should be noted, which, as stated are still at their beginning stage: proposal for taxation of super profits of banking corporations; announcement by the Competition Authority about the beginning of consultations with Bank of Israel regarding the declaration of the five major banking groups as a centralized group, while considering the steps to be taken if and to the extent that such a declaration would materialize; Bill Memorandum regarding development of the money market, the aim of which is to change and make the monetary funds an alternative to bank deposits; a call to the public published by the Ministry of finance, inviting the public to comment on the creation of "default deposits" in a competitive manner, with the removal of obstructions for the sale of deposits as chosen by the five major banking groups.

The subject in question relates, inter alia, to announcements and examination of moves, where each of them separately, and certainly some of them together, may have a direct impact on the activity of the banking system and the results of its operations and on the regulatory relations required of banks, this, inter alia, in view of the possible effect of a notable and quick change in the economic conduct in the market, and in view of the fact that there is no similar experience regarding most of these proceedings, in Israel and abroad, and to their possible implications.

At this stage, it is not possible to assess the extent, if at all, and which of the initiatives would materialize and when and what would be the impact of such changes, or part thereof, upon the Bank, if at all realized.

Effect of changes in interest and in the CPI on operations of the Bank and its customers

In the first half of the year, the CPI rose by 2.5% (an annualized rate of 5%), and Bank of Israel interest, which had remained unchanged for a long time, rose from a level of 0.1% in April 2022, to 4.75% (starting on May 25, 2023).

The Bank took diverse steps in order to face the effects of the changes in interest and inflation upon its customers, which included conducting sensitivity tests and current tests examining the repayment ability of customers, according to the different segments of operation, while providing specific treatment in accordance with the results, and updating assumptions relating to different models used in the credit risk and market risk fields.

Furthermore, the Bank has announced a set of steps intended to assist customers, in view of the rise in interest, and published a benefit package for private customers, which includes, inter alia, payment of interest on current account credit balances, reducing the interest charged on overdrafts and benefits to mortgage loan borrowers. The above applies to customers fulfilling the requirements of determined tests, and would be granted automatically with no need for active involvement by the customer, and under terms stated in the program. Likewise, the Bank has devised unique complementary investment products, offered to customers in order to encourage investment in accordance with their specific needs. The Bank continues to follow and monitor risk, including such, the probability of it being realized has grown following the said changes and events, ramifications and impact on the Bank.

As stated in the Chapter "Market risk" hereunder, the Bank is exposed to market risk, including interest risk. The rise in interest had a positive impact on the income of the Bank. The average rate of Bank of Israel interest in the first half of 2023 rose by 4.0% in relation to the corresponding period last year. Most of the increase in net interest income is explained by the rise in margin on deposits, as detailed below, stemming from the effect of the rise in the shekel and dollar interest, which was partly offset by the change in the mix of deposits by the public, due to a transition from current account deposits, which bear no interest, to other interest-bearing channels. Continuation of the said trend is expected, according to Bank estimates, to cause a decline in the interest margin of deposits and in the net interest income of the Bank. The Bank's estimates with respect to the expected changes in net interest income in the coming quarters comprise "forward-looking information" that is, inter alia, affected by the interest environment, the level of inflation, volume of operations and customer preferences.

The following Table shows the development of net interest income, according to regulatory segments of operation (in NIS millions):

	Margin(1) on extending credit	Margin(1) on receiving deposits	Other(2)	Total	Margin(1) on extending credit	Margin(1) on receiving deposits	Other(2)	Total
	For the three months ended June 30, 2023				For the three months ended June 30, 2022			
Households	**275**	**391**	**33**	**699**	285	67	1	353
Private banking	**-**	**33**	**1**	**34**	1	10	-	11
Small and tiny businesses	**139**	**139**	**16**	**294**	149	29	-	178
Middle market businesses	**48**	**27**	**8**	**83**	43	8	-	51
Large businesses	**107**	**37**	**27**	**171**	79	9	1	89
Institutional bodies	**3**	**51**	**1**	**55**	3	18	-	21
Financial management	**-**	**-**	**(18)**	**(18)**	-	-	156	156
Total interest income, net	**572**	**678**	**68**	**1,318**	560	141	158	859
Margin in operations (%)	**1.9%**	**1.6%**			2.0%	0.4%		
Bank of Israel interest (average)				**4.59%**				0.47%

	Margin(1) on extending credit	Margin(1) on receiving deposits	Other(2)	Total	Margin(1) on extending credit	Margin(1) on receiving deposits	Other(2)	Total
	For the six months ended June 30, 2023				For the six months ended June 30, 2022			
Households	**558**	**743**	**60**	**1,361**	569	96	-	665
Private banking	**-**	**65**	**1**	**66**	1	15	-	16
Small and tiny businesses	**284**	**274**	**32**	**590**	298	38	-	336
Middle market businesses	**96**	**54**	**15**	**165**	82	10	-	92
Large businesses	**208**	**69**	**49**	**326**	153	13	-	166
Institutional bodies	**5**	**98**	**2**	**105**	6	25	-	31
Financial management	**-**	**-**	**(20)**	**(20)**	-	-	297	297
Total interest income, net	**1,151**	**1,303**	**139**	**2,593**	1,109	197	297	1,603
	1.9%	**1.5%**			2.1%	0.3%		
				4.26%				0.29%

(1) The financial margin is computed as the gap between the interest paid or received and the average cost of money to the Bank, derived from the average maturity matching the credit terms or deposit terms in the relevant linkage segments.

(2) Including asset and liability management operations.

In relation to the rise in inflation, the Bank is exposed to the CPI in a way in which it has a surplus of CPI linked assets over linked liabilities in an amount of NIS 7 billion, as at the end of the first half of 2023, as compared to NIS 4.1 billion, at the end of June 2022. Most of the increase is from the Nostro portfolio. The rise in the CPI has contributed an amount of NIS 151 million to the income of the Bank for the first half of the year, as compared to NIS 129 million in the corresponding period last year.

OBJECTIVES AND STRATEGY

The Bank operates according to a multi-annual strategic plan validated by the Board of Directors. The new corporate strategy for the years 2023-2025 was approved by the Board of Directors in December 2022. In the framework of the new strategy, new digital strategy was also formulated.

Management of the Bank is guided and directed by the Board of Directors and its committees, with respect to the strategy and business policy of the Bank. In this framework, the Board of Directors approves the quantitative and qualitative targets and goals as well as the lines of operation of the Bank.

The Board of Directors and its committees supervise and control the work of Management in everything relating to the implementation of the strategy and business policy, as approved by them. The Board of Directors approves also the comprehensive risk management policy, including the determination of different limitations to exposure regarding credit risk and market and liquidity risks. The various units of the Bank, of the branch layout and of the Head Office, operate within the framework of written procedures and circular letters, guiding them in their current operations. These procedures define, among other things, the authority of the different units of the Bank and the manner of operation which they have to adopt.

The Bank acts to strengthen its position among its customers, and is directed to provide updated and customized banking services adapted to their needs, in an efficient, professional and secured way, agreeing with the changing banking environment and maintaining a proportional level of risk.

Business focal points had been determined in the strategic plan, the aim of which is to lead forward the Bank in a competitive environment and subject to conditions of uncertainty. The plan contains super targets in terms of return on capital and efficiency ratios, and concurrently with an educated risk management, the bank emphasizes the following matters:

- Growth in chosen segments, while providing added value to its customers in accordance with the needs of each of them, including in the digital and technological response fields;
- Maintaining its leadership in the capital market and in the private banking segment, alongside the continuance of developing new and innovative tools in these areas;
- Segment focused growth in the business sector while strengthening the relationship with the customers;
- Activities in order to utilize the potential in the mortgage area;
- Focusing by the subsidiary company Massad and the brand names UBank, PAGI and Otsar Hahayal on their unique niches of operation;
- Adjustment of the operating model to the futuristic banking world, concurrently with adjusting the service and customer's management model;
- Leading efficiency moves in expenditure, while making the manpower strength more efficient, improving processes, continuation of efficiency measures at the branches and continuing the transition to the digital banking channels;
- Striving to growth and exposure to new areas through cooperations.

Additional strategic processes conducted by the Bank in recent years included the infrastructure and computer strategy, a strategy for digital operations, the aim of which is to provide an advanced technological response to customers and a data strategy leveraging the multitude of information in the organization for the creation of a significant value to the Bank and its customers, and strategy for the branching area, the aim of which is to adjust the branching layout to the changing banking world.

Principal environmental, social, and governance aspects (ESG)

The Bank attributes great importance to the promotion of environmental, social and governance (ESG) aspects, in its business operations and invests relevant resources in this respect, in accordance with its business strategy. In this respect, the Bank gives importance to the coping with the climate crisis and the financial risks derived from it, and is acting to monitor those risks and manage them, while examining the effect on the Bank's business operations, concurrently with the examination of the Bank's activity, on a current basis, in respect of environmental, social and other aspects concerning corporate governance.

The Bank operates in accordance to a comprehensive ESG strategy, in the framework of which a policy and multiannual targets were determined, focusing on several central areas, as derailed below:

- Integration of ESG aspects in the capital market area - within the framework of the Bank's leadership in the capital market, the Bank has decided to integrate ESG considerations in investment advisory services, and make information on the subject accessible to its customers, through the Bank investment consultants and trading systems. In this framework, the Bank acts to make accessible ESG information regarding different securities by way of the trading systems, and examines the possibility to integrate ESG scoring in the analysis methodology of the Bank for securities. Concurrently, the Bank concluded, a training layout in the matter, directed at bank investment consultants, with a view of assisting them in integrating the ESG area in consultation processes, in accordance with customer needs.
- Environmental and climate risk management regarding business credit - The Bank studies regularly, the processes of environmental risks with respect to material credit transactions, and strictly considers environmental risk aspects upon making credit granting decisions, to the extent that the matter is relevant to the transaction. On background of the significant developments in recent years regarding practices for the management of environmental risks, including Proper Conduct of Banking Business Directives No. 345, dated June 12, 2023 of the Supervisor of Banks in respect of principles for effective management of financial risks connected to the climate, the Bank conducts a renewed examination of the processes regarding evaluation and management of the environmental risk, while modifying them, to the extent possible, to accepted practices in the world. In this framework, the Bank is mapping the existing exposure in this area, examines their effect on its activity and is acting to adjust its risk appetite, including determination of goals and limitations.
- Promotion of financial understanding of Bank customers, with a focus on the capital market - the Bank is continuously acting to promote the financial understanding of its various customers, through digital means, such as study courses and video clips. The contents are presented on the Internet website of the Bank and published to customers, with the aim of expanding the scope of exposure to such contents, and increase the financial knowledge of customers and assist them in making more educated financial decisions. Some of the contents are modified to the unique needs of customers belonging to specific sectors, such as small businesses and self-employed. Over and above the plentiful social value of this move, the Bank recognizes the importance of the financial knowledge of its customers, also as part of its risk management tools.
- Promotion of diversity in employment - Within the strategic focusing of the Bank Group on customers coming from different groups of population, through the different banking brands, the Bank sees great importance in attracting employees from divers groups of the Israeli society.

EXPLENATION AND ANALYSIS OF RESULTS AND BUSINESS POSITION

TRENDS, EVENTS, DEVELOPMENTS AND MATERIAL CHANGES

Principal Economic Developments

Following are the principal economic development, which affected the economic environment in which the banking sector in Israel operates, for the first half of 2023:

Publication by Bank of Israel (in August) of the Financial Stability Report for the first half of 2023, shows that the Israeli economy was affected during this period by two main factors: one, continuation of the monetary tightening by the monetary policy and the slowdown in economic growth in Israel and globally, and the second, uncertainty regarding the implications of legislation amendments pertaining to the judicial system in Israel, upon the performance of the economy and on the financial system in general. The Report further notes that the level of risk in the macro-economic channel, had risen from a level of "Medium-low" in the prior period, to a level of "Medium-high" in the present period.

The first half of the year was marked by uncertainty regarding the manner of development and the measure of impact that the legislation initiatives for changes in the judicial system might have upon the economy of Israel. The Research Division of Bank of Israel presented a forecast in July, on the assumption that the political developments would not affect economic activity, though it noted that the central risk is that material legislative and institutional changes, if at all enacted, would be accompanied by one or more of the following developments: an increase in the risk premium of the State of Israel coupled with devaluation of the shekel, impairment in exports, decline in local investments and in demand for private consumption. On July 24, 2023, the Government approved one of these initiatives, known as "Abolition of the reasonableness cause" in the Basic-Law: The Judiciary (Amendment No. 3), following which, the international credit rating agencies published statements relating to the economic effects of the Amendment, as discussed further on.

In its interest announcement of July 2023, Bank of Israel noted that the labor market is found in a full employment environment, inflation is slowing down, though is still found above the targeted range. For the first time, following ten consecutive interest hiking, the Monetary Committee of Bank of Israel decided to leave the interest rate unchanged.

Growth

The Research Division of Bank of Israel updated its macro-economic forecasts in July, 2023, according to which the GDP is expected to grow in 2023 and in 2024 at the rate of 3% at each of these years, this under a scenario in which the dispute regarding the changes with respect to the judicial system, would be settled in a manner that would not affect the economic activity in Israel from now onwards. The downwards updating of growth in 2024 (in relation to the previous forecast of April 2023, which amounted to 3.5%), stems from expectations for a slowdown in growth of global trade as well as in the rise in real-term interest in Israel, within the forecasted range.

Credit risk of the economy

The risk level of the Israeli economy, as reflected by the scoring of the rating agencies and by the capital market, is relatively low. The S&P global rating agency ratified in May 2023, the credit rating of the State of Israel regarding the foreign currency debt, at the level of "AA-" with a stable outlook. On July 27, 2023, S&P published a statement saying that for the short-term, the continuing political uncertainty, together with weak economic performance regarding trade with the US and Europe, as well as the continuing tight monetary policy, are expected to lead to a slowdown in the rate of economic growth to a level of 1.5% in 2023, as compared with 6.5% in 2022.

"Moody's" the global rating agency ratified in April, 2023, the credit rating of the State of Israel at the level of "A1", lowering at the same time, the outlook from "positive" to "stable". On July 25, 2023, Moody's published a statement in which it notes that the legislative authority and the executive authority had become less predictable and may endanger the economy and the social stability. It is further noted that certain of its earlier assessments regarding deterioration of the Israeli economy have begun to materialize (especially noticeable is the decline in investments in the hi-tech industry in Israel), and that according to publications of the Innovation Authority in Israel, over 80% of new startup companies in Israel have chosen to establish their center outside Israel.

"Fitch" the global rating agency ratified in March 2023, the credit rating of the State of Israel at a level of "A+" leaving it with a stable outlook. Fitch noted, that at date of ratification, it is unclear whether the proposed changes in the judicial system in Israel, which are on the agenda at the moment, will have an impact upon the credit rating of the State of Israel.

See the Chapter "Capital and capital adequacy" with respect to the impact of the credit rating of the State of Israel on the capital adequacy ratio of the Bank.

State budget

According to a preliminary assessment of the execution of the budget, made by the Accountant General at the Ministry of Finance, published in July 2023, the budget deficit for the twelve months ended in June 2023, amounted to NIS 15.4 billion (-0.9%). A cumulative budgetary surplus of NIS 6.7 billion, existed at the first half of the year (in contrast to a cumulative budgetary surplus of NIS 31.9 billion, in the first half of last year).

State revenues, for the first half of 2023, amounted to NIS 230.4 billion, a decline of 4.5% (NIS 10.8 billion) compared to the first half of last year. The volume of Government expenditure amounted to NIS 223.6 billion, an increase at the rate of 6.9% (NIS 14.3 billion) as compared to the first half of last year.

In the forecast published in July 2023, by the Research Division, Bank of Israel notes with respect to the fiscal policy, that the ratio of the public debt to the GDP is expected to settle at 60% in 2023, and to decrease to 59% in 2024. The Government deficit in the years 2023 and 2024 is expected to reach 1.3% of the GDP and 1.5% of the GDP, respectively.

Inflation

The interest announcement published by Bank of Israel in July 2023, noted that the inflation is slowing down, amounting to 4.6% in the past year. Prices of marketable and nonmarketable products in the first half of 2023, and in particular in the recent three months, show that the rate of inflation is slowing down. It is further noted that the inflation in Israel is lower than inflation in most of the developed countries, though the gap is shrinking in the past year, and that the Monetary Committee estimates that the monetary contraction processes in Israel and globally, as well as moderation in demand act towards the slowdown of inflation.

Inflationary expectations and forecasts for the coming twelve months are within the targeted range, though around its upper limit. In accordance with an update by the Research Department of Bank of Israel of July 2023, the rates of inflation expected for the years 2023 and 2024 amount to 3.5% and 2.4%, respectively (as against 3.9% and 2.3%, respectively, in the previous forecast of April 2023). The rate of inflation for the coming four quarters (starting with the third quarter of 2023 and until the end of the second quarter of 2024) is expected to amount to 3.0%.

Housing market

In the latest interest announcement published in July 2023, Bank of Israel noted that the scope of operation in the residential market continues to slow down, and that in total, since the beginning of the year, prices remained unchanged. It further noted, that the volume of transactions effected in the residential market and the volume of mortgages taken continue to decline. The rate of increase in residential prices in the twelve months ended in June 2023, slowed down to a rate of 9.8% (in contrast to 14.6% in the twelve months ended in March of this year).

A review of the residential property sector, published by the Ministry of Finance, noted that the number of transactions recorded in May 2023, was the lowest recorded in the months of May of the past twenty years, reflecting a decline of 41% in the number of transactions, as compared with May of last year.

Labor market

According to the manpower surveys published by the CBS in July 2023, a slight increase to a level of 4.5% (203 thousand unemployed), was recorded in June 2023, in the wide range unemployment rate (among fifteen years of age and over), as compared with a level of

4.2% (188 thousand unemployed) in March. The unemployment rate data are significantly lower in relation to December 2022, of 5.5% (246 thousand unemployed) and of 6% (262 thousand unemployed) in December 2021.

The CBS data regarding assessment of the trends in business for June 2023, noted an increase in number of reports by managers of companies in the hi-tech sector regarding reduction in manpower in the first half of 2023, in relation to the first half of last year. According to reports of the company managers, the significant factors adversely affecting this sector are the decline in demand for hi-tech products and difficulties in raising new capital.

According to forecasts by the Research Division of Bank of Israel of July 2023, the rate of the wide range unemployment (among 25 years to 64 years of age) is anticipated to amount to 3.7% in 2023 (4.1% in the previous forecast of April), and to 4.1% in 2024 (as compared to 4.0% in the previous forecast).

Bank of Israel interest rate

Following ten consecutive interest rate hikes, beginning in April 2022, by which the interest rate rose from a level of 0.1% to a level of 4.75% in May 2023, Bank of Israel left the interest rate unchanged. Bank of Israel noted that a significant probability for the further hiking of the interest still exists, to the extent that the inflationary environment exceeds the targeted range. According to assessments of Bank of Israel Research Division, of July 2023, Bank of Israel interest rate is expected to settle at a level of 4.75% or 5.0% on an average, in the second quarter of 2024.

Exchange rate

During the first half of 2023, the rate of exchange of the US dollar as against the shekel rose by 5%. This, in continuation of a rise at the rate of 13% in 2022. The exchange rate of the Euro against the shekel rose in the first half of the year by 7%. Foreign currency balances at Bank of Israel amounted to US$202 billion, at the end of June 2023, as compared to US$194 billion at the end of December 2022. The increase in this amount is explained mostly, by revaluation, as during this period Bank of Israel did not purchase at all foreign currency on the market.

THE GLOBAL ENVIRONMENT

In the course of the first half of 2023, the global economy faced a variety of events, such as the continuing war in the Ukraine, a slower than expected economic growth in China and continuation of the monetary contraction trend.

The global Purchase Managers' Index for June 2023, published by JP Morgan Bank, dropped to a level of 48.8 points, from a level of 49.6 points in the previous month. During the past ten months, this Index stayed at a level of below 50.0 points. In the interest announcement published in July 2023, Bank of Israel noted that the Global Purchase Managers' Index for the developed and emerging markets for June in fact dropped, but is still indicating expansion of economic activity.

The inflationary environment around the world continues to remain above the targeted range of the central banks, though it shows a moderated trend in a large part of the developed countries. In the US, economic activity data continue to indicate positive growth, and the labor market continues to be tight. The consumer price index in the US slowed down to an annualized rate of 4%, and the core index dropped to 5.3%. In the Eurozone, inflation has moderated, though it is still relatively high, amounting to an annualized rate of 5.5%, with the core inflation rising slightly to 5.4%, being also at a high level.

In the US, following ten consecutive interest hikes (since the beginning of 2022) and with one intermission in June 2023, the FED raised the interest rate in July 2023, by 0.25% to a level of 5.50% (the upper limit of the interest range), a record high in 22 years.

In the Eurozone, the ECB raised the interest in July 2023, to a level of 4.25%, the ninth consecutive hike since the beginning of 2022, and the highest interest rate since 2008.

In Britain, the monetary contraction policy of the central bank led the interest rate in June to a level of 5.0%, the highest in Britain since 2008. The annual inflation remained high, though showing a trend of moderation. In June the annualized rate of inflation amounted to 7.9% (in contrast to 8.7% in May).

On August 1, 2023, Fitch, the global rating agency, lowered the credit rating assessment of the US from AAA- to one level lower of AA+ and changed the credit rating outlook from "Negative" to "Stable". The rating agency stated that continuing deterioration in the standards of the Administration is noticeable over the past twenty years, including with respect to fiscal matters and indebtedness matters. Fitch foresees that the US Government deficit will increase from 3.7% in 2022 to a ratio of 6.3% of the GDP in 2023, and in the years 2024 and 2025 the deficit would increase to a level of 6.6% and 6.9%, respectively, of the GDP.

CAPITAL MARKET

The local capital market presented in the first half of 2023, deficient returns in relation to the share indices of the leading stock exchanges in the world, inter alia, on background of the political uncertainty regarding legislation initiatives for the reform of the judicial system in Israel. It is noted that following approval in July 2023, of the amendment to the basic law: the Judiciary, known as the "abolition of the reasonableness cause", volatility became evident in the capital market and the shekel weakened. Upward trends were registered in the leading share indices in the first half of 2023, with the Nasdaq index rising by 39% and the S&P 500 index rising by 16%. Also, the leading stock exchanges in Europe registered increases in the leading share indices, with the FTSE Italy index rising by 19%, the DAX index in Germany rising by 16% and the CAC index in France rising by 14%. In the Asian stock exchanges, the NIKKEI index in Japan rose by 29%, the NIFTY index in India rose by 5.5% and the SSE index in China rose by 4%.

In contrast, the domestic market registered decline in most share indices. The TA 35 and the TA 90 indices dropped by 3% and 1%, respectively. As to the segmental indices, the real estate indices dropped on background of reported decline in demand and concerns regarding a slowdown. The TA-MANIV ISRAEL index and the TA Real Estate index dropped by 8% and 5%, respectively. Positively noticeable were the TA Oil and Gas index, which rose by 15%, and the TA Technology index, which rose by 10%.

According to a survey of the Research Department of the Stock Exchange, CPI linked corporate bonds rose in the first half of 2023, by a rate of up to 5.6%, while CPI linked Government bonds recorded a moderate increase of up to 2.1%. The nonlinked shekel segment was marked by a mixed trend, with corporate bonds rising by 1.1% on an average, while fixed interest Government shekel bonds for ten years dropped by 2.6%. The Tel bond-Dollar index, which includes foreign currency linked corporate bonds rose by 9%, reaching an all-time record level.

The average daily trade turnover with respect to bonds amounted to NIS 3.8 billion, in the first half of the year, higher by 10% than the average turnover in 2022. Most of the growth in trade turnover stemmed from shekel Government bonds, due to the growth in activity of foreign investors.

MATERIAL DEVELOPMENTS IN REVENUES, EXPENSES AND OTHER COMPREHENSIVE INCOME

PROFIT AND PROFITABILLITY

Net profit attributed to the shareholders of the Bank amounted to NIS 1,218 million in the first six months of 2023, as compared to NIS 664 million in the same period last year, an increase of 83.4%.

The return of net profit to the capital attributed to the shareholders of the Bank (annualized) amounted to 22.6% in the period January-June 2023, compared with 13.3% in the same period last year and 16.6% in 2022.

Net profit attributed to the shareholders of the Bank in the second quarter of the year amounted to NIS 587 million, compared with NIS 342 million in the same period last year, an increase of 71.6%.

The return of net profit to the capital attributed to the shareholders of the Bank (annualized) amounted to 21.3% in the second quarter of the year, compared with 13.8% in the same period last year.

Condensed statement of income

	For the three months ended June 30,			For the six months ended June 30,		
	2023	**2022**	**change**	**2023**	**2022**	**change**
		NIS million	%		NIS million	%
Net financing earnings[1]	**1,361**	837	62.6	**2,672**	1,615	65.4
Expenses from credit losses	**99**	31	219.4	**171**	31	451.6
Net financing earnings after Expenses from credit losses	**1,262**	806	56.6	**2,501**	1,584	57.9
Fees and other income	**374**	371	0.8	**763**	763	-
Operating and other expenses	**740**	662	11.8	**1,464**	1,346	8.8
Profit before taxes	**896**	515	74.0	**1,800**	1,001	79.8
Provision for taxes on profit	**307**	179	71.5	**622**	348	78.7
The bank's share in profit of equity-basis investee, after taxes	**19**	20	(5.0)	**84**	37	127.0
Net profit:						
Before attribution to non-controlling interests	**608**	356	70.8	**1,262**	690	82.9
Attributed to non-controlling interests	**(21)**	(14)	50.0	**(44)**	(26)	69.2
Attributed to shareholders of the Bank	**587**	342	71.6	**1,218**	664	83.4
Net return on equity attributed to the Bank's shareholders[2]	**21.3%**	13.8%		**22.6%**	13.3%	

(1) The items of profit and loss above were presented in a different format then the condensed statement of income in a manner enables better analysis of the financial results. The change is expressed by sorting of non-interest income from the item non-interest income to the Net financing earnings.

(2) Annualized.

DEVELOPMENT IN INCOME AND EXPENSES

The Net Financing earnings

Set out below is the composition of net financing earnings(2)

	2023		2022				First half	
	Q2	Q1	Q4	Q3	Q2	Q1	2023	2022
						NIS million		NIS million
Interest income	**2,523**	**2,176**	1,804	1,382	1,104	871	**4,699**	1,975
Interest expenses	**1,205**	**901**	614	372	245	127	**2,106**	372
Net interest income	**1,318**	**1,275**	1,190	1,010	859	744	**2,593**	1,603
Non-interest financing income (expenses)	**43**	**36**	53	48	(22)	34	**79**	12
Net reported financing earnings	**1,361**	**1,311**	1,243	1,058	837	778	**2,672**	1,615
Elimination of non-current activities:								
Reconciliations to fair value of derivative instruments	**8**	**(7)**	22	(9)	(4)	(14)	**1**	(18)
Income (expenses) from realization and reconciliations to fair value of bonds	**(26)**	**(8)**	(39)	(2)	(1)	11	**(34)**	10
Earnings (losses) from investments in shares	**29**	**(6)**	(6)	(6)	(56)	4	**23**	(52)
Total non-current activities	**11**	**(21)**	(23)	(17)	(61)	1	**(10)**	(60)
Financing earnings from current activity(1)	**1,350**	**1,332**	1,266	1,075	898	777	**2,682**	1,675

(1) Of which in respect of changes in the CPI - an income of NIS 151 million in the first six months of 2023, in comparison with an income of NIS 129 million in the same period last year (in the second quarter of 2023 - an income of NIS 85 million, in comparison with and income of NIS 82 million in the same period last year).

(2) In order to analyze profit from financing activity, in addition to interest income and expenses, non-interest financing income and expenses must also be included in profit. This income includes financing income in respect of derivative instruments which serve as an integral element of the Bank's exposure management. Income from derivatives includes, among other things, the effect of the time value in the fair value of derivatives, which is integral part of interest rate risk management and the effect of the rate of raise in the known CPI on derivatives, which is an integral part of the management of the exposure to the CPI risk.

The financing earnings from current activity amounted to NIS 2,682 million, in the first half of the year, compared with NIS 1,675 million in the corresponding period last year, an increase of 60.1%. The financing earnings in the second quarter of the year amounted to NIS 1,350 million, compared to NIS 898 million in the same quarter last year, an increase of 50.3%. The increase is explained by the raise in the Shekel and Dollar interest rates, from the effect of the increase in the volume of the business activity and from the effect of the changes in the CPI.

Set out below are main data regarding interest income and expenses:

	For the six months ended June 30,	
	2023	2022
		in %
Income rate on asset bearing interest(1)	**5.39**	2.48
Expense rate on liabilities bearing interest(1)	**3.50**	0.84
Total interest spread	**1.89**	1.64
Ratio between net interest income and assets bearing interest balance(1)	**2.97**	2.01

(1) Annualized.

In the first six months of the year, an increase of 0.96 percentage points occurred in respect of the ratio of net interest income and the interest-bearing assets, compared with the same period last year. The increase stems from the growth of interest income, mainly due to the raise in the Shekel and Dollar interest rates.

For details regarding the report on rates of interest income and expenses of the Bank and of its consolidated subsidiaries and the analysis of changes in interest income and expenses, see Appendix 1 to the Chapter "Corporate governance ".

Expenses from credit losses amounted to NIS 171 million in the first six months of 2023 compared with income of NIS 31 million in the same period last year, an increase of NIS 140 million, stemming mainly from the collective provision for credit losses. In the first six months of the year expenses deriving from an increase in the collective provision, in an amount of NIS 198 million, due to an update of the collective provision, in respect of the concern from the anticipated macro-economic implications, in light of the uncertainty in the economic conditions, inter alia, due to the raise of the interest rates, the developments in the geo-political conditions in Israel and globally and the probability of an economic slowdown.

The individual provision for credit losses, in the first six months of the year, amounted to an income of NIS 27 million, compared with NIS 13 million in the same period last year.

Expenses from credit losses amounted to NIS 99 million in the second quarter of 2023 compared with NIS 31 million in the same period last year, an increase of NIS 68 million.

Set out below are details of expenses (income) in respect of credit losses in respect of debts and off-balance sheet credit instruments:

	For the three months ended June 30,		For the six months ended June 30,	
	2023	**2022**	**2023**	**2022**
		NIS million		NIS million
Individual expense in respect of credit losses	**12**	32	**38**	54
Decrease in individual expense in respect of credit losses and collection of debts written off in accounting	**(25)**	(39)	**(65)**	(67)
Individual income, net in respect of credit losses	**(13)**	(7)	**(27)**	(13)
Collective expense in respect of credit losses	**112**	38	**198**	44
Total expenses in respect of credit losses	**99**	31	**171**	31
Of which:				
Expenses in respect of commercial credit	**49**	32	**110**	21
Expenses(income) in respect of housing credit	**(4)**	10	**(4)**	11
Expenses(income) in respect of other private credit	**51**	(11)	**62**	(1)
Expenses in respect of credit risk to banks, governments and bonds	**3**	-	**3**	-
Ratio of individual income in respect of credit losses to average total credit to the public(1)	**(0.04%)**	(0.03%)	**(0.05%)**	(0.03%)
Ratio of collective expense in respect of credit losses to average total credit to the public(1)	**0.37%**	0.14%	**0.34%**	0.09%
Ratio of total expenses in respect of credit losses to average total credit to the public(1)	**0.33%**	0.11%	**0.29%**	0.06%

(1) Annualized.

For additional information regarding expenses for credit losses, see Chapter "Review of Risks" below.

Fees totaled NIS 756 million in the first six months of 2023, compared with NIS 755 million in the same period last year.

Set out below are details of fees income:

	For the six months ended	
	June 30, 2023	**June 30, 2022**
		NIS million
Account management	**110**	106
Credit cards	**58**	58
Transactions in the capital market	**368**	389
Conversion differentials	**110**	100
Fees from financing transactions	**52**	49
Other Fees	**58**	53
Total Fees	**756**	755

Operating and other expenses totaled NIS 1,464 million in the first six months of 2023, compared with NIS 1,346 million in the same period last year, an increase of 8.8%.

Set out below are details of operating and other expenses:

	For the six months ended	
	June 30, 2023	June 30, 2022
		NIS million
Salaries and related expenses	**915**	815
Maintenance and depreciation of premises and equipment	**167**	163
Amortization of intangible assets	**60**	55
Other expenses	**322**	313
Total operating and other expenses	**1,464**	1,346

Salaries and related expenses totaled NIS 915 million in the first six months of 2023, compared with NIS 815 million in the same period last year, an increase of 12.3%. The increase in the salaries and related expenses stemmed mainly from an increase in the provision for bonuses and from an increase in the current salaries expense. The increase in salaries expenses derives, inter alia, rom the signing of labor agreements for the years 2023-2026 (see Note 7A to the condensed financial statements) .

Maintenance and depreciation of buildings and equipment expenses amounted to NIS 167 million in comparison to NIS 163 million in the same period last year, an increase of 2.5%.

Expenses of amortization of intangible assets amounted to NIS 60 million in the first six months of the year in comparison to NIS 55 million in the same period last year, an increase of 9.1%, mainly stemming from an increase in the volume of investment in software assets.

Other expenses totaled NIS 332 million in the first six months of 2023, compared with NIS 313 million in the same period last year, an increase of 2.9%.

The provision for taxes on operating earnings amounted to NIS 622 million in the first six months of 2023, compared with NIS 348 million in the same period last year. The effective tax rate as a proportion of earnings before taxes amounted to 34.6%, compared with 34.8% in the same period last year and compared with the statutory rate of tax of 34.2%.

The Bank's share in the operating earnings of investee company after the tax effect amounted to NIS 84 million, compared with NIS 37 million in the same period last year. The increase stems mainly from the gain due to the completion of the sale transaction of ICC's building.

The total comprehensive income attributed to the shareholders of the Bank amounted to NIS 1,231 million. This amount was affected by the net profit for the period attributed to the shareholders of the Bank of NIS 1,218 million, by other comprehensive income in respect of adjustments to reconcile available-for-sale bonds to market value in an amount of NIS 12 million and by other comprehensive income in respect of employees' benefits in an amount of NIS 1 million.

COMPOSITION AND DEVELOPMENT OF ASSETS, LIABILITIES, CAPITAL AND CAPITAL ADEQUACY

The consolidated balance sheet as of June 30, 2023 amounted to NIS 208,130 million compared with NIS 195,955 million as of December 31, 2022, an increase of 6.2%.

A. Set out below are developments in the principal balance sheet items:

	June 30, 2023	December 31, 2022	Change
		%	NIS million
Credit to the public, net	**118,686**	115,961	2.3
Securities	**22,963**	16,010	43.4
Cash and deposits with banks	**58,553**	57,130	2.5
Deposits from the public	**179,013**	168,269	6.4
Bonds and subordinated capital notes	**4,713**	4,749	(0.8)
Shareholders' equity	**11,292**	10,559	6.9

B. Set out below are developments in the principal off-balance sheet financial instruments:

	June 30, 2023	December 31, 2022	Change
		NIS million	%
Off-balance sheet financial instruments excluding derivatives:			
Documentary credit	**140**	572	(75.5)
Guarantees and other liabilities	**11,248**	10,860	3.6
Unutilized credit lines for derivatives instruments	**2,559**	3,303	(22.5)
Unutilized revolving credit and other on-call credit facilities	**11,565**	11,672	(0.9)
Unutilized credit lines for credit card facilities and Facilities for the lending of securities	**10,094**	9,991	1.0
Irrevocable commitments to grant credit, not yet executed and commitments to issue guarantees	**10,652**	7,429	43.4
Total	**46,258**	43,827	5.5

Derivative financial instruments:

	June 30, 2023			December 31, 2022		
	Positive fair value	Negative fair value	Face value	Positive fair value	Negative fair value	Face value
						NIS million
Interest contracts	**478**	**300**	**18,327**	519	301	21,741
Currency contracts	**1,113**	**888**	**82,476**	1,003	719	66,898
Contracts in respect of shares	**1,995**	**1,994**	**65,455**	1,301	1,300	55,142
Commodities and other contracts	**2**	**2**	**210**	2	2	132
Total	**3,588**	**3,184**	**166,468**	2,825	2,322	143,913

Credit to the public, net as of June 30, 2023 amounted to NIS 118,686 million compared with NIS 112,811 million as of June 30, 2022 and NIS 115,961 million as of December 31, 2022, an increase of 5.2% and 2.3%, respectively.

The following is information on credit to the public by linkage segment:

					Segment's share of credit to the public as of	
	June 30, 2023	December 31, 2022		Change	June 30, 2022	December 31, 2022
		NIS million	NIS million	%	%	%
Local currency						
- Non-linked	**96,485**	95,804	681	0.7	**81.3**	82.6
- CPI-linked	**14,785**	14,095	690	4.9	**12.4**	12.2
Foreign currency (including f-c linked)	**6,755**	5,342	1,413	26.5	**5.7**	4.6
Non-monetary items	**661**	720	(59)	(8.2)	**0.6**	0.6
Total	**118,686**	115,961	2,725	2.3	**100.0**	100.0

Gross Credit to the public, before provision for credit losses, by segment of activity

			As of		Change
	June 30, 2023	June 30, 2022	December 31, 2022	June 30, 2022	December 31, 2022
			NIS million		%
Large business segment	**32,687**	24,802	27,784	31.8	17.6
Medium business segment	**7,716**	7,755	8,192	(0.5)	(5.8)
Small and minute business segment	**19,045**	21,410	20,019	(11.0)	(4.9)
Household segment excluding housing loans	**23,210**	23,468	23,571	(1.1)	(1.5)
Housing loans	**35,341**	34,695	35,474	1.9	(0.4)
Private banking segment	**105**	129	97	(18.6)	8.2
Institutional entities	**1,924**	1,673	2,019	15.0	(4.7)
Total	**120,028**	113,932	117,156	5.4	2.5

Total credit risk to the public is comprised of balance-sheet credit risk, which includes credit to the public, investments in bonds of the public and assets deriving from financial derivative instruments purchased by the public, and from off-balance-sheet credit, which includes transactions in off-balance-sheet financial instruments, unutilized credit lines and liabilities for the granting of credit.

Total credit risk to the public amounted to NIS 164,931 million on June 30, 2023 compared with NIS 159,471 million on December 31, 2022, an increase of 3.4%.

Set out below is information on the distribution of total credit risk to the public by sectors of the economy.

Sector	June 30, 2023		December 31, 2022		
	Total credit risk	Sector's share in total credit risk	Total credit risk	Sector's share in total credit risk	Change
	NIS million	%	NIS million	%	%
Financial services (including holding companies)	**25,153**	**15.2**	22,654	14.2	11.0
Construction and real estate	**25,231**	**15.3**	24,876	15.6	1.4
Industry	**11,152**	**6.8**	11,379	7.1	(2.0)
Commerce	**9,878**	**6.0**	9,953	6.2	(0.8)
Private customer, including housing loans	**77,542**	**47.0**	74,721	46.9	3.8
Others	**15,975**	**9.7**	15,888	10.0	0.5
Total	**164,931**	**100**	159,471	100.0	3.4

Set out below is the sector-specific distribution of the six largest borrowers at the Group (by size of gross indebtedness before deduction of collateral whose deduction is permissible for the purpose of limiting the indebtedness of a borrower and group of borrowers):

					June 30, 2023
Borrower no.	Sector of the economy	Balance-sheet credit risk (*)	Off-balance-sheet credit risk	Aggregate credit risk	Aggregate credit risk after permitted deductions
					NIS million
1.	Financial services	**-**	**1,127**	**1,127**	**1,127**
2.	Financial services	**594**	**372**	**966**	**646**
3.	Financial services	**244**	**701**	**945**	**945**
4.	Financial services	**841**	**14**	**855**	**27**
5.	Financial services	**830**	**4**	**834**	**834**
6.	Financial services	**811**	**1**	**812**	**812**

					December 31, 2022
Borrower no.	Sector of the economy	Balance-sheet credit risk (*)	Off-balance-sheet credit risk	Aggregate credit risk	Aggregate credit risk after permitted deductions
					NIS million
1.	Financial services	666	444	1,110	642
2.	Financial services	1,001	-	1,001	1,001
3.	Construction and real estate - construction	648	269	917	886
4.	Financial services	822	15	837	30
5.	Financial services	134	701	835	835
6.	Financial services	631	204	835	835

* Including credit to the public, investment in bonds and other assets in respect of derivative instruments.

The investment in securities as of June 30, 2023 totaled NIS 22,963 million compared with NIS 16,010 million at the end of 2022, an increase of 43.4%.

Set out below is the composition of the portfolio:

	June 30, 2023	December 31, 2022	Share of total securities June 30, 2023	Share of total securities December 31, 2022
		NIS million		%
Government bonds	**21,521**	14,691	**93.7**	91.7
Banks' bonds (1)	**801**	655	**3.5**	4.1
Corporate bonds	**193**	219	**0.8**	1.4
Shares (2)	**448**	445	**2.0**	2.8
Total	**22,963**	16,010	**100.0**	100.0

(1) The balance includes bonds that were issued by banks' issuing companies.
(2) Investment in shares includes inter alia investment in private equity funds, investment in shares and EITF and investment in hedging funds.

Set out below is the distribution of the securities portfolio by linkage segments:

	June 30, 2023	December 31, 2022	Change	Change	Segment's share of total securities June 30, 2023	Segment's share of total securities December 31, 2022
		NIS million	NIS million	%	%	%
Local currency						
- Non-linked	**7,501**	6,806	695	10.2	**32.7**	42.5
- CPI-linked	**2,695**	1,193	1,502	125.9	**11.7**	7.5
Foreign currency denominated & linked	**12,319**	7,566	4,753	62.8	**53.6**	47.2
Non-monetary items	**448**	445	3	0.7	**2.0**	2.8
Total	**22,963**	16,010	6,953	43.4	**100.0**	100.0

Set out below are the sources for the price quotations which the Bank used for determining the fair value of securities on June 30, 2023:

	Price quoted in active market	Indicative price*	Counter-party price**	Total
				NIS million
Shares and private investment funds	**221**	**65**	**162**	**448**
Local currency government bonds	**9,753**	**-**	**-**	**9,753**
Local currency corporate bonds	**354**	**89**	**-**	**443**
Foreign-currency and f-c linked bonds	**34**	**12,285**	**-**	**12,319**
Total	**10,362**	**12,439**	**162**	**22,963**
% of portfolio	**45.1**	**54.2**	**0.7**	**100.0**

* Indicative price-An indication determined by the Bank and which is based mainly on price quotations obtained from an external entity or entities specializing in the matter, and the remainder is based on internal models determined by the Bank.
** Counter-party price-Price quotation obtained from the entity with which the transaction is conducted.

Below are additional details of bonds denominated in and linked to foreign currency, by country/continent:

	June 30, 2023	December 31, 2022
		NIS million
Israel (incl. Israel Government - NIS 2,502 million, 31.12.22 - NIS 3,454 million)	**2,604**	3,495
USA (incl. USA Government - NIS 9,266 million, 31.12.22 - NIS 3,683 million)	**9,474**	3,791
Canada	**112**	106
Far East, Australia and others (2 countries; 31.12.22 - 1 country)	**70**	38
Europe others (3 countries; 31.12.22 - 5 countries)	**59**	136
Total	**12,319**	7,566

It should be noted that there is no issuer (except the Israel Government and USA Government) whose bond balance exceeds 0.5% of the shareholders' equity of the Bank.

Set out below are additional details on local currency corporate bonds by sector:

	June 30, 2023	December 31, 2022
		NIS million
Electricity and water	**25**	44
Construction and real estate	**24**	35
Financial services	**20**	23
Banks	**330**	295
Industry	**11**	12
Transportation	**33**	36
Total	**443**	445

Set out below is the composition of the foreign-currency bond portfolio at the Bank Group:

Bonds denominated in or linked to foreign currency - amounting to NIS 12,319 million (Dollar 3,329 million) (includes bonds of USA government amounting to NIS 9,266 million and foreign currency denominated Israel Government bonds amounting to NIS 2,502 million). All of the foreign bonds are investment grade and 99% rated A or higher. This portfolio is diversified, in a manner whereby exposure to any single issuer (which is not a government) does not exceed 0.45% of the total foreign currency bond portfolio. The duration (average term-to-maturity) of the foreign currency bond portfolio is 1.0 year. The balance of unrealized gross losses (included in shareholders' equity under reconciliations to fair value in respect of the presentation of bonds available for sale) as of the report date in respect of this portfolio amounted to NIS 38 million (Dollar 10 million) compared with gross losses of NIS 17 million (Dollar 5 million) on December 31, 2022.

The balance of losses, net (before the tax effect), included in other cumulative comprehensive profit, in respect of the difference between the fair value of bonds included in the available-for-sale portfolio and their amortized cost, as of June 30, 2023, amounted to NIS 310 million (NIS 194 million, net after tax).
As of August 1, 2023, the balance of gross losses amounted to NIS 291 million (NIS 182 million, net after tax).

Cash and deposits at banks on June 30, 2023 totaled NIS 58,553 million compared with NIS 57,130 million at the end of 2022, an increase of 2.5%.

Deposits from the public on June 30, 2023 totaled NIS 179,013 million compared with NIS 168,269 million at the end of 2022, an increase of 6.4%.

Set out below is the distribution of deposits from the public by linkage segments:

	As of				Segment's share of total deposits from the public on	
	June 30, 2023	December 31, 2022		Change	June 30, 2023	December 31, 2022
		NIS million	NIS million	%	%	%
Local currency						
- Non-linked	**137,577**	130,157	7,420	5.7	**76.9**	77.4
- CPI-linked	**6,175**	5,990	185	3.1	**3.4**	3.5
Foreign currency denominated & linked	**34,600**	31,402	3,198	10.2	**19.3**	18.7
Non-monetary items	**661**	720	(59)	(8.2)	**0.4**	0.4
Total	**179,013**	168,269	10,744	6.4	**100.0**	100.0

Deposits from the public by segment of activity

			As of		Change
	June 30, 2023	June 30, 2022	December 31, 2022	June 30, 2022	December 31, 2022
			NIS million		%
Large business	**15,593**	17,548	17,753	(11.1)	(12.2)
Medium business	**6,518**	6,879	6,834	(5.2)	(4.6)
Small and minute business	**25,119**	27,444	27,325	(8.5)	(8.1)
Household	**69,365**	67,771	68,122	2.4	1.8
Private banking	**10,909**	10,325	10,430	5.7	4.6
Institutional entities	**51,509**	34,572	37,805	49.0	36.2
Total	**179,013**	164,539	168,269	8.8	6.4

Securities portfolios belonging to customers of the Bank Group

The total of the securities portfolios of customers of the Bank Group as of June 30, 2023, amounted to NIS 433 billion, as compared to NIS 392 billion at the end of 2022, an increase of 10.5%.

Bonds and subordinated capital notes amounted at June 30, 2023 to NIS 4,713 million, as compared with NIS 4,749 million at December 31, 2022, a decrease of 0.8%.

CAPITAL AND CAPITAL ADEQUACY

The capital attributed to the shareholders of the Bank amounted on June 30, 2023 to NIS 11,292 million, as compared with NIS 10,559 million on December 31, 2022, an increase of 6.9%. The change in capital attributed to the Bank's shareholders was affected by net earnings of NIS 1,218 million, by other comprehensive profit of NIS 12 million stemming from the presentation of available-for-sale bonds at fair value and by other comprehensive profit in respect of employees benefits of NIS 1 million. On the other hand, the capital decreased due to the payment of dividends amounting to NIS 488 million, and to NIS 10 million reflecting the effect of the initial implementation of US accounting principles regarding expected credit losses in an investee company.

CAPITAL ADEQUACY

Minimum capital ratios

The Bank implement Proper Conduct of Banking Business Directives Nos. 201-211 in the matter of "Measurement and capital adequacy" as were amended in order to reconcile them with the Basel guidelines. These instructions require that the ratio of Tier I equity capital to weighted average risk assets should be no less than 9% and the ratio of comprehensive capital to average risk assets should be no less than 12.5% for all banking corporations, the total consolidated stated assets of which does not exceeds 24% of total stated assets of the banking sector (including the Bank).

Likewise, in accordance with Proper Conduct of Banking Business Directive No. 329 regarding "limitation on the granting of residential loans", the Bank is required to raise the targeted Tier I equity capital level by one percent of the outstanding balance of residential loans at the reporting date, excluding residential loans granted during the Provisional Instruction period, as stated hereunder.

In view of the spreading of the Coronavirus and as part of the adjustment to Proper Conduct of Banking Business directives, the Supervisor of Banks published, Proper Conduct of Banking Business Directive No. 250, which, inter alia, contained an update to Directive 329, which cancels the demand of additional 1% applying to residential loans for the purpose of the purchase of a residential apartment granted in the period from March 19, 2020 to March 31, 2021, and to residential loans, secured by a mortgage on an apartment, not for the purpose of purchasing rights in real estate (hereinafter - "loans for any purpose"), granted since March 19, 2020.

On December 27, 2021, the Supervisor of Banks issued an amendment to Proper Conduct of Banking Business Directive No. 329 regarding limitations on residential loans, according to which, the additional capital requirement of 1% shall apply to loans for residential purposes only and not to loans for any other purpose.

In view of all that stated above, the minimal Tier I equity capital ratio and the minimal comprehensive capital ratio required from the Bank by the Supervisor of Banks, amount on a consolidated basis, as of June 30, 2023, to 9.24% and 12.50%, respectively.

In addition to the above, the process of setting the capital goals was based on the following main parameters:

- The findings of the ICAAP based on the risk profile of the Group, taking into consideration the business goals of the Group and the planned growth.
- The result of the stress tests as detailed below.
- The capital goals comprise the higher of the capital requirement according to the findings of the ICAAP and that required by the stress tests.
- Conservativeness coefficient and confidence cushion combining estimates and forecasts in respect of the risk profile and capital base.

For detailed information, see the risk report for 2022, on the Bank's website.

The internal capital goals as were set by the Board of Directors are as follows:

- In a regular business situation - Tier I equity capital will be no less than 9.25%, and the ratio of the comprehensive capital will be no less than 12.50%.

- In stress situations - the ratio of Tier I equity capital shall not be less than 6.50%, and the ratio of comprehensive capital shall not be less than 9.00%.

The capital goals take into consideration the risks to which the Bank is exposed to, the main of which are: credit risks, financial risks (the main of which is the interest risk), operational risks including cyber and data protection, information technology risk, compliance risk and anti- money laundering risk, strategy risk, legal risk, reputation risk and model risk. All of this is carried out in congruence with the dialog with the Bank of Israel.

Stress tests

The Bank implements infrastructure of stress tests in order to examine the capital propriety and examines the capital ratios according to the triennial capital planning. The outline includes, inter alia, holistic stress tests, "rolling" over three years, in respect of credit risks, financial risks, operational risks including cyber, AML, compliance, strategy, reputation, operational etc. The outline of the stress tests also includes adjustments to the current economic environment.

For detailed information, see the risk report as of December 31, 2022, on the Bank's website.

Bank of Israel's letter in the matter of Operational Efficiency

On January 12, 2016, Bank of Israel issued a letter, in the matter of "operational efficiency of the banking sector in Israel". In accordance with the letter, the board of directors of a banking corporation has to outline a multi-annual program for the improvement of efficiency. A banking corporation that conforms with the terms of the letter would be entitled to a relief, whereby it may spread, by the "straight line" method, over a period of five years, the effect of the cost of the program. On December 16, 2019 the Supervisor of Banks published a letter that extends the effectiveness of these guidelines, until December 31, 2021.

The volume of the efficiency programs in manpower s from 2018 onwards, in respect of which the reliefs apply, amounted to NIS 118 million, net after the tax effect.

Save for the said relief, the implementation of efficiency measures as of June 30, 2023, would have led to an additional reduction of 0.03% in the capital adequacy ratios.

Initial implementation of accounting principles in the matter of expected credit losses

Starting with January 1, 2022, the Bank applies the new rules regarding provisions for credit losses, while recognizing in retained earnings the cumulative effect at date of initial implementation.

On December 1, 2020, the Supervisor of Banks published a letter in the matter of "regulatory capital - effect of implementation of accounting principles regarding expected credit losses", which included, inter alia, an update of Proper Conduct of Banking Business Directive No. 299, according to which, it is stated that to the extent that as a result of the initial implementation of these rules, the Tier I equity capital of a banking corporation has declined, then the bank may spread the amount of the decline over a period of three years (hereinafter - "the transition period"). Save for this relief, as stated, the initial implementation of the said rules, would have led to an additional decline of 0.01% in the capital adequacy ratio as of June 30, 2023.

Additional allocation of capital in respect of highly leveraged financing of the acquisition of land

On May 22, 2022, the Supervisor of Banks published an updating to Proper Conduct of Banking Business Directive No. 203 (Measurement and capital adequacy) designated to treat exposure in the construction and real estate sector. According to this draft, loans extended to finance the acquisition of land for development or construction purposes, of a ratio exceeding 80% of the value of the purchased property (LTV), shall be weighted at an increased weight of 150%, with the exception of loans financing the purchase of agricultural land that has no zoning outlook or in respect of which there is no intention of applying for planning consent and loans for the acquisition of land for self-use of a borrower who is not classified to the construction and real estate segment.

Subsequential to this, the Bank adopted the relief set in the letter, according to which, the effect of the change in the risk weight on the capital ratio, in respect of the balance of loans as of June 30, 2022, may be spread in constant quarterly rates until June 30, 2023.

The effect of the credit rating of the state of Israel

The credit rating of the state of Israel has an effect on capital requirements, since the local exposures to governments, public sector entities and financial institutions, are derived from the credit rating of the state of Israel. The Bank estimates, that if and as much as the credit rating of Israel will decrease by one notch by the credit rating agency S&P, it will lead to a decrease of 0.25% and 0.32% in Tier 1 equity capital and the comprehensive equity capital, respectively, as of June 30, 2023.

Implementation of the instructions

Pillar I - Credit, market and operating risks - the Bank is implementing the standard approach in accordance with Bank of Israel instructions.

Pillar II - the Bank is required to conduct an internal process for the assessment of capital adequacy (the ICAAP process). This process is designed to ensure the maintenance of an adequate level of capital means supporting the overall risks inherent in the operations of the Bank. The ICAAP document relating to the data as of June 30, 2022, has been dully submitted to bank of Israel. The Bank is in the process of compiling the ICAAP document relating to the data as of June 2023.

The infrastructure for the capital adequacy, as approved by the Bank, serves as a basis for the internal process conducted at the banking subsidiary, subject to required adjustments, and on the basis of its specific risk profile.

			As of
		June 30, 2023	**December 31, 2022**
1.	**Capital for calculation of capital ratio, after deduction and supervisory adjustments**		
	Tier 1 capital, after deductions and supervisory adjustments	**11,525**	10,802
	Tier 2 capital, after deductions	**3,553**	3,448
	Total capital	**15,078**	14,250
2.	**Weighted balances of risk assets**		
	Credit risk	**98,045**	94,786
	Market risk	**980**	789
	Operational risk	**9,268**	8,061
	Total weighted balances of risk assets	**108,293**	103,636
3.	**Ratio of capital to risk assets**		
	Raito of tier 1 equity capital to risk assets	**10.64%**	10.42%
	Comprehensive ratio of capital to risk assets	**13.92%**	13.75%
	Minimal ratio of equity capital tier 1 required by the Supervisor of banks	**9.24%**	9.24%
	Minimal ratio of comprehensive capital required by the Supervisor of Banks	**12.50%**	12.50%

The Tier I equity capital ratio as of June 30, 2023, amounted to 10.64% in comparison with 10.42% on December 31, 2022. The ratio of comprehensive capital to risk components as of June 30, 2023, amounted to 13.92%, in comparison with 13.75% on December 31, 2022.

The comprehensive capital as of June 30, 2023 amounted to NIS 15,078 million, in comparison with NIS 14,250 million on December 31, 2022.

The capital base was affected from earnings of NIS 1,218 million, by an increase in instruments issued by the Bank qualified for inclusion in the regulatory capital in the amount of NIS 58 million, from an increase in collective provision for credit losses qualified for inclusion in tier 2 capital in the amount of NIS 47 million, from other comprehensive profit in respect of presentation of available for sale bonds at fair value in the amount of NIS 12 million and other comprehensive profit in respect of employees' benefits in the amount of NIS 1 million. However, this increase was offset by dividend paid in the amount of NIS 488 million.

Risk assets as of June 30, 2023 amounted to NIS 108,293 million as compared with NIS 103,636 million on December 31, 2022, an increase of 4.5%.

The comprehensive capital ratios and the Tier I equity capital ratios of the significant subsidiary, in accordance with the "framework for measurement and capital adequacy" of Basel, are:

	June 30, 2023	December 31, 2022
		In percent
Bank Massad Ltd.		
Ratio of Tier 1 capital to risk assets	**16.36%**	15.12%
Ratio of comprehensive capital to risk assets	**17.48%**	16.25%

Leverage ratio - The Bank implements the Proper Conduct of Banking Business Directive No. 218 in the matter of leverage ratio (hereinafter – "the Directive"). The leverage ratio is expressed in percentages and is defined as the ratio between capital measurement and exposure measurement. Capital for the purpose of measuring the leverage ratio is the Tier I equity capital, as defined in Proper Conduct of Banking Business Directive No. 202. In accordance with the Directive, a banking corporation should attain a leverage ratio of no less than 5% on a consolidated basis, applying to a banking corporation, the total consolidated stated assets of which do not exceed 24% of total stated assets of the banking sector as a whole (including the Bank). On November 15, 2020 the Bank of Israel published an update to Proper Conduct of Banking Business Directive No. 250 – Adjustments to Proper Conduct of Banking Business Directives in order to cope with the Coronavirus crisis (Provisional Instruction), within its framework was updated Proper Conduct of Banking Business directive No. 218 in the matter of Leverage Ratio. The update mitigates the requirement of the leverage ratio by 0.5 percent point, so the Bank has to comply with leverage ratio of no less than 4.5% (instead of 5%) on a consolidated basis, being a banking corporation, the total consolidated stated assets of which does not exceed 24% of total stated assets of the banking sector as a whole. In accordance with the letter amending Proper Conduct of Banking Business Directive No.250, of May 15, 2022, the relief will be valid until June 30, 2024, provided that the leverage ratio will not be less than the leverage ratio at December 31, 2023, or the minimal leverage ratio applying to the Bank prior to the Provisional Instruction, whichever is lower.
The leverage ratio of the Bank as of June 30, 2023, amounts to 5.20%, compared to 5.19% as of December 31, 2022.

DIVIDEND DISTRIBUTION POLICY

According to the dividend distribution policy as was approved by the Board of Directors of the Bank, the Bank will distribute annual dividends of up to 50% of its distributable annual net earnings, subject to the Bank's ratio of capital to risk elements being no less than the target specified by the Bank's Board of Directors from time to time. Such distributions will be made subject to legislative provisions and to Proper Conduct of Banking Business Regulations, providing that no adverse changes occur in the Bank's earnings and/or business and/or financial position and/or the overall state of the economy and/or the legal environment.
This resolution is not to be construed as detracting from the Board of Directors' authority to review policy from time to time and to resolve at any time, after taking due account of business considerations and of the legislative provisions applying to the Bank, changes in policy or the rate of dividend to be distributed for a specific period, or to resolve not to distribute any dividend at all.
It is clarified that any dividend distribution shall be subject to specific approval by the Board of Directors and to all the restrictions applying to the Bank regarding dividend distribution, and shall be made public with all required details in accordance with the law.

It should be noted that in addition to the provisions of the Companies Law, dividend distribution by the Bank is subject to additional restrictions that are detailed in Note 24A.b. to the financial statements for the year 2022.

Taking into consideration that the dividend distribution policy relates to an annual distribution of up to 50% of net earnings for the year, and principally on background of the uncertainty level prevailing in Israel and globally, the Board of Directors of the Bank decided on August 15, 2023, to approve a dividend distribution in cash to the shareholders of the Bank in a total amount of NIS 220 million (gross).
The ex-dividend date for the payment of the dividend is August 23, 2023, and the date of payment will be August 31, 2023. The amount of the dividend is before taxes, including withholding tax that the Bank has to deduct in accordance with the law.

Following are details regarding dividends as from the year 2020:

Declaration date	Payment date	Total dividend paid	Dividend per share
		NIS million	NIS
March 15, 2020	March 31, 2020	125	1.25
August 17, 2021	September 1, 2021	225	2.24
November 23,2021	December 13, 2021	320	3.19
January 6, 2022	January 24, 2022	215	2.14
March 7, 2022	March 24, 2022	165	1.65
May 24, 2022	June 12, 2022	160	1.59
August 24, 2022	September 1, 2022	170	1.70
November 22, 2022	December 8, 2022	235	2.34
March 21, 2023	April 4, 2023	268	2.67
May 17, 2023	June 1, 2023	220	2.19
August 15, 2023	August 31, 2023	220	2.19

SUPERVISORY SEGMENTS OF ACTIVITY

The reporting on segments of activity is in accordance with the format and classification set in the Directive of the Reporting to the Public of the Supervisor of Banks. This reporting is materially different from the segments of activity used by the Bank according to Management approach, which are detailed in Note 28A to the financial statements for the year 2022. The supervisory segments of activity are reported in a uniform format that was set by the Supervision of Banks to the entire banking system, and they are based on the customers characteristics, such as: the volume of assets portfolio- for private customers, or the business turnover- for business customers.

For the definitions of the supervisory segments of activity and for details regarding main instructions, estimates and principals of reporting, see Note 28 to the financial statements for the year 2022.

For details regarding segments of activity according to management's approach, see Note 28A to the financial statements for the year 2022.

The following is a summary of the results of activity by segments:

a. Total income*

	For the three months ended June 30,			Segment's share of total income	
	2023	**2022**	**Change**	**30.6.23**	**30.6.22**
		NIS million	%		%
Large business	**213**	126	69.0	**12.3**	10.4
Medium business	**101**	69	46.4	**5.8**	5.7
Small and minute business	**384**	274	40.1	**22.1**	22.7
Household	**848**	503	68.6	**48.9**	41.7
Private banking	**56**	33	69.7	**3.2**	2.7
Institutional entities	**106**	74	43.2	**6.1**	6.1
Financial management	**27**	129	(79.1)	**1.6**	10.7
Total	**1,735**	1,208	43.6	**100.0**	100.0

	For the six months ended June 30,			Segment's share of total income	
	2023	**2022**	**Change**	**30.6.23**	**30.6.22**
		NIS million	%		%
Large business	**411**	237	73.4	**12.0**	10.0
Medium business	**204**	128	59.4	**5.9**	5.4
Small and minute business	**780**	532	46.6	**22.7**	22.4
Household	**1,662**	972	71.0	**48.4**	40.9
Private banking	**112**	63	77.8	**3.3**	2.6
Institutional entities	**210**	139	51.1	**6.1**	5.8
Financial management	**56**	307	(81.8)	**1.6**	12.9
Total	**3,435**	2,378	44.4	**100.0**	100.0

b. Net profit attributed to the shareholders of the bank

	For the three months ended June 30,		For the six months ended June 30,	
	2023	2022	2023	2022
		NIS million		NIS million
Large business	**111**	58	**199**	105
Medium business	**47**	15	**77**	30
Small and minute business	**92**	59	**209**	122
Household	**254**	90	**513**	148
Private banking	**22**	9	**44**	16
Institutional entities	**33**	21	**71**	36
Financial management	**28**	90	**105**	207
Total	**587**	342	**1,218**	664

* Including net interest income and non-interest income.

c. Average balance sheet balances*

	Credit to the public			% of credit to the public	
	For the six months ended June 30,			For the six months ended June 30,	
	2023	2022	Change	2023	2022
		NIS million	%	%	%
Large business	**30,685**	22,414	36.9	**26.0**	21.0
Medium business	**7,882**	6,912	14.0	**6.7**	6.5
Small and minute business	**20,068**	19,944	0.6	**17.0**	18.7
Household	**57,626**	55,500	3.8	**48.9**	52.2
Private banking	**83**	126	(34.1)	**0.1**	0.1
Institutional entities	**1,565**	1,605	(2.5)	**1.3**	1.5
Total	**117,909**	106,501	10.7	**100.0**	100.0

	Deposits from the public			% of deposits from the public	
	For the six months ended June 30,			For the six months ended June 30,	
	2023	2022	Change	2023	2022
		NIS million	%	%	%
Large business	**15,430**	17,163	(10.1)	**9.1**	11.0
Medium business	**6,494**	6,950	(6.6)	**3.8**	4.5
Small and minute business	**25,981**	25,988	-	**15.4**	16.6
Household	**68,360**	65,057	5.1	**40.4**	41.7
Private banking	**10,476**	9,644	8.6	**6.2**	6.2
Institutional entities	**42,549**	31,169	36.5	**25.1**	20.0
Total	**169,290**	155,971	8.5	**100.0**	100.0

* Average balances are calculated on the basis of balances at the beginning of quarter or the beginning of month.

BUSINESS SEGMENTS - SMALL AND MINUTE BUSINESS SEGMENT, MEDIUM BUSINESS SEGMENT AND LARGE BUSINESS SEGMENT

Following are main data concerning business segments - Small and minute, medium and large business - activity in Israel

	For the three months ended June 30, 2023				For the three months ended June 30, 2022			
	Small and minute business	Medium business	Large business	Total	Small and minute business	Medium business	Large business	Total
								NIS million
Net interest income	**294**	**83**	**171**	**548**	178	51	89	318
Non-interest income	**90**	**18**	**42**	**150**	96	18	37	151
Total income	**384**	**101**	**213**	**698**	274	69	126	469
Expenses (income) from credit losses	**69**	**(2)**	**(18)**	**49**	21	20	(9)	32
Operating and other expenses	**173**	**30**	**60**	**263**	159	26	45	230
Net profit attributed to the shareholders of the Bank	**92**	**47**	**111**	**250**	59	15	58	132
Average balance of credit to the public	**19,199**	**7,823**	**32,656**	**59,678**	20,097	7,282	24,391	51,770
Balance of credit to the public at the end of the reported period	**19,045**	**7,716**	**32,687**	**59,448**	21,410	7,755	24,802	53,967
Average balance of deposits from the public	**25,472**	**6,407**	**14,842**	**46,721**	26,435	6,808	17,907	51,150
Balance of deposits from the public at the end of the reported period	**25,119**	**6,518**	**15,593**	**47,230**	27,444	6,879	17,548	51,871

	For the six months ended June 30, 2023				For the six months ended June 30, 2022			
	Small and minute business	Medium business	Large business	Total	Small and minute business	Medium business	Large business	Total
								NIS million
Net interest income	**590**	**165**	**326**	**1,081**	336	92	166	594
Non-interest income	**190**	**39**	**85**	**314**	196	36	71	303
Total income	**780**	**204**	**411**	**1,395**	532	128	237	897
Expenses (income) from credit losses	**100**	**23**	**(12)**	**111**	11	27	(17)	21
Operating and other expenses	**352**	**60**	**115**	**527**	330	53	91	474
Net profit attributed to the shareholders of the Bank	**209**	**77**	**199**	**485**	122	30	105	257
Average balance of credit to the public	**20,068**	**7,882**	**30,685**	**58,635**	19,944	6,912	22,414	49,270
Balance of credit to the public at the end of the reported period	**19,045**	**7,716**	**32,687**	**59,448**	21,410	7,755	24,802	53,967
Average balance of deposits from the public	**25,981**	**6,494**	**15,430**	**47,905**	25,988	6,950	17,163	50,101
Balance of deposits from the public at the end of the reported period	**25,119**	**6,518**	**15,593**	**47,230**	27,444	6,879	17,548	51,871

Main changes in the results of activity in the first six months of 2023 compared with the corresponding period last year

Total net interest income amounted to NIS 1,081 million, compared with NIS 594 million in the same period last year, an increase of 82.0%, stemming from the effect of the Shekel and Dollar interest rates increase and the increase in the volume of activity.

Non-interest income amounted to NIS 314 million, compared to NIS 303 million in the corresponding period last year, an increase of 3.6%, stemming from the increase in income from capital markets activity.

Expenses in respect of credit losses amounted to NIS 111 million, in comparison with an expense of NIS 21 million in the same period last year. The increase is explained by an increase in the collective provision for credit losses, mainly due to adjustments made in respect of the concern from anticipated macro implications, in light of the uncertainty of the economic conditions, the effect of the increase in interest rates in Israel and globally and the probability of economic slowdown.

The operating and other expenses amounted to NIS 527 million, compared to NIS 474 million in the corresponding period last year, an increase of 11.2%, deriving, mainly, from an increase in salaries and related expenses.

The net profit attributed to the shareholders of the Bank amounted to NIS 485 million, in comparison with NIS 257 million in the same period last year. The increase in net profit is mainly explained by the increase in interest income, partially offset by the increase in the provision for credit losses, as above.

Average balance of credit to the public amounted to NIS 58,635 million, in comparison with NIS 49,270 million in the same period last year, an increase of 19.0%.

Credit to the public as of June 30, 2023 amounted to NIS 59,448 million, in comparison with NIS 53,967 million on June 30, 2022, an increase of 10.2%.

Average balance of deposits from the public amounted to NIS 47,905 million, in comparison with NIS 50,101 million in the same period last year, a decrease of 4.4%.

Deposits from the public as of June 30, 2023 amounted to NIS 47,230 million, in comparison with NIS 51,871 million on June 30, 2022, a decrease of 8.9%.

PRIVATE INDIVIDUALS' SEGMENTS - HOUSEHOLDS AND PRIVATE BANKING

Following are main data concerning Private individuals' segments - households and private banking - activity in Israel

	For the three months ended June 30, 2023			For the three months ended June 30, 2022		
	households	private banking	Total	households	private banking	Total
						NIS million
Net interest income	**699**	**34**	**733**	353	11	364
Non-interest income	**149**	**22**	**171**	150	22	172
Total income	**848**	**56**	**904**	503	33	536
Expenses (Income) from credit losses	**47**	**-**	**47**	(2)	1	(1)
Operating and other expenses	**384**	**22**	**406**	352	18	370
Net profit attributed to the shareholders of the Bank	**254**	**22**	**276**	90	9	99
Average balance of credit to the public	**57,443**	**81**	**57,524**	56,331	160	56,491
Balance of credit to the public at the end of the reported period	**58,551**	**105**	**58,656**	58,163	129	58,292
Average balance of deposits from the public	**68,807**	**10,618**	**79,425**	65,676	9,763	75,439
Balance of deposits from the public at the end of the reported period	**69,365**	**10,909**	**80,274**	67,771	10,325	78,096

	For the six months ended June 30, 2023			For the six months ended June 30, 2022		
	households	private banking	Total	households	private banking	Total
						NIS million
Net interest income	**1,361**	**66**	**1,427**	665	16	681
Non-interest income	**301**	**46**	**347**	307	47	354
Total income	**1,662**	**112**	**1,774**	972	63	1,035
Expenses from credit losses	**58**	**-**	**58**	9	1	10
Operating and other expenses	**759**	**44**	**803**	711	37	748
Net profit attributed to the shareholders of the Bank	**513**	**44**	**557**	148	16	164
Average balance of credit to the public	**57,626**	**83**	**57,709**	55,500	126	55,626
Balance of credit to the public at the end of the reported period	**58,551**	**105**	**58,656**	58,163	129	58,292
Average balance of deposits from the public	**68,360**	**10,476**	**78,836**	65,057	9,644	74,701
Balance of deposits from the public at the end of the reported period	**69,365**	**10,909**	**80,274**	67,771	10,325	78,096

Main changes in the results of activity in the first six months of 2023 compared with the corresponding period last year

Total net interest income amounted to NIS 1,427 million, as compared with NIS 681 million in the corresponding period last year, an increase of 109.5%, stemming mainly from an increase in the interest rate.

Non-interest income amounted to NIS 347 million, in comparison with NIS 354 million in the corresponding period last year, a decrease of 2.0%.

Expenses in respect of credit losses amounted to NIS 58 million, in comparison with NIS 10 million in the same period last year. The increase is explained by an increase in the collective provision for credit losses, mainly due to adjustments made in respect of the concern from anticipated macro implications, in light of the uncertainty of the economic conditions, the effect of the increase in interest rates in Israel and globally and the probability of economic slowdown.

Operating and other expenses amounted to NIS 803 million, as compared to NIS 748 million in the corresponding period last year, an increase of 7.4%, stemming mainly from the increase in the salaries and related expenses.

The net profit attributed to the shareholders of the Bank amounted to NIS 557 million, compared with NIS 164 million in the corresponding period last year, an increase of 239.6%. The increase in net profit is mainly explained by the increase in net interest income, partially offset by the increase in the provision for credit losses and the increase in other operating expenses, as above.

Average balance of credit to the public amounted to NIS 57,709 million, in comparison with NIS 55,626 million in the same period last year, an increase of 3.7%.

Credit to the public as of June 30, 2023 amounted to NIS 58,656 million, in comparison with NIS 58,292 million on June 30, 2022, an increase of 0.6%.

Average balance of deposits from the public amounted to NIS 78,836 million, in comparison with NIS 74,701 million in the same period last year, an increase of 5.5%.

Deposits from the public as of June 30, 2023 amounted to NIS 80,274 million, in comparison with NIS 78,096 million on June 30, 2022, an increase of 2.8%.

FINANCIAL MANAGEMENT SEGMENT

Total income attributed to this segment in the first six months of the year amounted to NIS 56 million compared with NIS 307 million in the corresponding period last year.

The net earnings of the Financial Management Segment in the first six months of the year amounted to NIS 105 million compared with NIS 207 in the corresponding period last year.

PRINCIPAL INVESTEE COMPANIES

Bank Massad Ltd. (hereinafter - "Massad") - in which the Bank owns 51.0% of the share capital and voting rights, is a commercial bank which specializes in providing services to the teaching staff population in Israel.

The Bank's investment in Massad amounted to NIS 547 million on June 30, 2023.

Total assets of Massad on June 30, 2023 amounted to NIS 11,341 million compared with NIS 11,268 million on December 31, 2022, an increase of 0.6%.

Shareholders' equity of Massad on June 30, 2023, totaled NIS 1,073 million compared with NIS 972 million on December 31, 2022, an increase of 10.4%.

Net earnings of Massad for the first six months of the year totaled NIS 90.1 million compared with NIS 53.2 million in the same period last year, an increase of 69.4%. The increase in net earnings is mainly explained by the increase in net interest income due to the increase in the Shekel and Dollar interest rates and from the increase in the volume of business activity.

The Bank's share in Massad's operating results for the first six months of the year amounted to NIS 46.0 million compared with NIS 27.1 million in the same period last year, an increase of 69.7%.

Net return on equity (on an annualized basis) amounted to 17.4% compared with 11.8% in the corresponding period last year. The comprehensive ratio of capital to risk assets amounted to 17.48%, compared with 16.25% at the end of 2022. The Tier 1 equity capital ratio amounted to 16.36% compare with 15.12% at the end of 2022.

In the framework of the ICAAP process for the data of June 30, 2022 the minimal capital targets were set by the Board of Directors of Massad, as follows: tier 1 equity capital ratio will not be less than 10.5% until December 31, 2023 and the comprehensive capital ratio will be no less than 12.65% until December 31, 2023.

Israel Credit Cards Ltd. ("ICC") - The Bank holds 28.2% of equity and 21.0% of voting rights in ICC.

ICC markets and issues credit cards and settles credit card transactions of the international Visa and MasterCard brands, markets and operates Diners credit cards on an exclusive basis in Israel, and also settles credit cards of Isracard brand.

The Bank's investment in ICC amounted to NIS 751 million on June 30, 2023.

The ratio of comprehensive capital to risk assets amounted to 14.1%, compare with 13.5% at the end of 2022.

The Bank's share in the net earnings of ICC, before the tax effect, amounted in the first six months of the year to NIS 94.4 million, as compared with NIS 42.0 million in the corresponding period last year, an increase of 124.8%. The increase in net earnings is explained by one-time effects as follows:

A. Recording of profit in the amount of NIS 231 million, in respect of the consummation of the sale transaction of ICC's building in Giv'ataim. The Bank's share in the said profit amounts to NIS 58 million.
   In light of the expected separation from Discount Bank, ICC Board of Directors, approved in the month of July 2023, the sale of ICC's part in "Discount Campus" to Discount Leasing. The said transaction was not consummated yet. Upon consummation of the transaction, ICC expects to record net gain (after deductions connected to the transaction and tax effect) in an amount of NIS 20 million.
B. Within the framework of the joint distribution agreement with El-Al Company, the latter was granted, *inter alia*, an option of the "Phantom" type, entitling El-Al to economic rights in ICC, as was detailed in the Directors report, the chapter on Principal investee companies, in the financial statements for 2022. The recording of the option, as mentioned, decreased the net earnings of ICC in the first quarter of 2023 by NIS 40 million.

On March 30, 2023, the General Meeting of Shareholders of ICC approved a dividend distribution in an amount of NIS 74 million. The Bank's share in the dividend amounted to NIS 21 million. The dividend was paid on March 31, 2023.

In accordance with the reports of ICC and with the Increase in Competition and Reduction in Centralization in the Banking Market in Israel (Legislation amendments) Act, 2017, the Banking Regulations (Licensing) (A bank having a wide scope of operations), 2023 (hereinafter – "the Regulations") were published on January 30, 2023.

According to the Regulations, Discount Bank Ltd. is obliged to sell the means of control it holds in ICC within a period of three years from date of publication of the Regulations or, under certain circumstances, by the end of four years, if it is decided on an outline of a public issue of shares. Furthermore, the provisions of the Increase in Competition and Reduction in Centralization in the Banking Market in Israel (Legislation amendments) Act, 2017, will apply to the sale.

See Note 9 to the condensed financial statements, with respect to motions for approval of class actions against ICC, and regarding the assessments that had been issued to ICC by the Value Added Tax Commissioner.

REVIEW OF RISKS

This chapter was written in great detail in the financial statements for 2022. Therefore, it should be read together with the chapter of the risk review published in the annual reports for 2022. Additional information about the risks can be found on the report on risks and additional supervisory reporting in the Bank's internet website.

General

a. The Group's activity is accompanied by exposure to risks, the most significant of which are: credit risk (including concentra tion of economy segments and borrowers), market risk, for which the main risk is the interest risk, liquidity risk, operational risk including cyber and information protection risk and information technology risk, compliance risk and AML risk, strategy risk, legal risk, reputation risk, legislation and regulation risks and model risk. Members of the Board of Management are responsible for management of these risks. With respect to credit risk, market risk and operational risk, a regulatory requirement for capital adequacy in accordance with the Pillar 1 Basel directives exists. Within the ICAAP process, the Group performs an in-depth process of identifying additional risks focal and challenging the risks focal identified in the first pillar. If needed the Group makes an additional capital allocation in respect of Pillar 1 risks and other risks.

b. The Group's risk management policy is directed at achieving the strategic and business objectives defined by the Group and at increasing its earnings expectancy by developing areas of specialization at the Group, exploiting economies of diversity and scale, keeping to the levels of risk which have been approved, and by operating suitable management, control and reporting mechanisms.

c. Risk management is carried on Group level, the overall risk perceptive of the Group is in line with the regulatory framework set by the Supervisor of Banks and in line with the Sound Practices of the Basel Committee, based on the principal that every banking activity involving risk, the following will be defined and characterized: risk policy and appetite, limitations for bordering and defining the volume of exposure, control and auditing circles, reporting arrangement and earnings estimation mechanism, its measurement and reporting according to acceptable standard.

d. Risk management and control at the Group are implemented by means of a suitable infrastructure of control, supervision, review and auditing mechanisms, and are applied via three lines of defense: The first line of defense consists of those responsible for the creation and management of risk. The second line is maintained by units of the Risk Management Division and Chief Accountant and legal department by means of independent control. The third line consists of the internal and external auditing functions.

e. The Chief Risk Manager is a member of Management responsible for the risk management function and for the cross organizational risk management infrastructure.

f. Those responsible for risk management at the Group are:

Mr. Eli Cohen, CPA - serves as the Head of risk management division, CRO, operational risk manager, supervisor of the internal enforcement and manager of business continuity.

Mr. Bentzi Adiri CPA, Head of the Business Division-serves as Credit Risk Manager.

The financial risks are managed by Mrs. Ella Golan, head of resources and financial management division. In addition, under her responsibility are also regulation and legislation risks.

The Strategic risk, is managed by Mrs. Shirli Shoham Klein, Head of the Digital, innovation, strategy and business developing department.

Mrs. Ziva Barak- compliance manager, including, among other things, Money Laundering risk, Finance of Terror risks and internal enforcement and cross border risks. Also appointed as Responsible Officer in-charge of implementation of the FATCA and CRS directives and QI agreement. Also responsible for privacy defense.

Mr. Ophir Kadosh - the CEO of MATAF -IT risk manager.

Mrs. Iris Chen, manager of cyber defense and information security.

Adv. Haviva Dahan, head of the legal sub-division - Legal Risk Manager.

Mr. Nachman Nitzan, CPA- head of the chief accounting division- Reputation Risk manager.

g. Additional risks are managed and supervised as part of overall business management, by members of the Board of Management and by department heads in the areas for which they are responsible.

h. Risk management at the Bank Group is carried out separately by each subsidiary company engaged in business activity, in accordance with the policy determined by the subsidiary's board of directors on the basis of Group policy, and on the basis of Group risk management methodology with an emphasis on the special nature of the subsidiary's activity. A Chief Risk Manager officiates at the banking subsidiary, subordinate to the subsidiary's CEO and guided professionally by the Bank's Chief Risk Manager.

i. Every quarter, the Risk Management Division, which is independent of the risk-taking units, compiles a risks document which is presented to the Management of the Bank, the Risk Management Committee and the Board of Directors of the Bank.

j. The risks document contains a review of all the risks to which the Bank Group is exposed in the course of its activity, with details of the findings at the specific risk level, compliance with supreme goals, risk mapping as well as the results of stress tests that were conducted.

   Presented in the risk document is the Chief Risk Manager's review of the risk management situation at the group and of the effectiveness and the quality of the risk management. Also reviewed in the document are compliance with the risk appetite regarding the different risks, evaluation of risk, and the measures taken by the division with respect to the main process involved with the different types of risks and special action which the Bank took during the relevant quarter.

k. The Bank and the Group have diverse stress tests for the unique risks, as embedded in the various policy documents.

   The Bank applies stress tests for reviewing capital adequacy and the capital ratio according to the triennial capital planning. The stress tests combine the realization of a number of risk centers at the same time. The stress tests used by the Bank are based on sensitivity analysis, historical scenarios, hypothetical scenarios and macro-economic scenarios. The stress tests were updated during the year, reflecting also the possible effects of the increase in inflation and reduced monetary policy, the effect of which are expressed in negative rate of growth and increasing rate of unemployment, while identifying and mapping the relevant risk centers.

   The stress tests comprise a complementary tool for the mapping and managing the risks embedded in the overall activities of the Bank and the risks derived from them. The scenarios and their results are tool for identifying weakness points and taking decisions. The Bank has management plans for coping with the stress scenarios, by taking different measures. In addition, according to the Bank of Israel requirement, the Bank calculates stress test on the basis of parameters which are uniform to the banking system. The uniform stress tests are tool for the Bank of Israel, in order to receive an updated holistic image of the Israeli economy and the ability of the banking system to continue and grant credit to the public while maintaining its stability. During March 2023, a uniform scenario based on the data for September 2022, was submitted at the request of Bank of Israel. The scenario was structured in accordance with two level of severity - basic (representing the anticipated path of the economy) and stressed. The capital ratios in all scenarios exceeds the relevant limitations.

For discussion of the risk appetite and risk management principles, see reference in the description of principal risks, presented in the financial statements for the year 2022.

CREDIT RISK

Credit risk is the risk of borrowers' inability or counterparty's inability to fulfill their obligations to the Bank in accordance with the credit agreement.

Within the framework of the implementation of the Basel Rules, the Group applies the standard approach in respect of exposure to credit risk. Pillar II of Basel challenges the capital allocation in accordance with Pillar I, and where required, a complementary capital allocation in respect of credit risks is being made.

In the interest announcement of July 2023, Bank of Israel left the interest unchanged, at a level of 4.75%, but noted that there is still a considerable feasibility of the continuance of the interest hiking, if the inflation will exceed its targeted boundaries. According to the updated macroeconomic forecast of the research division of the Bank of Israel, the monetary interest rate is expected to reach the rate of 4.75% or 5% on average in the second quarter of 2024.

The interest rise is expected to increase the financing expenses of household and business companies, which alongside the rise in the inflation, make the current expenses more expansive, which may aggravate the financial situation of borrowers, part of which, are customers of the Bank.

The Bank examines the effect of the rise in the interest rate and inflation in the years 2022-2023, on the different activity segments and in particular, the effect on the debts repayment ability of customers of the Bank. As of the date of publication of the financial statements, no material effect on the Bank was recorded. The Bank continues to follow these effects.

Credit quality and problematic credit risk

Problematic credit risk, non-performing assets and credit quality analysis

	June 30, 2023				June 30, 2022			
	Commercial	Housing	Private	Total	Commercial	Housing	Private	Total
								NIS million
Credit risk in credit granting rating[1]								
Balance sheet credit risk	**60,206**	**34,878**	**22,286**	**117,370**	56,140	34,166	22,633	112,939
Off-balance sheet credit risk	**24,392**	**2,579**	**16,370**	**43,341**	23,705	3,458	12,960	40,123
Total credit risk in credit granting rating	**84,598**	**37,457**	**38,656**	**160,711**	79,845	37,624	35,593	153,062
Credit risk not in credit granting rating:								
Non problematic	**1,195**	**232**	**627**	**2,054**	1,325	327	599	2,251
Problematic[2]	**1,032**	**231**	**262**	**1,525**	978	203	251	1,432
Of which:								
Problematic accruing interest	**725**	**65**	**171**	**961**	625	51	149	825
Problematic not-accruing interest	**307**	**166**	**91**	**564**	353	152	102	607
Total balance sheet credit risk	**2,227**	**463**	**889**	**3,579**	2,303	530	850	3,683
Off-balance sheet credit risk	**564**	**-**	**77**	**641**	458	-	94	552
Total credit risk not in credit granting rating	**2,791**	**463**	**966**	**4,220**	2,761	530	944	4,235
Of which: accruing debts in arrears of 90 days or more	**12**	**-**	**14**	**26**	6	-	13	19
Total overall credit risk of the public	**87,389**	**37,920**	**39,622**	**164,931**	82,606	38,154	36,537	157,297
Non-performing assets								
Debts not accruing interest income	**307**	**166**	**91**	**564**	353	152	102	607

	December 31, 2022			
	Commercial	Housing	Private	Total
				NIS million
Credit risk in credit granting rating[(1)]				
Balance sheet credit risk	56,823	34,967	22,651	114,441
Off-balance sheet credit risk	24,979	2,233	13,397	40,609
Total credit risk in credit granting rating	81,802	37,200	36,048	155,050
Credit risk not in credit granting rating:				
Non problematic	1,342	288	640	2,270
Problematic[(2)]	884	220	246	1,350
Of which:				
Problematic accruing interest	581	75	150	806
Problematic not-accruing interest	303	145	96	544
Total balance sheet credit risk	2,226	508	886	3,620
Off-balance sheet credit risk	722	1	78	801
Total credit risk not in credit granting rating	2,948	509	964	4,421
Of which: accruing debts in arrears of 90 days or more	8	-	13	21
Total overall credit risk of the public	84,750	37,709	37,012	159,471
Non-performing assets				
Debts not accruing interest income	303	145	96	544

(1) Credit risk, the credit rating thereof at date of reporting matches the credit rating for the granting of new credit in accor dance with the Bank's policy.
(2) Not accruing, inferior or special supervision credit risk.

Changes in debts not accruing interest income

	For the three months ended June 30, 2023			For the three months ended June 30, 2022		
	Commercial	Private	Total	Commercial	Private	Total
						NIS million
Balance of non-accruing debts at beginning of period	**307**	**238**	**545**	369	253	622
Classified as non-accruing during the period	**30**	**69**	**99**	27	12	39
Removed from non-accruing classification	**-**	**(34)**	**(34)**	(4)	(3)	(7)
Accounting write-offs of non-accruing debts	**(11)**	**(6)**	**(17)**	(25)	-	(25)
Collection of non-accruing debts	**(19)**	**(10)**	**(29)**	(14)	(8)	(22)
Balance of non-accruing debts at end of period	**307**	**257**	**564**	353	254	607
Of which: movement in problematic restructured debts						
Balance of restructured debts at beginning of the period	**75**	**76**	**151**	64	86	150
Restructure made during the period	**17**	**16**	**33**	8	9	17
Debts reversed into accruing classification following consequent restructure	**(4)**	**(7)**	**(11)**	(3)	(3)	(6)
Accounting write-offs of restructured debts	**(3)**	**(9)**	**(12)**	(3)	(4)	(7)
Collection of restructured debts	**(12)**	**(3)**	**(15)**	(5)	(9)	(14)
Balance of problematic restructured debts at end of period	**73**	**73**	**146**	61	79	140
Changes in provision for credit losses in respect of non-accruing debts						
Balance of provision for credit losses at the beginning of the period	**85**	**34**	**119**	120	37	157
Increase in provisions	**8**	**8**	**16**	9	-	9
Collection and write-offs	**(13)**	**(6)**	**(19)**	(28)	(3)	(31)
Balance of provision for credit losses at the end of the period	**80**	**36**	**116**	101	34	135

	For the six months ended June 30, 2023			For the six months ended June 30, 2022			For the year ended December 31, 2022		
	Commercial	Private	Total	Commercial	Private	Total	Commercial	Private	Total
						NIS million			NIS million
Balance of non-accruing debts at beginning of year	**303**	**241**	**544**	338	103	441	338	103	441
Adjustment to opening balance due to effect of initial implementation(1)				6	146	152	6	146	152
Balance of non-accruing debts at beginning of year following initial implementation				344	249	593	344	249	593
Classified as non-accruing during the period	**120**	**110**	**230**	97	38	135	186	117	303
Removed from non-accruing classification	**(2)**	**(45)**	**(47)**	(7)	(8)	(15)	(12)	(55)	(67)
Accounting write-offs of non-accruing debts	**(16)**	**(13)**	**(29)**	(48)	(9)	(57)	(77)	(25)	(102)
Collection of non-accruing debts	**(98)**	**(36)**	**(134)**	(33)	(16)	(49)	(138)	(45)	(183)
Balance of non-accruing debts at end of period	**307**	**257**	**564**	353	254	607	303	241	544
Of which: movement in problematic restructured debts									
Balance of restructured debts at beginning of the year	**66**	**76**	**142**	67	69	136	67	69	136
Adjustment to opening balance due to effect of initial implementation(1)				-	19	19	-	19	19
Balance of restructured problematic debts at beginning of year following initial implementation				67	88	155	67	88	155
Restructure made during the period	**31**	**32**	**63**	17	23	40	49	53	102
Debts reversed into accruing classification following consequent restructure	**(4)**	**(9)**	**(13)**	(7)	(7)	(14)	(9)	(12)	(21)
Accounting write-offs of restructured debts	**(5)**	**(14)**	**(19)**	(5)	(9)	(14)	(12)	(15)	(27)
Collection of restructured debts	**(15)**	**(12)**	**(27)**	(11)	(16)	(27)	(29)	(38)	(67)
Balance of problematic restructured debts at end of period	**73**	**73**	**146**	61	79	140	66	76	142
Changes in provision for credit losses in respect of non-accruing debts									
Balance of provision for credit losses at the beginning of the year	**79**	**34**	**113**	129	33	162	129	33	162
Adjustment to opening balance due to effect of initial implementation(1)				(8)	-	(8)	(8)	-	(8)
Balance of provision following initial implementation				121	33	154	121	33	154
Increase in provisions	**31**	**17**	**48**	30	9	39	60	21	81
Collection and write-offs	**(30)**	**(15)**	**(45)**	(50)	(8)	(58)	(102)	(20)	(122)
Balance of provision for credit losses at the end of the period	**80**	**36**	**116**	101	34	135	79	34	113

(1) The effect of the initial implementation of the Reporting to the Public directives in respect of anticipated credit losses.

Indices of Analysis of quality of credit to the public, the expenses and provision for credit losses

					For the six months ended June 30	For the year ended December 31
				2023	2022	2022
	Commercial	Housing	Private	Total	Total	Total
Analysis of quality of credit to the public						
Ratio of non-accruing credit to credit to the public	**0.50%**	**0.47%**	**0.39%**	**0.47%**	0.53%	0.46%
Ratio of non-accruing credit or in arrears of 90 days or more to credit to the public	**0.52%**	**0.47%**	**0.45%**	**0.49%**	0.55%	0.48%
Ratio of problematic credit to credit to the public	**1.67%**	**0.65%**	**1.13%**	**1.27%**	1.25%	1.15%
Ratio of credit not at credit execution rating to credit to the public	**3.62%**	**1.31%**	**3.84%**	**2.98%**	3.23%	3.09%
Analysis of expenses in respect of credit losses for the reporting period						
Ratio of expenses (income) in respect of credit losses to the average balance of credit to the public*	**0.37%**	**(0.02%)**	**0.56%**	**0.29%**	0.06%	0.11%
Ratio of net accounting write-offs as to the average balance of credit to the public*	**(0.02%)**	**(0.01%)**	**0.07%**	**-**	0.04%	0.03%
Analysis of provision for credit losses in respect of credit to the public						
Ratio of provision for credit losses to credit to the public	**1.35%**	**0.40%**	**1.59%**	**1.12%**	0.98%	1.02%
Ratio of provision for credit losses to the balance of non-accruing credit to the public	**270.7%**	**85.5%**	**405.5%**	**237.9%**	184.7%	219.7%
Ratio of provision for credit losses to the balance of credit to the public, non-accruing or in arrears of 90 days or more	**260.5%**	**85.5%**	**351.4%**	**227.5%**	179.1%	211.5%
Ratio of provision for credit losses to net accounting write-offs*	**(69.3)**	**(71.0)**	**23.1**	**671.0**	29.5	41.2

* Annualized.

TOTAL CREDIT RISK ACCORDING TO ECONOMIC SECTORS

(NIS million)

	June 30, 2023						
					Credit losses (2)		
	Total credit risk(1)	Of which: Credit execution rating (3)	Of which: Problematic credit risk (4)	Of which: not accruing credit risk	Expenses (income) for credit losses	Net accounting write-offs	Provision for Credit losses
In respect of borrowers in Israel							
Public-Commercial:							
Industry	**11,053**	**10,354**	**396**	**136**	**8**	**-**	**182**
Construction and Real estate - construction (5)	**17,480**	**17,081**	**274**	**39**	**6**	**(7)**	**181**
Construction and Real estate - real estate activities	**7,740**	**7,457**	**65**	**40**	**38**	**(3)**	**104**
Commerce	**9,815**	**9,285**	**350**	**85**	**44**	**1**	**226**
Financial services	**24,887**	**24,790**	**11**	**2**	**(11)**	**-**	**23**
Other business services	**15,839**	**15,085**	**207**	**58**	**26**	**3**	**214**
Total commercial	**86,814**	**84,052**	**1,303**	**360**	**111**	**(6)**	**930**
Private individuals - housing loans	**37,920**	**37,457**	**231**	**166**	**(4)**	**(1)**	**148**
Private individuals - others	**39,622**	**38,656**	**272**	**93**	**62**	**8**	**398**
Total public - activity in Israel	**164,356**	**160,165**	**1,806**	**619**	**169**	**1**	**1,476**
Banks in Israel and Israeli government	**14,638**	**14,638**	**-**	**-**	**3**	**-**	**5**
Total activity in Israel	**178,994**	**174,803**	**1,806**	**619**	**172**	**1**	**1,481**
In respect of borrowers abroad							
Total public - activity abroad	**575**	**546**	**-**	**-**	**(1)**	**-**	**3**
Banks and foreign governments abroad	**12,141**	**12,141**	**-**	**-**	**-**	**-**	**-**
Total activity abroad	**12,716**	**12,687**	**-**	**-**	**(1)**	**-**	**3**
Total	**191,710**	**187,490**	**1,806**	**619**	**171**	**1**	**1,484**

NOTES:

(1) Balance sheet credit risk and off-balance sheet credit risk, including in respect of derivative instruments. Includes debts, bonds, securities borrowed, assets in respect of derivative instruments and credit risk in off balance sheet instruments as were calculated in respect of limitations of a borrower of NIS 123,925, 22,515, 104, 794 and 44,372 million, respectively.

(2) Including in respect of off-balance sheet credit instruments (presented in the balance sheet under the item "other liabilities").

(3) Credit risk wherein the credit rating at the date of the report, congruent with the credit rating for the execution of new credit, according to the policy of the Bank.

(4) Balance sheet and off-balance sheet credit risk that is non-accruing, inferior, or under special supervision.

(5) Including balance sheet credit risk amounting to NIS 141 million and non-utilized credit facilities amounting to NIS 6 million, in respect of housing loans extended to certain purchasing groups currently in the process of construction.

TOTAL CREDIT RISK ACCORDING TO ECONOMIC SECTORS

(NIS million)

	June 30, 2022						
					Credit losses (2)		
	Total credit risk(1)	Of which: Credit execution rating (3)	Of which: Problematic credit risk (4)	Of which: non-accruing credit risk*	Expenses (income) for credit losses	Net accounting write-offs	Provision for Credit losses
In respect of borrowers in Israel							
Public-Commercial:							
Industry	12,081	11,655	305	89	17	20	172
Construction and Real estate - construction (5)	15,619	15,140	167	100	39	2	161
Construction and Real estate - real estate activities	7,908	7,631	133	103	18	1	74
Commerce	9,315	8,807	215	88	4	(7)	165
Financial services	21,505	21,340	7	4	-	(2)	14
Other business services	15,382	14,487	356	88	(55)	6	171
Total commercial	81,810	79,060	1,183	472	23	20	757
Private individuals - housing loans	38,154	37,624	203	152	11	(2)	138
Private individuals - others	36,537	35,593	262	104	(1)	1	328
Total public - activity in Israel	156,501	152,277	1,648	728	33	19	1,223
Banks in Israel and Israeli government	14,177	14,177	-	-	-	-	2
Total activity in Israel	170,678	166,454	1,648	728	33	19	1,225
In respect of borrowers abroad							
Total public - activity abroad	796	785	6	6	(2)	-	7
Banks and foreign governments abroad	6,154	6,154	-	-	-	-	-
Total activity abroad	6,950	6,939	6	6	(2)	-	7
Total	177,628	173,393	1,654	734	31	19	1,232

NOTES:

(1) Balance sheet credit risk and off-balance sheet credit risk, including in respect of derivative instruments. Includes debts, bonds, securities borrowed, assets in respect of derivative instruments and credit risk in off balance sheet instruments as were calculated in respect of limitations of a borrower of NIS 118,837, 14,578, 289, 2,880 and 41,044 million, respectively.

(2) Including in respect of off-balance sheet credit instruments (presented in the balance sheet under the item "other liabilities").

(3) Credit risk wherein the credit rating at the date of the report, congruent with the credit rating for the execution of new credit, according to the policy of the Bank.

(4) Balance sheet and off-balance sheet credit risk that is non-accruing, inferior, or under special supervision, including in respect of housing loans.

(5) Including balance sheet credit risk amounting to NIS 118 million and non-utilized credit facilities amounting to NIS 36 million, in respect of housing loans extended to certain purchasing groups currently in the process of construction.

TOTAL CREDIT RISK ACCORDING TO ECONOMIC SECTORS

(NIS million)

	December 31, 2022						
					Credit losses (2)		
	Total credit risk(1)	Of which: Credit execution rating (3)	Of which: Problematic credit risk (4)	Of which: Problematic not accruing credit risk*	Expenses (income) for credit losses	Net accounting write-offs	Provision for Credit losses
In respect of borrowers in Israel							
Public-Commercial:							
Industry	11,267	10,762	339	82	28	32	171
Construction and Real estate - construction (5)	17,020	16,462	137	77	49	(2)	174
Construction and Real estate - real estate activities	7,841	7,597	62	42	7	-	63
Commerce	9,842	9,413	241	87	22	(5)	183
Financial services	22,442	22,303	8	2	13	(9)	34
Other business services	15,776	14,716	235	70	(37)	7	188
Total commercial	84,188	81,253	1,022	360	82	23	813
Private individuals - housing loans	37,709	37,200	220	145	25	(1)	151
Private individuals - others	37,012	36,048	255	98	17	3	344
Total public - activity in Israel	158,909	154,501	1,497	603	124	25	1,308
Banks and Israeli government in Israel	12,782	12,782	-	-	-	-	2
Total activity in Israel	171,691	167,283	1,497	603	124	25	1,310
In respect of borrowers abroad							
Total public - activity abroad	562	549	-	-	(1)	4	4
Banks and foreign governments abroad	6,640	6,640	-	-	-	-	-
Total activity abroad	7,202	7,189	-	-	(1)	4	4
Total	178,893	174,472	1,497	603	123	29	1,314

NOTES:

(1) Balance sheet credit risk and off-balance sheet credit risk, including in respect of derivative instruments. Includes debts, bonds, securities borrowed, assets in respect of derivative instruments and credit risk in off balance sheet instruments as were calculated in respect of limitations of a borrower of NIS 120,834, 15,565, 12, 747 and 41,735 million, respectively.

(2) Including in respect of off-balance sheet credit instruments (presented in the balance sheet under the item "other liabilities").

(3) Credit risk wherein the credit rating at the date of the report, congruent with the credit rating for the execution of new credit, according to the policy of the Bank.

(4) Balance sheet and off-balance sheet credit risk that is not-accruing, inferior and under special supervision.

(5) Including balance sheet credit risk amounting to NIS 135 million and off-balance sheet credit risk amounting to NIS 10 million, in respect of loans extended to certain purchasing groups currently in the process of construction.

Counter-party credit risk management

Present credit exposure to counter-parties that are foreign financial institutions

Most of the Bank Group's credit exposure to foreign financial institutions is to banks, mainly the banking systems in Western Europe and North America.

Present credit exposure to foreign financial institutions,(1) consolidated

External credit rating	As of June 30, 2023			As of December 31, 2022		
	Balance-sheet credit risk(2)	Current Off-balance-sheet credit risk(3)	Aggregate credit risk	Balance-sheet credit risk(2)	Current Off-balance-sheet credit risk(3)	Aggregate credit risk
			NIS million			NIS million
AAA to AA-	**252**	**2**	**254**	321	2	323
A+ to A-	**2,636**	**37**	**2,673**	2,483	35	2,518
BBB+ to BBB-	**43**	**-**	**43**	128	2	130
BB- to B-	**-**	**1**	**1**	-	1	1
Unrated	**11**	**-**	**11**	13	-	13
Total credit exposure to foreign financial institutions	(6)**2,942**	**40**	**2,982**	2,945	40	2,985
Of which: Balance of problem loans (4)	**-**	**-**	**-**	-	-	-

NOTES:
(1) Foreign financial institutions include: banks, investment banks, brokers/dealers, insurance companies, institutional investors and entities under their control.
(2) Deposits at banks, credit to the public, investments in bonds, securities that have been lent and other assets in respect of derivative instruments.
(3) Mainly guarantees and liabilities for the granting of credit, including guarantees for securing third-party indebtedness.
(4) Credit risk that is not-accruing, inferior or under special supervision.
(5) For the purpose of rating the financial institutions, the Bank used the ratings that were determined for the purpose of applying the Basel standardized approach. The Bank uses the rating of S&P for rating the foreign financial institutions to which credit exposure exists. When no S&P rating is available, the Bank uses the ratings of other rating agencies.
(6) Of which: total exposure to the USA including deposits in the amount of NIS 1,241 million, bonds in the amount of NIS 153 million and fair value of derivative financial instruments in the amount of NIS 9 million. Most of the exposure is to the largest financial institution sin the USA.

GENERAL NOTES:
a. Credit positions and problematic loans balances are presented after deduction of the provision for credit losses.
b. For further information regarding the composition of credit positions in respect of derivative instruments against banks and (local and foreign) dealers/brokers, see Note 10 to the financial statements. Off-balance-sheet credit risk in respect of transactions in derivative financial instruments which were conducted with foreign financial institutions as calculated for the purpose of borrower indebtedness restrictions totaled NIS 285 million on June 30, 2023 (December 31, 2022 - NIS 244 million).

Most of the exposure is to foreign financial institutions with high financial resilience, which most of them are included in investment grade A- and above. During the first six months of the year no material change has occurred in the credit exposure of the Bank to these financial institutions and these financial institutions did not lose their external grading.

The conservative risk appetite defined by the Board of Directors of the Bank is reflected by the distribution of the exposure of credit to financial institutions that are almost entirely graded at high ratings.

Most of the Group's present credit exposure (98%) is attributed to leading financial institutions in OECD countries, which are graded AAA to A-, and 9% of the total exposure is rated in the range between AAA to AA-.

The Group's balance-sheet credit exposure to foreign financial institutions includes an NIS 404 million investment in foreign currency bonds.
The bonds portfolio, included in the foreign financial institutions exposure, is diversified and all these bonds are investment grade bonds, of which 90% are rated A- or higher.
The average duration of the portfolio is 1.8 years.
In addition, balance-sheet credit risk includes NIS 2.5 billion of deposits placed with foreign banks, mainly for a short period of a day to a week.

As of June 30, 2023 there is no country which the credit exposure of the Bank group to financial institutions exceeding 15% of the Bank's equity capital, which amounted to NIS 2,262 million (as defined in Proper Conduct of Banking Business Regulation No. 202 concerning capital component).

EXPOSURE TO FOREIGN COUNTRIES

Balance-sheet exposure to foreign countries consists of deposits, bonds, credit to the public and the fair value of financial instruments.

Off-balance-sheet exposure consists of guarantees, off-balance-sheet credit risk with respect to financial derivatives and unutilized facilities.

Main exposures to foreign countries*(1) (NIS million)

	June 30, 2023			December 31, 2022		
	exposure			exposure		
	Balance sheet (2)	Off Balance sheet(2)(3)	Total	Balance sheet (2)	Off Balance sheet(2)(3)	Total
United States	**10,826**	**44**	**10,870**	4,654	40	4,694
Other	**4,131**	**503**	**4,634**	3,926	443	4,369
Total exposure to foreign countries	**14,957**	**547**	**15,504**	8,580	483	9,063
Off which: Total exposure to PIGS countries (Portugal, Italy, Greece and Spain)	**45**	**2**	**47**	31	2	33
Off which: Total exposure to LDC countries	**166**	**43**	**209**	146	41	187
Off which: Total exposure to countries with liquidity problems	(4)**19**	**1**	**20**	(4)16	1	17

* Including countries, the exposure to which exceeds 1% of total assets of the Bank on consolidated basis or 20% of capital, the lower of them.

(1) On the basis of final risk, after effect of guarantees, liquid collateral and credit derivatives.
(2) Balance sheet and off-balance sheet credit risk are presented before the effect of provision for credit losses and before the effect of deductible collateral for the purpose of indebtedness of borrower and group of borrowers.
(3) Off-balance sheet credit risk as calculated for the purpose of the limits on indebtedness of borrower.
(4) Most of the exposure is fully insured.

RISKS IN THE HOUSING LOANS PORTFOLIO

The Group's credit policy in the area of mortgage activity

The Bank adopts a conservative credit policy that is approved by the Board of Directors of the Bank and that is examined yearly, and is updated in accordance with changes and transformations taking place in Israel, changes in regulation, etc. As part of this policy, the Bank currently follows developments in the mortgages portfolio and adopts different measures for the management of the risk inherent therein.

Risks are examined in accordance with the policy adopted in respect of risk appetite in the mortgage field, both at the level of the single transaction and at the level of the whole mortgage portfolio of the Group. The Bank manages the risks, inter alia, by imposing restrictions regarding certain parameters, such as the financing ratio (LTV), ratio of repayment to income, the rate of loans carrying variable interest, the rate of loans for long periods (exceeding 25 years), and more.

Upon the granting of a mortgage loan, the Bank examines the probability of default by using a statistical model, as well as examines the repayment ability of the borrower in possible scenarios of changes in interest rates. The Bank takes extra care in cases of assets the registration position of which is complex, while giving greater consideration to the quality of the borrower and to the financing ratio.

The Bank performs monthly control on the development of risk characteristic of the mortgage portfolio, in accordance with restrictions according to parameters of the credit policy. In addition, the Bank monitors changes in the volume of problematic debts in the mortgage portfolio, as well as the rate of arrears thereof, comparing the data with that of the whole banking sector. Furthermore, the Bank continues to follow the possible implications on its mortgage portfolio, due to the recent developments in the macro-economic environment.

Volume of housing loans

	For the six months ended June 30		
	2023	2022	Change
		NIS million	%
Housing loans extensions			
Loans from bank funds	**1,649**	4,535	(63.6)
Loans from treasury funds	**7**	9	(22.2)
Grants from treasury funds	**3**	8	(62.5)
Total new loans	**1,659**	4,552	(63.6)
Refinanced loans from bank funds	**140**	372	(62.4)
Total **extensions**	**1,799**	4,924	(63.5)

	As at June 30,		
	2023	2022	Change
		NIS million	%
Balance of housing loans, net			
Loans from bank funds	**35,339**	34,680	1.9
Loans from treasury funds*	**233**	250	(6.8)
Grants from treasury funds*	**77**	68	13.2
Total balance of housing loans	**35,649**	34,998	1.9

* These amounts are not included in the balance sheet balances.

Loan to value

One of the main parameters used by the Bank in examining the risk in the housing loan portfolio is the loan to value ratio (LTV). The LTV is calculated in accordance with Banking Supervision Division's Directive No. 876 - "Report on housing loans," and is the ratio between the amount of credit and the value of the assets serving as collateral on the date at the time the loan is approved. It should be noted that in itself, a rise in the value of the property does not constitute an event for the purpose of re-calculating the LTV. However, when additional credit secured by the same property is granted, the LTV can be calculated on the basis of a revised value appraisal.

The portfolio of housing loans extended from the Bank's sources on June 30, 2023 included 68% of credit granted at an LTV of up to 60% compared with 69% on June 30, 2022.

98% of total loans were granted at an LTV of up to 75%, similar to June 30, 2022.

Housing loan extensions from the Bank's sources in the first six months of 2023 included 64% of credit granted at an LTV of up to 60%, compared with 62% in the same period last year. All loan extensions were granted at an LTV of up to 75%, similar to the same period last year.

The calculation of the LTV does not include loans which are not secured by an asset.

Debt-income ratio

Another key parameter used by the Bank in examining the risk in the housing loan portfolio is the debt-income ratio. This ratio enables the Bank to assess a borrower's ability to maintain current loan repayments in an orderly manner from the borrower's regular income at the date of the extension of the loan.

The portfolio of housing loans extended from the Bank's sources as of June 30, 2023 included 89% of credit granted at a debt-income ratio of up to 35% compared to 90% in June 30, 2022. 99% of the credit was extended to borrowers on the basis of a debt-income ratio of up to 50%, similar to the same period last year.

Housing loan extensions from the Bank's sources in the first six months of 2023 included 82% of credit granted at a debt-income ratio of up to 35% compared to 89% in the same period last year. All of the credit was extended to borrowers on the basis of a debt-income ratio of up to 50% similar to the same period last year.
The calculation of the ratio does not include loans which are bullet and balloon.

Floating-rate loans

The portfolio of housing loans from the Bank's sources as of June 30, 2023 includes 60% of credit that was granted at floating-rate interest and amounts to NIS 21,172 million.
Housing loan extensions from the Bank's sources in the first six months of 2023 include NIS 762 million of credit granted at floating-rate interest of up to five years constituting 46% of extensions. An amount of NIS 195 million is floating-rate credit for five years, constituting 12% of extensions.

Long-term loans

The portfolio of housing loans from the Bank's sources as of June 30, 2023 includes 73% of credit whose redemption period as of the report date is up to 25 years and amounts to NIS 26,013 million.
Housing loan extensions from the Bank's sources in the first six months of 2023 include 44% of credit whose redemption period as of the report date is up to 25 years and amounts to NIS 724 million.

Set out below are data on the development of the housing loan portfolio at the Bank by linkage segments (excluding credit from Treasury funds and after deduction of the provision for credit losses)

	For residential purposes											Secured by a residential apartment	Total
	Unlinked segment				CPI-linked segment				Foreign-currency linked segment		Total		
	Fixed-rate		Floating rate		Fixed-rate		Floating rate		Floating rate				
	Balance	Rate	Balance	Rate	Balance	Rate	Balance	Rate	Balance	Rate	Balance	Balance	Balance
	NIS million	%	NIS million	%	NIS million	%	NIS million	%	NIS million	%	NIS million	NIS million	NIS million
30.6.23	**10,079**	**29.3**	**14,894**	**43.3**	**3,838**	**11.2**	**5,588**	**16.2**	**6**	**-**	**34,405**	**934**	**35,339**
31.12.22	10,134	29.3	15,226	44.1	3,726	10.8	5,466	15.8	6	-	34,558	906	35,464

Set out below are data on the development of housing loan extensions at the Bank (excluding credit from Treasury funds)

	Six months 2023	Six months 2022	2022	2021	2020	2019
Total housing loan extensions (NIS million)	**1,639**	4,535	7,124	8,005	5,915	4,374
Rate of change in housing loan extensions compared with previous year	**(63.6%)**	20.8%	(11.0%)	35.3%	35.2%	5.4%
Rate of expense (income) on credit losses relative to mortgages at the Bank's risk	**(0.02%)**	0.07%	0.08%	(0.02%)	0.14%	0.01%
Cumulative rate of provision for credit losses relative to mortgages at the Bank's risk	**0.43%**	0.40%	0.43%	0.50%	0.59%	0.49%

PRIVATE INDIVIDUALS CREDIT RISK (EXCLUDING HOUSING LOANS AND DERIVATIVES)

General

The banks in the Group grant consumer credit to a variety of households, made up mainly of individuals in employee positions, part of whom in the education system and part in the defense system.

The credit policy for private individuals reflects the risk appetite of the Bank and its intensions as to the risk levels it wants to take as well as the wanted profile for the private individuals credit portfolio and its volume in respect to the overall credit portfolio.

The policy is based on an internal system for the rating of credit risk relating to private individuals according to statistical models being updated on a current basis, and to business rules and principles for the granting of credit, which take into account the repayment ability of the customer at the individual level as well as the analysis and evaluation by a range of additional parameters, which have an effect upon the financial stability of the customer.

This perception is well reflected in the credit policy of the Bank through quantitative and qualitative restrictions for the granting of credit at the level of the single customer and at the level of the Bank, as well as in control procedures and structured work procedures, in the different control lines.

Models of credit rating used by the banks in the Group both in the underwriting process of credit at the branches, and for the direct granting of credit via the Internet, the cellular application and via "International Bank Call". The credit recommendations derived from the statistical models together with procedures of the Bank based on the credit policy of the Bank and the qualitative and quantitative limitations included therein - shape the measured risk appetite of the Group as regards the consumer credit field.

In the retail credit field, the Bank focuses on credit typified by a high level of distribution and a low level of risk. Taking into account the fact that the subsidiary Massad Bank is also engaged in the credit field, the Bank operates from a Group viewpoint and acts for the implementation of an orderly work format of the Group, which defines, inter alia, a business focused format for each population in the Group. The targeted population is mostly a population having stable sources of income, which requires finance in the consumer field and has credit repayment ability, inter alia, designated populations having a joint connection on a country-wide level (such as: teaching personnel, Ministry of Defense personnel, etc.) having repayment ability or realizable collateral.

Teaching personnel loan tender are loans repaid by the direct withholding from salary. Most of the customers in the households' segments in Otsar Hahayal branches are salaried employees, large part of them are former employees of the defense forces. Part of the loans to Ministry of Defense personnel are granted within the framework of different tenders, reflect the capitalization of rights for interim periods and are characterized by relatively large amounts and long periods. Moreover, within the framework of the terms of the tender, valid until November 30, 2023, the responsibility of the Ministry of Defense for the repayment of the credit in default cases is determined, thus reducing to a minimum the risk of credit granted to Ministry of Defense personnel within this framework.

These loan repayments and additional loans to the defense personnel population as well as loans granted in the framework of collective agreements, are being withheld directly from salaries.

In May 2023, the Bank was successful in a tender for the provision of credit and banking services to the defense system personnel for a period of seven years, starting on December 1, 2023, together with an option for extension of the period for three additional years. The tender stated, inter alia, the terms for the granting of credit (slightly different from the previous tender, mainly in respect of the responsibility of the ministry of defense, which was reduced to rehabilitation loans alone) and for the management of accounts for the defense system personnel, as well as the terms for operating Bank branches at IDF bases. Winning the tender provides the Bank with business opportunities for extending its operations among the tender's population and for increasing its share of additional populations.

84% of the balance of the credit risk to private individuals is in respect of customers with fixed income credited to their accounts in an amount exceeding NIS 10 thousand.

Set out below is the distribution of Private individuals credit risk (excluding housing loans) in Israel:

	June 30 2023	June 30 2022	December 31 2022	Change June 30 2022	Change December 31 2022
			NIS million		%
Current account and utilized balances of credit cards	**5,898**	5,577	5,747	5.8	2.6
Other loans	**17,276**	17,902	17,786	(3.5)	(2.9)
Total balance credit risk	**23,174**	23,479	23,533	(1.3)	(1.5)
Unutilized current account credit lines	**4,924**	4,735	4,791	4.0	2.8
Unutilized credit lines in credit cards	**8,124**	7,661	7,954	6.0	2.1
Other off-balance credit risks	**3,380**	640	710	428.1	376.1
Total off-balance credit risk	**16,428**	13,036	13,455	26.0	22.1
Total credit risk	**39,602**	36,515	36,988	8.5	7.1
Average volume of credit, including overdrafts, credit cards and loans	**22,262**	22,018	22,297	1.1	(0.2)

Set out below is the distribution of problematic private individuals credit risk (excluding housing loans) in Israel:

	June 30 2023	June 30 2022	December 31 2022	Change June 30 2022	Change December 31 2022
			NIS million		%
Non-accruing credit risks	**93**	104	98	(10.6)	(5.1)
Accruing problematic credit risk	**179**	158	157	13.3	14.0
Non-problematic credit risk	**39,330**	36,253	36,733	8.5	7.1
Total credit risk	**39,602**	36,515	36,988	8.5	7.1
Of which: accruing debts in arrears of 90 days or more	**14**	13	13	7.7	7.7
Balance of restructured debts out of the problematic credit	**95**	81	89	17.3	6.7
Expense rate of credit losses out of total credit to the public*	**0.54%**	-	0.07%		

* Annualized

Following is the distribution of credit risk relating to private individuals in Israel by fixed income credited to the account

				June 30, 2023
Fixed income credited to the account*	**Total financial assets** lower than NIS 50 K**	**Total financial assets** higher than NIS 50 K**	**Balance sheet Credit risk**	**Off-balance sheet credit risk**
NIS thousands				NIS million
No fixed income	**242**	**39**	**281**	**219**
Up to 10	**3,039**	**385**	**3,424**	**2,532**
From 10 to 20	**4,877**	**1,327**	**6,204**	**3,904**
Over 20	**7,712**	**5,553**	**13,265**	**9,773**
Total	**15,870**	**7,304**	**23,174**	**16,428**

				June 30, 2022
Fixed income credited to the account*	**Total financial assets** lower than NIS 50 K**	**Total financial assets** higher than NIS 50 K**	**Balance sheet Credit risk**	**Off-balance sheet credit risk**
NIS thousands				NIS million
No fixed income	292	48	340	209
Up to 10	3,411	488	3,899	2,117
From 10 to 20	4,897	1,510	6,407	3,448
Over 20	6,888	5,945	12,833	7,262
Total	15,488	7,991	23,479	13,036

				December 31, 2022
Fixed income credited to the account*	**Total financial assets** lower than NIS 50 K**	**Total financial assets** higher than NIS 50 K**	**Balance sheet Credit risk**	**Off-balance sheet credit risk**
NIS thousands				NIS million
No fixed income	334	89	423	242
Up to 10	3,282	424	3,706	2,097
From 10 to 20	4,963	1,411	6,374	3,503
Over 20	7,390	5,640	13,030	7,613
Total	15,969	7,564	23,533	13,455

* Fixed income credited to the account as defined in the reporting instruction to the Supervisor of Banks No.836 (which includes actual salary in average calculation of the last 12 months, total annuities, cash deposits and check deposits).

** The financial assets portfolio related to the account, such as: monetary deposits (including current account balances), securities portfolios and other financial assets.

Distribution by average period to redemption (according to the last repayment date of the loan)

			Balance sheet credit risk
	June 30, 2023	**June 30, 2022**	**December 31, 2022**
Period to redemption			NIS million
Up to one year	**6,335**	6,104	6,304
From one to three years	**3,122**	3,231	3,204
From three to five years	**4,674**	4,944	4,935
From five to seven years	**2,607**	2,976	2,817
Over seven years	**6,436**	6,224	6,273
Total	**23,174**	23,479	23,533

Distribution by size of credit to the borrower*

	June 30, 2023			June 30, 2022			December 31, 2022		
Credit range to the borrower	Balance sheet credit risk	Off-balance sheet credit risk	Total credit risk**	Balance sheet credit risk	Off-balance sheet credit risk	Total credit risk**	Balance sheet credit risk	Off-balance sheet credit risk	Total credit risk**
NIS thousands			NIS million			NIS million			NIS million
Up to 10	**218**	**540**	**758**	210	447	657	211	454	665
From 10 to 20	**432**	**1,054**	**1,486**	425	858	1,283	429	876	1,305
From 20 to 40	**1,173**	**2,529**	**3,702**	1,168	1,998	3,166	1,157	2,060	3,217
From 40 to 80	**2,906**	**4,333**	**7,239**	2,913	3,374	6,287	2,911	3,505	6,416
From 80 to 150	**5,549**	**4,178**	**9,727**	5,808	3,289	9,097	5,747	3,402	9,149
From 150 to 300	**7,067**	**2,710**	**9,777**	7,135	2,215	9,350	7,194	2,261	9,455
Over 300	**5,829**	**1,084**	**6,913**	5,820	855	6,675	5,884	897	6,781
Total	**23,174**	**16,428**	**39,602**	23,479	13,036	36,515	23,533	13,455	36,988

* Definition of borrower - in accordance with the definition included in Proper Conduct of Banking Business Directive No. 313.

** Total credit risk - excluding indebtedness in respect of derivatives and excluding residential loans.

Distribution by type and extent of exposure to a significant growth in payments

	June 30, 2023	June 30, 2022	December 31, 2022
	Balance sheet credit risk	Balance sheet credit risk	Balance sheet credit risk
Type of credit	NIS million	NIS million	NIS million
Current account	**1,608**	1,571	1,639
Credit card	**4,290**	4,006	4,108
Credit carrying variable interest	**16,551**	17,372	17,082
Credit carrying fixed interest	**725**	530	704
Total	**23,174**	23,479	23,533

Collateral

	June 30, 2023			June 30, 2022			December 31, 2022		
	Balance sheet credit risk	Off-balance sheet credit risk	Total credit risk	Balance sheet credit risk	Off-balance sheet credit risk	Total credit risk	Balance sheet credit risk	Off-balance sheet credit risk	Total credit risk
			NIS million			NIS million			NIS million
Total credit secured by collateral*	**4,545**	**113**	**4,658**	4,656	404	5,060	4,628	432	5,060
* Of which:									
Non-liquid collateral	**4,150**	**84**	**4,234**	4,231	375	4,606	4,214	402	4,616
Liquid collateral	**395**	**29**	**424**	425	29	454	414	30	444

Description of operations

A. The underwriting of credit to private individuals

The underwriting of consumer credit is conducted taking into consideration of personal parameters of the customer and reflects readiness for measured acceptance of credit risk. This concept is well reflected in quantitative and qualitative limitations, as well as by means of a wide array of structured work procedures and close control processes in the different control lines.

The banks in the Group offer credit to their customers on the basis of comprehension of the customer's needs, identification and the monitoring of his risk characteristics. As part of the underwriting process, several criteria that form a decision supporting tool are examined, inter alia, general information regarding the customer (his identity, financial stability, conduct of his account and any additional information which might assist in the underwriting process), the object of the credit, the volume of activity of the customer with the Bank in relation to the pricing of the transaction, repayment ability, the total credit mix in the account and the modification thereof to the customer's needs. This process is based upon values of fairness and transparency towards the customer.

B. The manner of supervising and monitoring risk characteristics

The banks in the Group have a high level of skill and expertise in the field of retail credit due to many years of experience in household credit.

The Group trains its employees at a high level of professional skill in the credit field, having decision supporting computer systems and control and monitoring systems for the early discovery of borrowers in default or of negative symptoms.

The Group hedges acceptance of credit risks, inter alia, by means of the distribution of risk among customers.

Risk management and the control thereof are conducted by means of an appropriate infrastructure of inspection, supervision, control and audit mechanisms. Control in the matter of consumer credit is conducted by means of the three defense lines.

Controls conducted within the framework of the first line of defense include: the monitoring of deviation from current account and revolving debit account credit facilities, examination of problematic credit in arrears and follow-up of developments in the problematic consumer credit at the branches.

In the second line of defense, a periodic test is carried, on the effect of macroeconomic events which may impact the debt-income ratio of customers. The test is performed both on mortgages and the credit portfolio, excluding housing loans. In addition, a wide spectrum analysis is performed in respect of different risks, such as distribution of the portfolio according to the customer's risk rating, default rates and other different risk indices, such as, rate of problematic credit, rate of expenses of credit losses and rates of accounting write-offs.

The third line of defense is the internal audit division, which is responsible for performing independent audits of risk management, work framework and controls over consumer credit risks, including the work of the first and second lines of defense in monitoring of this risk.

In addition, the Bank uses supporting computer systems, such as a system for the identification and treatment of debts showing trouble symptoms and a statistical system forecasting credit default.

CONSTRUCTION AND REAL ESTATE SECTOR RISKS

The Bank adopts a measured and careful credit policy, approved by the Board of Directors of the Bank, which is examined every year and is revised in accordance with changes in conditions in the country, both in the real estate sector in general, and in the credit field in particular, changes in regulation (such as: directives of the Supervisor of Banks and government regulations) etc. The said policy is expressed in the examination of the financing ratio, determination of different limitations, conducting sensitivity analysis with respect to financing of construction projects, examination of the ratio of the borrower's equity and requirement for early sales in order to reduce the risk to the extent possible.

Moreover, The Bank has adopted a specific policy in respect of the different lines of operation in the real estate and construction field, including the financing of housing construction, financing of income producing property construction, as well as financing of construction of income producing offices, commercial and industrial properties.

The processing by the Bank of new applications for the finance of real estate is characterized by different parameters, inter alia, the location of the property, geographic dispersal, designation of the property (residential/office premises/commercial/ industrial), type of transaction (National Outline Plan/ Price to the Purchaser Plan/ Targeted Price Plan etc.). Also examined are the level of risk arising in any financing mode in relation to the ratio of finance, the financing period and the quality of the borrower and his financial stability. In relation to all that stated above as well as to other parameters, the level of pricing and the profitability of the transaction are determined.

Over and above examination performed on a current basis, the Bank conducts periodic discussions with respect of all credit portfolios in the construction and real estate segment and examines the condition of the projects as well as the level of risk inherent in each, and reduces exposure accordingly. As a general rule, examination of the projects is performed on a monthly basis, based on construction progress reports by the supervisor of the project, where the examined risks are both at the level of market risk and at the level of execution risk.

The Bank strictly prices each transaction in accordance with the risk involved and with the required allocation of capital, using tools for the calculation of the return.

The provision for credit losses is computed in accordance with directives of the Supervisor of Banks, and is being determined also in respect of the construction and real estate segment in accordance with its characteristics. It is noted, that in addition to such quantitative measurement, the Bank reviews subjectively in each quarter, the need for an additional increase in the coefficients for the provision for credit losses in respect of the construction and real estate segment, taking into account developments in the business environment and additional indicators relevant to the level of risk inherent in the credit portfolio, and where required, increases the coefficients for the collective provision. An additional review is being performed also in respect of specific borrowers, and where required, a specific provision is also recorded.

In the last few months, decline in the demand for acquisition of residential appartements was recorded, this, among other things, on the background of the rise in inflation and the interest rate. The Bank is monitoring, on a current basis, these trends. The proportional policy of the Bank, resulted in no material impact on the quality of the credit portfolio, being recorded.

Following are data of credit to the public risk in the construction and real estate field:

		June 30,	December 31,
	2023	**2022**	**2022**
			NIS million
Overall credit risk(1)			
Projects not yet completed			
Of which: Open land	**7,554**	6,612	7,591
Property under construction	**5,779**	4,733	5,366
Completed building projects	**6,197**	5,801	5,958
Other(2)	**5,690**	6,381	5,946
Total	**25,220**	23,527	24,861

(1) Of which: credit secured by residential property in the amount of NIS 11,963 million (stated credit NIS 8,491 million and off-balance sheet credit NIS 3,472 million). Credit secured by industrial property in the amount of NIS 1,137 million (stated credit NIS 1,029 million and off-balance sheet credit NIS 108 million), and credit secured by commercial property in the amount of 6,404 million (stated credit NIS 5,603 million and off-balance sheet credit NIS 801 million). (31.12.22 - NIS 11,428 million, NIS 1,075 million and NIS 6,412 million, respectively).

(2) Includes credit to borrowers in the construction and real estate field in Israel, the collateral provided by them does not include real estate, mostly infrastructure projects and credit to income bearing real estate corporations.

The ratio of credit not at credit execution rating, to total credit risk in the construction and real estate sector as of June 30, 2023, amounted to 2.7%, as compared with 3.2% at December 31, 2022.

The ratio of problematic credit to total credit risk in the construction and real estate sector as of June 30, 2023, amounted to 1.3%, compared to 0.8% as of December 31, 2022.

LEVERAGED FINANCE

Leveraged finance is defined as credit granted for financing capital transaction in corporation (as defined in the Bank of Israel directive 323) that meets certain criteria, and credit granted to debtors characterized with high finance leverage.

The criteria according to which the Bank defines credit as leveraged finance were set in a conservative manner.

Additional information can be found in the financial statements for 2022.

As of June 30, 2023 total aggregate balances (balance sheet credit and off-balance sheet credit net of provisions for credit losses and deductible collateral) considered as leveraged finance, amounted to NIS 446 million, compared to NIS 511 million on June 30, 2022 and NIS 547 million at the end of 2022.

SIGNIFICANT EXPOSURES TO BORROWER GROUPS

As of June 30, 2023, there is no borrower group which its indebtedness on consolidated basis, after deductions of permissible deduction according to section 5 of Directive 313, exceeds 15% of the bank's capital, calculated according to Proper Conduct of Banking Business Directive concerning measurement and capital adequacy.

MARKET RISK

Market risk (financial risk) is the actual or future existence of a risk to a loss or impairment derived from a change in the economic value of financial instrument, certain portfolio or a group of portfolios and on an aggregate level, due to changes in prices, rates, margins and other parameters in the financial markets. Including: interest risk, currency risk, inflation risk, securities prices risk and volatility risk.

The inflation environment globally continues to be high, but is at moderating trend, on the background of the interest hikes. The inflation in Israel is relatively low in comparison to the OECD countries, while the expectations of the local market is that the inflation will reach Bank of Israel's target, in the beginning of next year.

The Bank is adopting variety of actions, in order to cope with the effects of the changes in inflation and interest rates on its customers, including performing stress tests and current tests examining the repayment ability of the customers, according to the different segments of activity, while providing specific care in accordance with the findings.

Furthermore, the Bank implements additional actions, in order to cope with the effects of these changes, including updating assumptions to the different models in the areas of credit and market risks and performing transactions to manage the exposure in the CPI segment.

The Bank continues to monitor the different developments in the macro-economic situation.

Methodology for the estimation of exposure to market risk

The Bank manages and controls exposure to market risks by means of a number of generally accepted models and tools which include VaR calculations and the operation of stress tests and management and exposure control tools such as: duration, fair value and sensitivity tests for changes in the interest curve.

INTEREST EXPOSURE

Interest risk is the risk to earnings or equity stemming from fluctuations in interest rates, which affect the Bank's earnings by a change in net income, as well as affect the value of the Bank's assets, liabilities and off-balance sheet instruments, due to changes in the present value of future cash flows (and in certain cases, the cash flows themselves) following a change in interest rates. The main forms of the interest risk to which the Bank is exposed to are: risk of repricing, yield curve risk, basis risk and option risk.

Interest risk in respect of the entire portfolio is one of the dominant risks to which the Bank is exposed in all matters relating to their effect on the fair value of assets and liabilities and its effect on earnings. The Bank manages the interest risks in accordance with the Bank of Israel directive 333, in the matter of interest risk management, with emphasis on interest risk relating to the banking portfolio. The Bank determined a policy for the management of interest risk, in accordance with the regulations.

Analysis of sensitivity to the effect of exposure to interest rate adjustments based on the fair value of financial instruments

Set out below is information on assets and liabilities that are exposed to changes in interest rates on the basis of their fair value, including a sensitivity analysis of the effect of theoretical changes in the interest rate on the fair value of financial instruments, excluding non-monetary items, according to accounting rules:

1. Fair value of financial instruments of the Bank and consolidated subsidiaries, excluding non-financial items (before the effect of potential changes in the interest rates):

	June 30, 2023			June 30, 2022			December 31, 2022		
	NIS	Foreign currency	Total	NIS	Foreign currency	Total	NIS	Foreign currency	Total
			NIS million			NIS million			NIS million
Adjusted fair value, net (1)	**11,021**	**302**	**11,323**	8,222	6	8,228	9,062	152	9,214
Of which: banking portfolio	**10,535**	**215**	**10,750**	7,842	(28)	7,814	8,956	26	8,982

Additional details as to the assumptions used to calculate the adjusted fair value of the financial instruments, see note 14A to the condensed financial statements.

2. Effect of scenarios of changes in interest rate on the adjusted fair value[1] of the Bank and its consolidated subsidiaries:

	June 30, 2023			June 30, 2022			December 31, 2022		
	NIS	Foreign currency	Total	NIS	Foreign currency	Total	NIS	Foreign currency	Total
			NIS million			NIS million			NIS million
Parallel changes									
Parallel increase of 1%	**(126)**	**11**	**(115)**	(10)	11	1	76	13	89
Of which: banking portfolio	**(128)**	**12**	**(116)**	(11)	17	6	72	9	81
Parallel decrease of 1%	**155**	**(8)**	**147**	57	(7)	50	(57)	(8)	(65)
Of which: banking portfolio	**157**	**(7)**	**150**	59	(11)	48	(55)	(4)	(59)
Non-parallel changes									
Steeping[2]	**(252)**	**17**	**(235)**	(203)	20	(183)	(188)	24	(164)
Flattening[3]	**257**	**(12)**	**245**	206	(17)	189	222	(18)	204
Interest increases in short term	**190**	**(7)**	**183**	171	(10)	161	226	(12)	214
Interest decreases in short term	**(176)**	**12**	**(164)**	(170)	13	(157)	(217)	18	(199)

The table presents the adjusted net fair value of all financial instruments, with the assumption that the change in interest occurred in all interest rate and in all linkage segments.

(1) Fair value of financial instruments, excluding non-financial items and after the effect of liability in respect to employees' rights and attribution of demand deposits to periods. Additional detail as to the assumptions used in the calculation of the adjusted fair value of financial instruments, see note 14A to the financial statements.

(2) Steeping - decline of interest in the short term and increase in interest in the long term.

(3) Flattening - Increase in interest in short term and decline in interest in the long term.

3. Effect of scenarios of changes in interest rate on interest income, net and non-interest income: [6]

	June 30, 2023			June 30, 2022			December 31, 2022		
	Interest income	Non-interest income	Total[4]	Interest income	Non-interest income	Total[4]	Interest income	Non-interest income	Total[4]
			NIS million			NIS million			NIS million
Parallel changes									
Parallel increase of 1%	**140**	**1**	**141**	643	2	645	200	2	202
Of which: banking portfolio	**139**	**-**	**139**	642	-	642	199	-	199
Parallel decrease of 1%	**(427)**	**(1)**	**(428)**	(540)	(1)	(541)	(575)	(2)	(577)
Of which: banking portfolio	**(426)**	**-**	**(426)**	(539)	-	(539)	(575)	-	(575)

* After offsetting effects.

The income sensitivity in the above table was calculated based on several parameters and different assumptions, among others, use of assumptions in respect of changes in the spreads of deposits, transition of funds from current accounts to deposits in case of interest raise, as against stability in the balances in case of interest decline and with the assumption of interest floor, so the different interest curves cannot be negative (can decline up to zero). During 2022, on the background of the changes in the interest environment, adjustments were made to the assumption at the base of the calculation.

BASIS EXPOSURE

Actual basis exposure

Set out below is a description of the actual basis exposure, at the Group level (NIS millions):

	Actual basis exposure		% of capital	
	As of June 30,	As of December 31,	As of June 30,	As of December 31,
	2023	2022	2023	2022
Non-linked local currency	**2,109**	3,432	**18**	31
CPI-linked local currency	**6,965**	4,999	**59**	45
Foreign currency and f-c linked	**26**	(79)	**-**	(1)

Sensitivity of capital to changes in the exchange rate

The Bank operates in the currency markets by means of spot transactions, forward transactions and options on its own behalf and on behalf of its customers. The Bank operates using global negotiable currencies, and the total net currency exposure for the Group is low.

Most of the activity in derivative financial instruments is carried in the currency derivatives Shekel/Dollar for the Bank's customers. The Bank is not exposed in its derivative activity to material currency risks.

Set out below is the sensitivity of the Bank's capital to theoretical changes in the exchange rates of the principal currencies as of June 30, 2023 (NIS millions).

The measurement refers to the effect of changes on capital and includes activity in balance-sheet and off-balance-sheet instruments:

Percentage change in exchange rate	Dollar	Euro
5% decrease	**(1)**	**3**
10% decrease	**1**	**8**
5% increase	**9**	**-**
10% increase	**25**	**4**

NOTES:

(1) This effect is calculated in accordance with the expected change in the economic positions managed in different currencies, given the scenarios that were determined by the Supervisor of Banks.

(2) An increase implies a strengthening of the currency in question against the shekel.

(3) The data express the effects of changes in exchange rates on fair value after the tax effect.

(4) Changes in the exchange rates of other currencies have a negligible effect on the Bank's earnings.

Sensitivity of capital to changes in the CPI

The Bank operates in the CPI market by extending uses such as loans, mortgages and the purchase of bonds and by raising CPI linked funds. In addition, the Bank performs CPI forward transactions on behalf of its customers and itself.
The Bank is not exposed in its forward activity to material CPI risks.

Set out below is the sensitivity of the Bank's capital to theoretical changes in the CPI as of June 30, 2023 (NIS millions).
The measurement refers to the effect of changes on capital and includes activity in balance-sheet and off-balance-sheet instruments:

Percentage change in CPI	
3% decrease	**(144)**
3% increase	**144**

MANAGEMENT OF RISKS IN DERIVATIVE FINANCIAL INSTRUMENTS

Set out below is the volume of activity in derivative financial instruments (nominal value NIS millions):

	As of June 30, 2023			As of December 31, 2022		
	Derivatives not for trading	Derivatives for trading	Total	Derivatives not for trading	Derivatives for trading	Total
Hedging transactions:						
Interest rate contracts	**2,642**	**-**	**2,642**	3,522	-	3,522
Other transactions:						
Interest rate contracts	**417**	**15,268**	**15,685**	794	17,425	18,219
Foreign currency contracts	**20,145**	**62,331**	**82,476**	18,404	48,494	66,898
Contracts on shares, share indexes, commodities and other contracts	**1**	**65,664**	**65,665**	85	55,189	55,274
Total derivative financial instruments	**23,205**	**143,263**	**166,468**	22,805	121,108	143,913

LIQUIDITY RISK

Liquidity risk is the actual or future risk that the Bank will have difficulty in supplying liquidity requirements in exceptional demand and supply situations, including unexpected liabilities, unexpected withdrawals of deposits from the public, unexpected demand for credit, uncertainty regarding the availability of sources, including sharp decline in the value of liquid assets available to the Bank. Materialization of the risk might cause the Bank shortage in liquid means, that will force the Bank to realize assets in prices lower than the market prices and/or raise funds in a price higher than market prices and in crisis situations might endanger the stability of the Bank.

On the background of the changes in the macro-economic environment, the Bank continues to perform tight follow-up and control and monitoring operations on the liquidity ratios.

Liquidity coverage ratio

The liquidity coverage ratio of the Group for the three months ended June 30, 2023 amounted to 134%, compared with 127% in the three months ended December 31, 2022.

The minimal liquidity coverage ratio required by the Supervisor of Banks is 100%.

For additional information in respect of the liquidity coverage ratio see Note 8 to the condensed financial statements.

Net stable Funding Ratio - NSFR

On June 21, 2021, the Supervisor of Banks published Proper Conduct of Banking Business Directive No.222 in the matter of Net stable financing ratio - NSFR. The Directive states the manner of computing the ratio, as stated in the Basel 3 Reform of the Basel Committee (BCBS). The ratio is intended to improve the long-term durability of the liquidity risk profile of banking corporations, by requiring banking corporation to maintain a stable financing ratio, in accordance with the composition of their stated assets and of their off-balance sheet operations. The ratio limits over reliance by banking corporations on short-term wholesale finance.

The NSFR contains two components: available stable financing items and required stable financing items.

Available stable financing is defined as part of the capital and liabilities that can be relied on over the time range taken into account in the NSFR, covering a period of one year. The amount of the required stable financing is a function of the nature of liquidity and the outstanding periods to redemption of the different assets held by the Bank, as well as the off-balance sheet exposures.

Set out below is the net stable financing ratio:

	June 30	December 31
	2023	**2022**
		percent
Net stable financing ratio (consolidated)	**134%**	133%
Minimal net stable financing ratio required by the Supervisor of Banks	**100%**	100%

Liquidity position and the composition of assets and liabilities

The liquidity assets at the group, which includes cash, deposits at the Bank of Israel, deposits at banks and liquid securities, amounted to NIS 80.8 billion on June 30, 2023, compared with NIS 72.5 billion at the end of 2022. Of this amount, the balance of cash, deposits with the Bank of Israel and deposits with banks amounted to NIS 58.6 billion, and NIS 22.2 billion were invested in securities, principally Israel government bonds.

The ratio of deposits from the public to credit to the public on June 30, 2023 amounted to 150.8% compared with 145.1% on December 31, 2022.

At June 30, 2023, deposits from the public, bonds and subordinated notes totaled NIS 183.7 billion compared with NIS 173.0 billion at the end of 2022.

The composition of the assets and liabilities of the Bank shows high liquidity. This, as a result of the policy to raise diversified and stable funds, while emphasizing on raising sources for medium and long periods from diversified customers sectors and in different currencies.

The Bank has sources in a short-medium contractual duration, which the Bank anticipates that they will be held for a long time. The uses are both for short term and medium- long term.

Balance of deposits of the three largest depositors in the Group:

	As of June 30, 2023	As of December 31, 2022
		NIS million
1	**5,283**	5,319
2	**3,951**	4,021
3	**2,921**	3,706

OTHER RISKS

For information regarding other risks, among others, the operational risks and the way they are managed (including business continuity, data security and cyber events), compliance risk, anti-money laundering and terror finance risk (including cross border risks), finance risk, legal risk, reputation risk and strategy risk- see the chapter on risk review in the annual financial statements of the Bank for 2022 and the risk report for 2022 on the Bank's website.

DISCUSSION OF RISK FACTORS

For discussion of risk factors see the chapter of risk review in the annual financial statements of the Bank for 2022.
No change occurred in the table of risk factors during the first six months of 2023 compared with the table published in the annual financial statements for 2022, except for:

- Share risk - in the first quarter of the year the level of the risk was reduced from "low-medium" to "low", on the background of the continuation of the decline in the exposure in this channel.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES, CONTROLS AND PROCEDURES

GENERAL

The estimates and assessments regarding critical accounting policy matters were made in accordance with the best knowledge and judgment of the professional entities engaged in their preparation, and that they were applied in an appropriate manner in the financial statements of the Bank.
A review of the significant areas, to which, in the opinion of the Bank Management, critical accounting policies apply, are detailed in the Directors and Management report for 2022, with no changes therein.

CONTROLS AND PROCEDURES

ASSESSMENT OF CONTROLS AND PROCEDURES CONCERNING DISCLOSURE IN THE FINANCIAL REPORT

In accordance with the Supervisor of Banks' directives for reporting to the public and the guidelines of Proper Conduct of Banking Business Regulation 309 that was issued in September 2008, the Bank has maintained controls and procedures regarding disclosure, and has deployed an internal control network for financial reporting.

The directives, which concern Management's responsibility on the internal control of financial reporting and the external auditor's statement of opinion regarding the audit of the internal control of financial reporting, were compiled in accordance with the provisions of Sections 302 and 404 of the law known as the Sarbanes-Oxley Act of 2002 that was enacted in the USA, and directives and guidelines that were determined in the USA, including those determined by the PCAOB.

Enclosed with the financial statements are declarations by the CEO of the Bank and the Chief Accountant, each one separately, concerning the assessment of controls and procedures in the matter of disclosure.

The Management of the Bank, in cooperation with the CEO of the Bank and the Chief Accountant, assessed for June 30, 2023 the effectiveness of the controls and procedures in the matter of disclosure by the Bank. On the basis of this assessment, the CEO of the Bank and the Chief Accountant concluded that as at the end of this report period, the controls and procedures in the matter of disclosure by the Bank were effective for the purpose of recording, processing, summarizing and reporting the information which the Bank is required to disclose in the report in accordance with the Supervisor of Banks' directives for reporting to the public, and at the time determined in those directives.

During the quarter ending on June 30, 2023, no change occurred in the Bank's internal control over financial reporting which exerted a material effect, or which can reasonably be expected to exert a material effect on the Bank's internal control over financial reporting.

Ron Levkovich	**Smadar Barber-Tsadik**	**Nachman Nitzan**
Chairman of the Board	Chief Executive Officer	Executive Vice President, Chief Accountant

Tel Aviv, August 15, 2023

CERTIFICATION

I, Smadar Barber-Tsadik, declare that:

1. I have reviewed the quarterly report of the First International Bank of Israel Ltd. (hereinafter: "the Bank") for the quarter ended June 30, 2023 (hereinafter: "the Report").
2. Based on my knowledge, the Report contains no incorrect presentation of a material fact, and there is no presentation of a material fact missing from the Report that is necessary so that the presentations included therein, in light of the circumstances under which such presentations were included, are not misleading with regard to the period covered by the Report.
3. Based on my knowledge, the financial statements and other financial information included on the Report correctly reflect the financial condition (including the comprehensive income), results of operations, changes in shareholders' equity, and cash flows of the Bank, in all material aspects, for the dates and periods covered in the Report.
4. I, and others at the Bank making this declaration, are responsible for the establishment and application of controls and procedures with regard to the Bank's disclosure and internal control of financial reporting as defined in the public reporting directives concerning the "board of Directors' report". furthermore:
   A. We have established such controls and procedures or caused such controls and procedures to be established under our supervision, aimed at ensuring that material information pertaining to the Bank, including its consolidated corporations, is brought to our knowledge by others at the Bank and at such corporations, in particular during the preparation of the Report.
   B. We have established such internal controls of financial reporting or caused such internal control of financial reporting to be established under our supervision, intended to provide a reasonable degree of confidence with regard to the reliability of the financial reporting, and that the financial reports for external purposes are prepared in accordance with generally accepted accounting principles and with the directives and guidelines of the Supervisor of Banks.
   C. We have assessed the effectiveness of the controls and procedures concerning disclosure at the Bank, and we have presented our findings with regard to the effectiveness of the controls and procedures concerning disclosure, as at the end of the period covered in the Report, based on our assessment; and
   D. We have disclosed in the Report any change in the internal control of financial reporting at the Bank that occurred during the fourth quarter, and that had a material effect, or could reasonably be expected to have a material effect, on the internal control of financial reporting at the Bank; and
5. I, and others at the Bank making this declaration, have disclosed to the auditor, to the Board of Directors, and to the Audit Committee of the Board of Directors of the Bank, based on our most current assessment of the internal control of financial reporting;
   A. Any significant deficiencies or material weaknesses in the establishment or application of internal control of financial reporting that can reasonably be expected to impair the Bank's ability to record, process, summarize, or report financial information; and
   B. Any fraud, whether material or immaterial, in which the Board of Management was involved, or in which other employees were involved who have significant role in the internal control of financial reporting at the Bank.

The aforesaid shall not detract from my responsibility, or from the responsibility of any other person, under any law.

Tel-Aviv, August 15, 2023

Smadar Barber-Tsadik
Chief Executive Officer

CERTIFICATION

I, Nachman Nitzan, declare that:

1. I have reviewed the quarterly report of the First International Bank of Israel Ltd. (hereinafter: "the Bank") for the quarter ended June 30, 2023 (hereinafter: "the Report").
2. Based on my knowledge, the Report contains no incorrect presentation of a material fact, and there is no presentation of a material fact missing from the Report that is necessary so that the presentations included therein, in light of the circumstances under which such presentations were included, are not misleading with regard to the period covered by the Report.
3. Based on my knowledge, the financial statements and other financial information included on the Report correctly reflect the financial condition (including the comprehensive income), results of operations, changes in shareholders' equity, and cash flows of the Bank, in all material aspects, for the dates and periods covered in the Report.
4. I, and others at the Bank making this declaration, are responsible for the establishment and application of controls and procedures with regard to the Bank's disclosure and internal control of financial reporting as defined in the public reporting directives concerning the "board of Directors' report". furthermore:
   A. We have established such controls and procedures or caused such controls and procedures to be established under our supervision, aimed at ensuring that material information pertaining to the Bank, including its consolidated corporations, is brought to our knowledge by others at the Bank and at such corporations, in particular during the preparation of the Report.
   B. We have established such internal controls of financial reporting or caused such internal control of financial reporting to be established under our supervision, intended to provide a reasonable degree of confidence with regard to the reliability of the financial reporting, and that the financial reports for external purposes are prepared in accordance with generally accepted accounting principles and with the directives and guidelines of the Supervisor of Banks.
   C. We have assessed the effectiveness of the controls and procedures concerning disclosure at the Bank, and we have presented our findings with regard to the effectiveness of the controls and procedures concerning disclosure, as at the end of the period covered in the Report, based on our assessment; and
   D. We have disclosed in the Report any change in the internal control of financial reporting at the Bank that occurred during the fourth quarter, and that had a material effect, or could reasonably be expected to have a material effect, on the internal control of financial reporting at the Bank; and
5. I, and others at the Bank making this declaration, have disclosed to the auditor, to the Board of Directors, and to the Audit Committee of the Board of Directors of the Bank, based on our most current assessment of the internal control of financial reporting;
   A. Any significant deficiencies or material weaknesses in the establishment or application of internal control of financial reporting that can reasonably be expected to impair the Bank's ability to record, process, summarize, or report financial information; and
   B. Any fraud, whether material or immaterial, in which the Board of Management was involved, or in which other employees were involved who have significant role in the internal control of financial reporting at the Bank.

The aforesaid shall not detract from my responsibility, or from the responsibility of any other person, under any law.

Tel-Aviv, August 15, 2023

Nachman Nitzan
Executive Vice President,
Chief Accountant

FINANCIAL STATMENTS

Somekh Chaikin
KPMG Millennium Tower
17 Ha'arba'a Street, PO Box 609
Tel Aviv 6100601, Israel
+972 3 684 8000

AUDITORS' REVIEW TO THE SHAREHOLDERS' OF THE FIRST INTERNATIONAL BANK OF ISRAEL LTD.

Introduction

We have reviewed the accompanying financial information of The First International Bank of Israel Ltd. and its subsidiaries (hereinafter- "the Bank"), comprising of the condensed consolidated interim balance sheet as of June 30, 2023 and the related condensed consolidated interim statements of income, comprehensive income, changes in equity and cash flows for the three- and six-months periods then ended. The Board of directors and Management are responsible for the preparation and presentation of this interim financial information in accordance with generally accepted accounting principles in Israel (Israeli GAAP) for interim accounting and in accordance with the directives and guidelines of the Supervisor of Banks. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

We conducted our review in accordance with Standard on Review Engagements (Israel) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" and a review standard applied in the review of banking institutions according to the directives and guidelines of the Supervisor of Banks. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards in Israel and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review nothing has come to our attention that causes us to believe that the accompanying financial information was not prepared, in all material respect, in accordance with generally accepted accounting principles in Israel (Israeli GAAP) for interim accounting and in accordance with the directives and guidelines of the Supervisor of Banks.

As explained in Note 1A, the accompanying financial statements represent a translation into English from the original financial statements in Hebrew.

Somekh Chaikin
Certified Public Accountants (Isr.)

August 15, 2023

CONSOLIDATED STATEMENT OF INCOME

(NIS million)

	NOTE	For the three months ended June 30		For the six months ended June 30		For the year Ended December 31
		2023	2022	2023	2022	2022
		(unaudited)	(unaudited)	(unaudited)	(unaudited)	(audited)
Interest Income	2	**2,523**	1,104	**4,699**	1,975	5,161
Interest Expenses	2	**1,205**	245	**2,106**	372	1,358
Interest Income, net		**1,318**	859	**2,593**	1,603	3,803
Expenses from credit losses	6,12	**99**	31	**171**	31	123
Net Interest Income after expenses from credit losses		**1,219**	828	**2,422**	1,572	3,680
Non- Interest Income						
Non-Interest Financing income (expenses)	3	**43**	(22)	**79**	12	113
Fees		**368**	371	**756**	755	1,489
Other income		**6**	-	**7**	8	9
Total non- Interest income		**417**	349	**842**	775	1,611
Operating and other expenses						
Salaries and related expenses		**466**	401	**915**	815	1,680
Maintenance and depreciation of premises and equipment		**83**	82	**167**	163	332
Amortizations and impairment of intangible assets		**30**	28	**60**	55	113
Other expenses		**161**	151	**322**	313	630
Total operating and other expenses		**740**	662	**1,464**	1,346	2,755
Profit before taxes		**896**	515	**1,800**	1,001	2,536
Provision for taxes on profit		**307**	179	**622**	348	884
Profit after taxes		**589**	336	**1,178**	653	1,652
The bank's share in profit of equity-basis investee, after taxes		**19**	20	**84**	37	74
Net profit:						
Before attribution to non-controlling interests		**608**	356	**1,262**	690	1,726
Attributed to non-controlling interests		**(21)**	(14)	**(44)**	(26)	(59)
Attributed to shareholders of the Bank		**587**	342	**1,218**	664	1,667
						NIS
Primary profit per share attributed to the shareholders of the Bank						
Net profit per share of NIS 0.05 par value		**5.85**	3.41	**12.14**	6.62	16.62

The notes to the financial statements are an integral part thereof.

Ron Levkovich
Chairman of the Board

Smadar Barber-Tsadik
Chief Executive Officer

Nachman Nitzan
Executive Vice President,
Chief Accountant

Tel-Aviv, August 15, 2023

STATEMENT OF COMPREHENSIVE INCOME[1]

(NIS million)

	For the three months ended June 30		For the six months ended June 30		For the year Ended December 31
	2023	2022	2023	2022	2022
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(audited)
Net profit before attribution to non-controlling interests	**608**	356	**1,262**	690	1,726
Net profit attributed to non-controlling interests	**(21)**	(14)	**(44)**	(26)	(59)
Net profit attributed to the shareholders of the Bank	**587**	342	**1,218**	664	1,667
Other comprehensive income (loss) before taxes:					
Adjustments of available for sale bonds to fair value, net	**56**	(161)	**26**	(377)	(441)
Adjustments of liabilities in respect of employee benefits[2]	**6**	65	**3**	196	235
Other comprehensive income (loss) before taxes	**62**	(96)	**29**	(181)	(206)
Related tax effect	**(22)**	32	**(11)**	62	71
Other comprehensive income (loss) before attribution to non-controlling interests, after taxes	**40**	(64)	**18**	(119)	(135)
Less other comprehensive income (loss) attributed to non-controlling interests	**3**	(4)	**5**	(9)	(13)
Other comprehensive income (loss) attributed to the shareholders of the Bank, after taxes	**37**	(60)	**13**	(110)	(122)
Comprehensive income before attribution to non-controlling interests	**648**	292	**1,280**	571	1,591
Comprehensive income attributed to non-controlling interests	**(24)**	(10)	**(49)**	(17)	(46)
Comprehensive income attributed to the shareholders of the Bank	**624**	282	**1,231**	554	1,545

(1) See note 4.

(2) Mostly reflects adjustments in respect of actuarial assessments as of the end of the period regarding defined benefits pension plans, of amounts recorded in the past in other comprehensive income.

The notes to the financial statements are an integral part thereof.

CONSOLIDATED BALANCE SHEET

(NIS million)

		June 30,		December 31,
		2023	2022	2022
	NOTE	(unaudited)	(unaudited)	(audited)
Assets				
Cash and deposits with banks		**58,553**	56,305	57,130
Securities[4]	5	**22,963**	15,349	16,010
Securities which were borrowed		**104**	289	12
Credit to the public	6,12	**120,028**	113,932	117,156
Provision for Credit losses	6,12	**(1,342)**	(1,121)	(1,195)
Credit to the public, net		**118,686**	112,811	115,961
Credit to the government		**961**	939	866
Investment in investee company		**751**	669	687
Premises and equipment		**880**	904	902
Intangible assets		**309**	300	317
Assets in respect of derivative instruments	10	**3,588**	2,880	2,825
Other assets[2]		**1,335**	1,580	1,245
Total assets		**208,130**	192,026	195,955
Liabilities and Shareholders' Equity				
Deposits from the public	7	**179,013**	164,539	168,269
Deposits from banks		**4,145**	5,429	4,821
Deposits from the Government		**608**	570	237
Bonds and subordinated capital notes		**4,713**	4,187	4,749
Liabilities in respect of derivative instruments	10	**3,184**	2,412	2,322
Other liabilities[1][3]		**4,650**	4,469	4,522
Total liabilities		**196,313**	181,606	184,920
Capital attributed to the shareholders of the Bank		**11,292**	9,973	10,559
Non-controlling interests		**525**	447	476
Total equity		**11,817**	10,420	11,035
Total liabilities and shareholders' equity		**208,130**	192,026	195,955

(1) Of which: provision for credit losses in respect of off-balance sheet credit instruments in the amount of NIS 137 million and NIS 109 million and NIS 117 million at 30.6.23, 30.6.22 and 31.12.22, respectively.
(2) Of which: other assets measured at fair value in the amount of NIS 12 million and NIS 283 million and NIS 26 million at 30.6.23, 30.6.22 and 31.12.22, respectively.
(3) Of which: other liabilities measured at fair value in the amount of NIS 24 million and NIS 337 million and NIS 26 million at 30.6.23, 30.6.22 and 31.12.22, respectively.
(4) Regarding amounts measured at fair value, see note 14B.

The notes to the financial statements are an integral part thereof.

STATEMENT OF CHANGES IN EQUITY

(NIS million)

	For the three months ended June 30, 2023 (unaudited)					
	Share capital and premium (1)	Accumulated other comprehensive loss	Retained earnings (2)	Total share-holders' equity	Non-controlling interests	Total equity
Balance as of March 31, 2023	**927**	**(327)**	**10,288**	**10,888**	**501**	**11,389**
Net profit for the period	**-**	**-**	**587**	**587**	**21**	**608**
Dividend	**-**	**-**	**(220)**	**(220)**	**-**	**(220)**
Other comprehensive income, after tax effect	**-**	**37**	**-**	**37**	**3**	**40**
Balance as at June 30, 2023	**927**	**(290)**	**10,655**	**11,292**	**525**	**11,817**

	For the three months ended June 30, 2022 (unaudited)					
	Share capital and premium (1)	Accumulated other comprehensive income (loss)	Retained earnings (2)	Total share-holders' equity	Non-controlling interests	Total equity
Balance as of March 31, 2022	927	(231)	9,155	9,851	437	10,288
Net profit for the period	-	-	342	342	14	356
Dividend	-	-	(160)	(160)	-	(160)
Other comprehensive loss, after tax effect	-	(60)	-	(60)	(4)	(64)
Balance as at June 30, 2022	927	(291)	9,337	9,973	447	10,420

	For the six months ended June 30, 2023 (unaudited)					
	Share capital and premium (1)	Accumulated other comprehensive loss	Retained earnings (2)	Total share-holders' equity	Non-controlling interests	Total equity
Balance as at December 31, 2022 (audited)	**927**	**(303)**	**9,935**	**10,559**	**476**	**11,035**
Adjustment of the opening balance, net of tax, due to the effect of initial implementation in investee company*	**-**	**-**	**(10)**	**(10)**	**-**	**(10)**
Adjusted balance at January 1, 2023, following initial implementation	**927**	**(303)**	**9,925**	**10,549**	**476**	**11,025**
Net profit for the period	**-**	**-**	**1,218**	**1,218**	**44**	**1,262**
Dividend	**-**	**-**	**(488)**	**(488)**	**-**	**(488)**
Other comprehensive income, after tax effect	**-**	**13**	**-**	**13**	**5**	**18**
Balance as at June 30, 2023	**927**	**(290)**	**10,655**	**11,292**	**525**	**11,817**

	For the six months ended June 30, 2022 (unaudited)					
	Share capital and premium (1)	Accumulated other comprehensive loss	Retained earnings (2)	Total share-holders' equity	Non-controlling interests	Total equity
Balance as at December 31, 2021 (audited)	927	(181)	9,257	10,003	434	10,437
Adjustment of the opening balance, net of tax, due to the effect of initial implementation*	-	-	(44)	(44)	(4)	(48)
Adjusted balance at January 1, 2022, following initial implementation	927	(181)	9,213	9,959	430	10,389
Net profit for the period	-	-	664	664	26	690
Dividend	-	-	(540)	(540)	-	(540)
Other comprehensive loss, after tax effect	-	(110)	-	(110)	(9)	(119)
Balance as at June 30, 2022	927	(291)	9,337	9,973	447	10,420

STATEMENT OF CHANGES IN EQUITY (CONT'D)

(NIS million)

	For the year ended December 31, 2022 (audited)					
	Share capital and premium[(1)]	Accumulated other comprehensive loss	Retained earnings[(2)]	Total	Non-controlling interests	Total equity
Balance as at December 31, 2021	927	(181)	9,257	10,003	434	10,437
Adjustment of the opening balance, net of tax, due to the effect of initial implementation*	-	-	(44)	(44)	(4)	(48)
Adjusted balance at January 1, 2022, following initial implementation	927	(181)	9,213	9,959	430	10,389
Net profit for the period	-	-	1,667	1,667	59	1,726
Dividend	-	-	(945)	(945)	-	(945)
Other comprehensive loss, after tax effect	-	(122)	-	(122)	(13)	(135)
Balance as at December 31, 2022	927	(303)	9,935	10,559	476	11,035

* Cumulative effect of the initial implementation of US accounting principles in the matter of financial instruments - credit losses (ASC-326).

(1) Including share premium of NIS 313 million (as from 1992 onwards).
(2) Including an amount of NIS 2,391 million which cannot be distributed as dividend.

The notes to the financial statements are an integral part thereof.

STATEMENT OF CASH FLOWS
(NIS million)

	For the three months ended June 30		For the six months ended June 30		For the year Ended December 31
	2023	2022	2023	2022	2022
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(audited)
Cash flows from operating activity:					
Net profit for the period	**608**	356	**1,262**	690	1,726
Adjustments necessary to present cash flows from operating activity:					
The Bank's share in profit of investee company	**(19)**	(20)	**(84)**	(37)	(74)
Depreciation of premises and equipment	**16**	16	**32**	32	65
Amortization of intangible assets	**30**	28	**60**	55	113
Gain on sale of premises and equipment	**(6)**	-	**(6)**	(8)	(8)
Expenses from credit losses	**99**	31	**171**	31	123
Loss from sale of available for sale bonds and not for trading shares	**26**	6	**34**	4	46
Realized and non-realized loss (gain) from adjustment to fair value of trading securities	**1**	1	**5**	(2)	(1)
Non-realized loss (gain) from adjustment to fair value of not for trading shares	**(23)**	57	**(12)**	64	79
Deferred taxes, net	**(33)**	(53)	**(66)**	(73)	(60)
Defined benefit of pension and severance pay plans	**14**	14	**28**	31	61
Adjustments of exchange rate differences	**331**	1,068	**604**	1,330	1,408
Dividend received from investee company	**-**	96	**21**	96	118
Net change in current assets:					
Trading securities	**(5)**	131	**(356)**	84	207
Other assets	**13**	(55)	**(47)**	(24)	309
Assets in respect of derivative instruments	**472**	(472)	**(807)**	(976)	(826)
Net change in current liabilities:					
Other liabilities	**(254)**	(88)	**94**	(325)	(271)
Liabilities in respect of derivative instruments	**(388)**	53	**862**	374	284
Accumulation differences included in investing and financing activities	**(78)**	52	**(61)**	137	131
Net cash from operating activity	**804**	1,221	**1,734**	1,483	3,430
Cash flows for investing activity					
Change in Deposits with banks	**431**	(880)	**582**	(698)	(331)
Change in Securities borrowed	**(59)**	33	**(92)**	556	833
Change in Credit to the public	**426**	(4,739)	**(783)**	(7,907)	(11,872)
Change in Credit to the government	**(26)**	(92)	**(95)**	(124)	(52)
Purchase of available for sale bonds and not for trading shares	**(8,326)**	(1,996)	**(16,910)**	(3,886)	(6,481)
Proceeds from redemption of bonds held to maturity	**13**	19	**272**	274	359
Proceeds from sale of available for sale bonds and not for trading shares	**1,204**	443	**1,997**	1,234	1,834
Redemption of available for sale bonds	**4,482**	694	**8,550**	797	1,464
Acquisition of premises and equipment	**(10)**	(8)	**(23)**	(10)	(41)
Proceeds of sale of premises, equipment and other assets	**19**	-	**19**	12	12
Investment in intangible assets	**(32)**	(33)	**(52)**	(55)	(130)
Net cash for investing activity	**(1,878)**	(6,559)	**(6,535)**	(9,807)	(14,405)

The notes to the financial statements are an integral part thereof.

STATEMENT OF CASH FLOWS (CONT'D)

(NIS million)

	For the three months ended June 30,		For the six months ended June 30,		For the year ended December 31
	2023	2022	2023	2022	2022
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(audited)
Cash flows from financing activity					
Change in Deposits from the public	**4,190**	7,521	**7,705**	6,989	10,386
Change in Deposits from banks	**(1,336)**	(1,217)	**(737)**	143	(416)
Change in Deposits from the government	**(273)**	(67)	**280**	(1,069)	(192)
Proceeds from issue of bonds and subordinate debt notes	**-**	569	**-**	869	1,669
Redemption of bonds and subordinate debt notes	**(124)**	(119)	**(143)**	(137)	(465)
Dividend paid to shareholders	**(220)**	(160)	**(488)**	(540)	(945)
Net cash from financing activity	**2,237**	6,527	**6,617**	6,255	10,037
Increase (decrease) in cash	**1,163**	1,189	**1,816**	(2,069)	(938)
Cash balances at beginning of period	**56,207**	52,784	**55,423**	55,992	55,992
Effect of changes in exchange rates on cash balances	**58**	256	**189**	306	369
Cash balances at end of period	**57,428**	54,229	**57,428**	54,229	55,423
Interest and taxes paid and/or received:					
Interest received	**2,204**	880	**4,211**	1,771	4,674
Interest paid	**(876)**	(135)	**(1,544)**	(207)	(907)
Dividends received	**10**	6	**17**	13	21
Income tax paid	**(395)**	(136)	**(756)**	(321)	(813)
Income tax received	**17**	-	**61**	39	44

The notes to the financial statements are an integral part thereof.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - PRINCIPAL ACCOUNTING POLICIES

A. General

The First International Bank of Israel Ltd. (hereinafter - "the Bank") is an Israeli corporation. The condensed consolidated interim financial statements of the Bank as of June 30, 2023, include those of the Bank and of its consolidated companies and an affiliated company (hereinafter - "the Group"). The condensed consolidated interim financial statements are prepared in accordance with generally accepted accounting principles in Israel (Israeli GAAP) as well as in accordance with directives and guidelines of the Supervisor of Banks, and do not include all the information required in full annual financial statements. The condensed statements should be read together with the financial statements as of and for the year ended December 31, 2022, and the related notes thereto (hereinafter - "the Annual Report").

The accounting policy of the Group applied in these condensed consolidated interim financial statements, is the same policy applied in the Annual Report, with the exception of that stated in subsection "C" below.

In accordance with the guidelines of the Supervisor of Banks, publication of condensed financial statements is made on the basis of consolidated financial statements only. The condensed consolidated interim financial statements were approved for publication by the Board of Directors on August 15, 2023.

The accompanying financial statements represent a translation into English from the original financial statements in Hebrew.

B. Use of estimates

Preparation of the condensed interim consolidated financial statements requires Management to use judgment in making estimates and assumptions which affect the implementation of the accounting policy and the reported amounts of assets and liabilities and the amounts of income and expenses. It should be noted that actual results may differ from these estimates.

Upon the formation of accounting estimates used in the preparation of the financial statements of the Bank, Management is required to make assumptions as to circumstances and events which involve uncertainty. The assessments as well as the assumptions supporting them are consistent with those used in the formation of the annual financial statements.

The assessments as well as the assumptions supporting them are being reviewed on a current basis. Changes in accounting assessments are recognized in the period in which these changes occur as well as in all future periods affected by them.

C. New accounting standards and new directives of the supervisor of banks in the period prior to their implementation

Update of Standard ASU 2022-02 in the matter of restructure of troubled debts and disclosure requirements according to the year of granting the credit

On March 31, 2022, the US Accounting Standards Board (FASB) published ASU 2022-02 in the matter of restructure of troubled debts and disclosure requirements according to the year of granting the credit with respect to allowances for credit losses (hereinafter - "the update"). The update abolishes the instructions concerning restructure of troubled debts by lenders, while improving the disclosure requirements regarding borrowers found in financial difficulties. In addition, the update adds disclosure requirements regarding gross write-offs according to the year of granting the credit.

The provisions of the update apply to entities that had adopted the update of Standard 2016-13, with respect to annual and interim periods beginning after December 15, 2022. Other entities shall apply the provisions of the update at date of initial application of the update of Standard 2016-13.

At this stage, no date has as yet been fixed for the beginning of the application by banks in Israel.

The Bank is studying the requirements of the Standard and the effect of the new instructions on its financial statements.

NOTE 2 - INTEREST INCOME AND EXPENSES

(NIS million)

	For the three months ended June 30		For the six months ended June 30	
	2023	**2022**	**2023**	**2022**
		(unaudited)		(unaudited)
A. Interest income [1]				
From credit to the public	**1,763**	996	**3,359**	1,824
From credit to the Government	**7**	12	**13**	19
From deposits with banks	**26**	1	**46**	1
From deposits with Bank of Israel and from cash	**519**	49	**939**	60
From securities which were borrowed	**1**	1	**1**	1
From bonds	**207**	45	**341**	70
Total interest income	**2,523**	1,104	**4,699**	1,975
B. Interest expenses				
On deposits from the public	**1,118**	164	**1,946**	248
On deposits from the Government	**4**	1	**6**	1
On deposits from banks	**7**	1	**14**	1
On deposits with Bank of Israel	**-**	-	**1**	1
On bonds and subordinated capital notes	**76**	78	**139**	120
On other liabilities	**-**	1	**-**	1
Total interest expenses	**1,205**	245	**2,106**	372
Total interest income, net	**1,318**	859	**2,593**	1,603
C. Details on net effect of hedging derivative instruments on interest income and expenses				
Interest income (expenses)[2]	**25**	(8)	**46**	(20)
D. Details of interest income from bonds on cumulative basis				
Held to maturity	**28**	17	**49**	27
Available for sale	**175**	27	**285**	41
Held for trading	**4**	1	**7**	2
Total included in interest income	**207**	45	**341**	70

(1) Including effective component in hedging relations.

(2) Details of effect of hedging derivative instruments on subsection A.

NOTE 3 - NON-INTEREST FINANCING INCOME

(NIS million)

	For the three months ended June 30		For the six months ended June 30	
	2023	**2022**	**2023**	**2022**
		(unaudited)		(unaudited)
A. Non-interest financing income (expenses) in respect of non-trading activities				
1. From activity in derivative instruments[1]				
Total from activity in derivative instruments	**356**	1,075	**651**	1,346
2. From investments in bonds				
Profits from sale of bonds available for sale[2]	**-**	-	**6**	7
Losses from sale of bonds available for sale[2]	**(26)**	-	**(37)**	-
Total from investment in bonds	**(26)**	-	**(31)**	7
3. Net exchange differences	**(331)**	(1,068)	**(604)**	(1,330)
4. From investment in shares				
Gains from sale of shares not for trading	**-**	1	**-**	1
Losses from sale of shares not for trading	**-**	(7)	**(3)**	(12)
Dividend from shares not for trading	**7**	7	**16**	24
Unrealized gains (losses)[3]	**23**	(57)	**12**	(64)
Total from investment in shares	**30**	(56)	**25**	(51)
Total non-interest financing income in respect of non-trading activities	**29**	(49)	**41**	(28)

(1) Excluding effect of hedging relation.
(2) Reclassified from cumulative other comprehensive income.
(3) Including profits and losses from measurement according to fair value of shares in respect of which fair value exist and adju stment of shares in respect of which fair value does not exist.

	For the three months ended June 30		For the six months ended June 30	
	2023	**2022**	**2023**	**2022**
		(unaudited)		(unaudited)
B. Net income (expenses) in respect of non-interest financing activity for trading[3]				
Net income in respect of other derivative instruments	**15**	28	**43**	38
Net realized and unrealized income (losses) from adjustments to fair value of bonds held for trading[1]	**-**	(1)	**(3)**	3
Net realized and unrealized losses from adjustments to fair value of shares held for trading[2]	**(1)**	-	**(2)**	(1)
Total non-interest financing income from trading activities[4]	**14**	27	**38**	40
Total non-interest financing income	**43**	(22)	**79**	12
Details on non-interest financing income (expenses) in respect of trading activities, by risk exposure				
Interest rate exposure	**5**	11	**12**	1
Exposure to shares	**-**	1	**1**	3
Foreign currency exposure	**9**	15	**25**	36
Total	**14**	27	**38**	40

(1) Of which: income in respect of trading bonds on hand at balance sheet date in the amount of NIS 1 million for the three and six months ended June 30,2023.
(2) No gains/losses exist in respect of trading shares on hand at balance sheet date.
(3) Including exchange differences arising from trading activity.
(4) See Note 2 for details on income from investment in trading bonds.

NOTE 4 - CUMULATIVE OTHER COMPREHENSIVE INCOME (LOSS)

(NIS million)

A. Changes in cumulative other comprehensive income (loss), net after tax effect

	Other comprehensive income (loss) before attribution to non-controlling interests				
	Adjustment in respect of reporting available for sale bonds in fair value	Adjustments in respect of employee benefits	Total	Other comprehensive income (loss) attributed to non-controlling interests	Other comprehensive income (loss) attributed to the Bank's shareholders
					For the three months ended June 30, 2023
Balance as of March 31, 2023 (unaudited)	**(242)**	**(111)**	**(353)**	**(26)**	**(327)**
Net change during the period	**36**	**4**	**40**	**3**	**37**
Balance as of June 30, 2023 (unaudited)	**(206)**	**(107)**	**(313)**	**(23)**	**(290)**
					For the three months ended June 30, 2022
Balance as of March 31, 2022 (unaudited)	(74)	(177)	(251)	(20)	(231)
Net change during the period	(106)	42	(64)	(4)	(60)
Balance as of June 30, 2022 (unaudited)	(180)	(135)	(315)	(24)	(291)
					For the six months ended June 30, 2023
Balance as of December 31, 2022 (audited)	**(222)**	**(109)**	**(331)**	**(28)**	**(303)**
Net change during the period	**16**	**2**	**18**	**5**	**13**
Balance as of June 30, 2023 (unaudited)	**(206)**	**(107)**	**(313)**	**(23)**	**(290)**
					For the six months ended June 30, 2022
Balance as of December 31, 2021 (audited)	68	(264)	(196)	(15)	(181)
Net change during the period	(248)	129	(119)	(9)	(110)
Balance as of June 30, 2022 (unaudited)	(180)	(135)	(315)	(24)	(291)
					For the year ended December 31, 2022
Balance as of December 31, 2021 (audited)	68	(264)	(196)	(15)	(181)
Net change during 2022	(290)	155	(135)	(13)	(122)
Balance as of December 31, 2022 (audited)	(222)	(109)	(331)	(28)	(303)

NOTE 4 - CUMULATIVE OTHER COMPREHENSIVE INCOME (LOSS) (CONT'D)

(NIS million)

B. Changes in the components of cumulative other comprehensive income (loss) before and after tax effect

	For the three months ended June 30 (unaudited)					
	2023			2022		
	Before tax	Tax effect	After tax	Before tax	Tax effect	After tax
Changes in the components of cumulative other comprehensive income (loss) before attribution to non-controlling interests						
Adjustments in respect of presentation of available for sale bonds according to fair value						
Unrealized net gains (losses) from adjustments to fair value	**17**	**(7)**	**10**	(238)	81	(157)
Losses in respect of available for sale bonds reclassified to income statement (1)	**39**	**(13)**	**26**	77	(26)	51
Net change during the period	**56**	**(20)**	**36**	(161)	55	(106)
Employee benefits:						
Net actuarial gain for the period	**3**	**(1)**	**2**	59	(21)	38
Net losses reclassified to the statement of profit and loss (2)	**3**	**(1)**	**2**	6	(2)	4
Net change during the period	**6**	**(2)**	**4**	65	(23)	42
Changes in the components of cumulative other comprehensive income (loss) attributed to non-controlling interests						
Total change during the period	**5**	**(2)**	**3**	(5)	1	(4)
Changes in the components of cumulative other comprehensive income (loss) attributed to the Bank's shareholders						
Total change during the period	**57**	**(20)**	**37**	(91)	31	(60)

	For the six months ended June 30 (unaudited)					
	2023			2022		
	Before tax	Tax effect	After tax	Before tax	Tax effect	After tax
Changes in the components of cumulative other comprehensive income (loss) before attribution to non-controlling interests						
Adjustments in respect of presentation of available for sale bonds according to fair value						
Unrealized net gains (losses) from adjustments to fair value	**40**	**(15)**	**25**	(567)	194	(373)
Losses (gains) in respect of available for sale bonds reclassified to income statement (1)	**(14)**	**5**	**(9)**	190	(65)	125
Net change during the period	**26**	**(10)**	**16**	(377)	129	(248)
Employee benefits:						
Net actuarial gain (loss) for the period	**(2)**	**1**	**(1)**	182	(62)	120
Net losses reclassified to the statement of profit and loss (2)	**5**	**(2)**	**3**	14	(5)	9
Net change during the period	**3**	**(1)**	**2**	196	(67)	129
Changes in the components of cumulative other comprehensive income (loss) attributed to non-controlling interests						
Total change during the period	**8**	**(3)**	**5**	(13)	4	(9)
Changes in the components of cumulative other comprehensive income (loss) attributed to the Bank's shareholders						
Total change during the period	**21**	**(8)**	**13**	(168)	58	(110)

(1) The amount before tax is reported in the statement of income in the item non-interest financing income. For additional details see note 3.

(2) The amount before tax is reported in the statement of income in the item employee benefits, see note 7A.

NOTE 4 - CUMULATIVE OTHER COMPREHENSIVE INCOME (LOSS) (CONT'D)
(NIS million)

B. Changes in the components of cumulative other comprehensive income (loss) before and after tax effect (cont'd)

	For the year ended December 31, 2022 (audited)		
	Before tax	Tax effect	After tax
Changes in the components of cumulative other comprehensive income (loss) before attribution to non-controlling interests			
Adjustments in respect of presentation of available for sale bonds according to fair value			
Unrealized net losses from adjustments to fair value	(767)	262	(505)
Losses in respect of available for sale bonds reclassified to income statement (1)	326	(111)	215
Net change during the period	(441)	151	(290)
Employee benefits:			
Net actuarial gain for the period	216	(73)	143
Net losses reclassified to the statement of profit and loss (2)	19	(7)	12
Net change during the period	235	(80)	155
Changes in the components of cumulative other comprehensive income (loss) attributed to non-controlling interests			
Total change during the period	(20)	7	(13)
Changes in the components of cumulative other comprehensive income (loss) attributed to the Bank's shareholders			
Total change during the period	(186)	64	(122)

(1) The amount before tax is reported in the statement of income in the item non-interest financing income. For additional details see note 3.
(2) The amount before tax is reported in the statement of income in the item employee benefits, see note 7A.

NOTE 5 - SECURITIES
(NIS million)

	June 30, 2023 (unaudited)					
A. Debentures held to maturity	**Book value**	**Amortized cost**	**Provision for credit losses**	**Unrealized gains from adjustment to fair value**	**Unrealized losses from adjustment to fair value**	**Fair value (1)**
Of Israeli government	3,251	3,251	-	-	181	3,070
Of financial institutions in Israel	82	82	-	-	5	77
Of others in Israel	(5)82	82	-	4	-	86
Total debentures held to maturity	3,415	3,415	-	4	186	3,233

B. Bonds available for sale	**Book value**	**Amortized cost**	**Provision for credit losses**	**Cumulative other comprehensive income**		**Fair value (1)**
				Profits	**Losses**	
Of Israeli government	8,627	8,868	-	14	255	8,627
Of foreign governments	9,266	9,303	-	-	37	9,266
Of financial institutions in Israel	335	355	-	-	20	335
Of foreign financial institutions	404	413	-	-	9	404
Of others in Israel	36	38	-	-	2	36
Of foreign others	55	56	-	-	1	55
Total bonds available for sale	18,723	19,033	-	(2)14	(2)324	18,723

C. Investment in not for trading shares	**Book value**	**cost**	**Provision for credit losses**	**Unrealized gains from adjustment to fair value**	**Unrealized losses from adjustment to fair value**	**Fair value (1) (4)**
Not for trading shares	447	372	-	(3)83	(3)8	447
Of which: shares, the fair value of which is not ready determinable	227	220	-	(3)7	(3)-	227
Total not for trading securities	22,585	22,820	-	101	518	22,403

D. Securities held for trading	**Book value**	**Amortized cost**	**Provision for credit losses**	**Unrealized gains from adjustment to fair value**	**Unrealized losses from adjustment to fair value**	**Fair value (1)**
Bonds of Israeli government	377	378	-	-	1	377
Shares	1	1	-	-	-	1
Total trading securities	378	379	-	(3)-	(3)1	378
Total securities	22,963	23,199	-	101	519	22,781

Notes: Details of results of investment activity in bonds and in shares - see note 2 and note 3.

(1) The fair value of securities is generally based on market price, which does not necessarily reflect the price obtained in the event of sale of securities in large volumes.
(2) Included in equity in the item "Adjustments in respect of presentation of available-for-sale bonds at fair value".
(3) Recorded in the Statement of Income.
(4) Regarding shares which do not have available fair value, in this column presented cost less impairment adjusted upwards or downwards to observable prices in similar or identical investments of the same issuer.
(5) Including impaired bonds accruing interest income in amount of NIS 6 million.

NOTE 5 - SECURITIES (CON'T)

(NIS million)

	June 30, 2022 (unaudited)					
A. Debentures held to maturity	**Book value**	**Amortized cost**	**Provision for credit losses**	**Unrealized gains from adjustment to fair value**	**Unrealized losses from adjustment to fair value**	**Fair value (1)**
Of Israeli government	2,671	2,671	-	5	77	2,599
Of financial institutions in Israel	92	92	-	-	2	90
Of others in Israel	(5)135	135	-	10	-	145
Total debentures held to maturity	2,898	2,898	-	15	79	2,834

B. Bonds available for sale	**Book value**	**Amortized cost**	**Provision for credit losses**	**Cumulative other comprehensive income**		**Fair value (1)**
				Profits	**Losses**	
Of Israeli government	8,285	8,505	-	12	232	8,285
Of foreign governments	2,496	2,524	-	-	28	2,496
Of financial institutions in Israel	254	264	-	-	10	254
Of foreign financial institutions	(6)276	287	-	-	11	276
Of others in Israel	(5)173	176	-	1	4	173
Of foreign others	46	46	-	-	-	46
Total bonds available for sale	11,530	11,802	-	(2)13	(2)285	11,530

C. Investment in not for trading shares	**Book value**	**cost**	**Provision for credit losses**	**Unrealized gains from adjustment to fair value**	**Unrealized losses from adjustment to fair value**	**Fair value (1) (4)**
Not for trading shares	770	662	-	(3)124	(3)16	770
Of which: shares, the fair value of which is not ready determinable	195	182	-	(3)13	(3)-	195
Total not for trading securities	15,198	15,362	-	152	380	15,134

D. Securities held for trading	**Book value**	**Amortized cost**	**Provision for credit losses**	**Unrealized gains from adjustment to fair value**	**Unrealized losses from adjustment to fair value**	**Fair value (1)**
Bonds of Israeli government	150	149	-	1	-	150
Shares	1	1	-	-	-	1
Total trading securities	151	150	-	(3)1	(3)-	151
Total securities	15,349	15,512	-	153	380	15,285

Notes: Details of results of investment activity in bonds and in shares - see note 2 and note 3.

(1) The fair value of securities is generally based on market price, which does not necessarily reflect the price obtained in the event of sale of securities in large volumes.

(2) Included in equity in the item "Adjustments in respect of presentation of available-for-sale securities at fair value".

(3) Recorded in the Statement of Income.

(4) Regarding shares which do not have available fair value, in this column presented cost less impairment adjusted upwards or downwards to observable prices in similar or identical investments of the same issuer.

(5) Including impaired bonds accruing interest income in amount of NIS 5 million.

(6) Including securities with embedded derivative measured at fair value while changes in fair value were recognized in the statement of income amounting to NIS 18 million.

NOTE 5 - SECURITIES (CON'T)

(NIS million)

	December 31, 2022 (audited)					
A. Debentures held to maturity	**Book value**	**Amortized cost**	**Provision for credit losses**	**Unrealized gains from adjustment to fair value**	**Unrealized losses from adjustment to fair value**	**Fair value (1)**
Of Israeli government	2,941	2,941	-	-	179	2,762
Of financial institutions in Israel	89	89	-	-	4	85
Of others in Israel	(5)108	108	-	5	-	113
Total debentures held to maturity	3,138	3,138	-	5	183	2,960

B. Bonds available for sale	**Book value**	**Amortized cost**	**Provision for credit losses**	**Cumulative other comprehensive income**		**Fair value (1)**
				Profits	**Losses**	
Of Israeli government	8,041	8,303	-	47	309	8,041
Of foreign governments	3,683	3,722	-	-	39	3,683
Of financial institutions in Israel	228	247	-	-	19	228
Of foreign financial institutions	(6)360	372	-	1	13	360
Of others in Israel	61	65	-	-	4	61
Of foreign others	28	28	-	-	-	28
Total bonds available for sale	12,401	12,737	-	(2)48	(2)384	12,401

C. Investment in not for trading shares	**Book value**	**cost**	**Provision for credit losses**	**Unrealized gains from adjustment to fair value**	**Unrealized losses from adjustment to fair value**	**Fair value (1) (4)**
Not for trading shares	444	389	-	(3)65	(3)10	444
Of which: shares, the fair value of which is not ready determinable	204	198	-	(3)6	(3)-	204
Total not for trading securities	15,983	16,264	-	118	577	15,805

D. Securities held for trading	**Book value**	**Amortized cost**	**Provision for credit losses**	**Unrealized gains from adjustment to fair value**	**Unrealized losses from adjustment to fair value**	**Fair value (1)**
Bonds of Israeli government	26	26	-	-	-	26
Shares	1	1	-	-	-	1
Total trading securities	27	27	-	-	-	27
Total securities	16,010	16,291	-	118	577	15,832

Notes: Details of results of investment activity in bonds and in shares - see note 2 and note 3.

(1) The fair value of securities is generally based on market price, which does not necessarily reflect the price obtained in the event of sale of securities in large volumes.

(2) Included in equity in the item "Adjustments in respect of presentation of available-for-sale securities at fair value".

(3) Recorded in the Statement of Income.

(4) Regarding shares which do not have available fair value, in this column presented cost less impairment adjusted upwards or downwards to observable prices in similar or identical investments of the same issuer.

(5) Including problematic bonds accruing interest income in amount of NIS 6 million.

(6) Including securities with embedded derivative measured at fair value while changes in fair value were recognized in the statement of income amounting to NIS 18 million.

NOTE 5 - SECURITIES (CON'T)
(NIS million)

E. Fair value and unrealized losses, according to period and rate of impairment of bonds held to maturity and of available-for-sale securities being in an unrealized loss position

	June 30, 2023 (unaudited)							
	Less than 12 months(1)				12 months and above(2)			
	Fair	Unrealized losses			Fair	Unrealized losses		
	Value	0-20%(3)	20-40%(4)	Total	Value	0-20%(3)	20-40%(4)	Total
Bonds held for redemption(5)								
Of Israeli Government	**1,234**	**55**	**-**	**55**	**1,835**	**106**	**20**	**126**
Of Israeli financial institutions	**43**	**4**	**-**	**4**	**15**	**1**	**-**	**1**
Total bonds held for redemption	**1,277**	**59**	**-**	**59**	**1,850**	**107**	**20**	**127**
Available for-sale bonds								
Of Israeli government	**4,594**	**13**	**-**	**13**	**3,585**	**242**	**-**	**242**
Of foreign governments	**7,540**	**21**	**-**	**21**	**1,726**	**16**	**-**	**16**
Of Israeli financial institutions	**139**	**8**	**-**	**8**	**146**	**12**	**-**	**12**
Of foreign financial institutions	**228**	**2**	**-**	**2**	**129**	**7**	**-**	**7**
Of others in Israel	**19**	**1**	**-**	**1**	**17**	**1**	**-**	**1**
Of foreign others	**-**	**-**	**-**	**-**	**24**	**1**	**-**	**1**
Total bonds available for sale	**12,520**	**45**	**-**	**45**	**5,627**	**279**	**-**	**279**

	June 30, 2022 (unaudited)							
	Less than 12 months(1)				12 months and above(2)			
	Fair	Unrealized losses			Fair	Unrealized losses		
	Value	0-20%(3)	20-40%(4)	Total	Value	0-20%(3)	20-40%(4)	Total
Bonds held for redemption(5)								
Of Israeli Government	1,819	53	-	53	280	24	-	24
Of Israeli financial institutions	67	2	-	2	-	-	-	-
Total bonds held for redemption	1,886	55	-	55	280	24	-	24
Available for-sale bonds								
Of Israeli government	5,754	141	-	141	1,679	91	-	91
Of foreign governments	2,234	25	-	25	261	3	-	3
Of Israeli financial institutions	239	10	-	10	-	-	-	-
Of foreign financial institutions	161	5	-	5	52	6	-	6
Of others in Israel	110	4	-	4	-	-	-	-
Total bonds available for sale	8,498	185	-	185	1,992	100	-	100

NOTE 5 - SECURITIES (CON'T)

(NIS million)

	December 31, 2022 (audited)							
	Less than 12 months(1)				12 months and above(2)			
	Fair	Unrealized losses			Fair	Unrealized losses		
	Value	0-20%(3)	20-40%(4)	Total	Value	0-20%(3)	20-40%(4)	Total
Bonds held for redemption(5)								
Of Israeli Government	2,466	139	-	139	296	21	19	40
Of Israeli financial institutions	62	4	-	4	-	-	-	-
Total bonds held for redemption	2,528	143	-	143	296	21	19	40
Available for-sale bonds								
Of Israeli government	4,288	175	-	175	1,631	134	-	134
Of foreign governments	3,064	37	-	37	619	2	-	2
Of Israeli financial institutions	228	19	-	19	-	-	-	-
Of foreign financial institutions	137	4	-	4	115	9	-	9
Of others in Israel	48	3	-	3	6	1	-	1
Total bonds available for sale	7,765	238	-	238	2,371	146	-	146

(1) Investments in an unrealized loss position less than 12 months.
(2) Investments in an unrealized loss position more than 12 months.
(3) Investments which their unrealized loss constitutes up to 20% of their amortized cost.
(4) Investments which their unrealized loss constitutes between 20% to 40% of their amortized cost.
(5) Amortized cost of bonds held for redemption amounts to NIS 3,013 million (30.6.22 – NIS 2,245 million, 31.12.22 – NIS 3,007 million).

Additional information regarding securities in loss position

Unrealized losses in bonds, at date of the report, are explained, almost completely, by the change in the interest environment and the increase in the yield of government bonds, in Israel and in the world. The credit risk in the portfolio, which is mostly comprised of government bonds, did not change during the reported period.

NOTE 6 - CREDIT RISK, CREDIT TO THE PUBLIC AND PROVISION FOR CREDIT LOSSES

(NIS million)

1. Debts(1), bonds held to maturity, bonds available for sale, credit to the public and provision for credit losses

	June 30, 2023 (unaudited)					
	Credit to the public					
	Commercial (2)	Housing	Other private	Total	Banks Governments and bonds	Total
Recorded balance:						
Debts examined on an individual basis	**54,900**	**-**	**319**	**55,219**	**26,035**	**81,254**
Debts examined on a collective basis	**6,613**	**35,341**	**22,855**	**64,809**	**-**	**64,809**
Total	**61,513**	**35,341**	**23,174**	**120,028**	**26,035**	**146,063**
Of which:						
Non-accruing debts	**307**	**166**	**91**	**564**	**-**	**564**
Debts in arrears of 90 days or more	**12**	**-**	**14**	**26**	**-**	**26**
Other problematic debts	**707**	**65**	**157**	**929**	**-**	**929**
Total problematic debts	**1,026**	**231**	**262**	**1,519**	**-**	**1,519**
Provision for credit losses:						
In respect of debts examined on an individual basis	**738**	**-**	**6**	**744**	**5**	**749**
In respect of debts examined on a collective basis	**93**	**142**	**363**	**598**	**-**	**598**
Total	**831**	**142**	**369**	**1,342**	**5**	**1,347**
Of which: non-accruing debts	**80**	**7**	**29**	**116**	**-**	**116**
Of which: other problematic debts	**125**	**2**	**26**	**153**	**-**	**153**

	June 30, 2022 (unaudited)					
	Credit to the public					
	Commercial (2)	Housing	Other private	Total	Banks Governments and bonds	Total
Recorded balance:						
Debts examined on an individual basis	49,185	-	541	49,726	19,333	69,059
Debts examined on a collective basis	6,573	34,695	22,938	64,206	-	64,206
Total	55,758	34,695	23,479	113,932	19,333	133,265
Of which:						
Non-accruing debts	353	152	102	607	-	607
Debts in arrears of 90 days or more	6	-	13	19	-	19
Other problematic debts	617	50	136	803	-	803
Total problematic debts	976	202	251	1,429	-	1,429
Provision for credit losses:						
In respect of debts examined on an individual basis	592	-	45	637	2	639
In respect of debts examined on a collective basis	80	132	272	484	-	484
Total	672	132	317	1,121	2	1,123
Of which: non-accruing debts	101	6	28	135	-	135
Of which: other problematic debts	81	2	23	106	-	106

(1) Credit to the public, credit to governments, deposits with banks and other debts, excluding bonds and securities which were borrowed.

NOTE 6 - CREDIT RISK, CREDIT TO THE PUBLIC AND PROVISION FOR CREDIT LOSSES

(CONT'D)

(NIS million)

	December 31, 2022 (audited)					
	Credit to the public				Banks	
	Commercial (2)	Housing	Other private	Total	Governments and bonds	Total
Recorded balance:						
Debts examined on an individual basis	51,216	-	389	51,605	19,217	70,822
Debts examined on a collective basis	6,933	35,474	23,144	65,551	-	65,551
Total	58,149	35,474	23,533	117,156	19,217	136,373
Of which:						
Non-accruing debts	303	145	96	544	-	544
Debts in arrears of 90 days or more	8	-	13	21	-	21
Other problematic debts	567	75	137	779	-	779
Total problematic debts	878	220	246	1,344	-	1,344
Provision for credit losses:						
In respect of debts examined on an individual basis	645	-	10	655	2	657
In respect of debts examined on a collective basis	72	145	323	540	-	540
Total	717	145	333	1,195	2	1,197
Of which: non-accruing debts	79	6	28	113	-	113
Of which: other problematic debts	96	3	31	130	-	130

(1) Credit to the public, credit to governments, deposits with banks and other debts, excluding bonds and securities which were borrowed.

NOTE 6 - CREDIT RISK, CREDIT TO THE PUBLIC AND PROVISION FOR CREDIT LOSSES

(CONT'D)
(NIS million)

2. Change in provision for credit losses

	For the three months ended June 30, 2023 (unaudited)					
	Credit to the public					
	Commercial	Housing	Other private	Total	Banks Governments and bonds	Total
Change in provision for credit losses - Debts						
Provision for credit losses at beginning of the period (1)	**892**	**151**	**353**	**1,396**	**2**	**1,398**
Expenses (income) in respect of credit losses	**49**	**(4)**	**51**	**96**	**3**	**99**
- Accounting write-offs	**(24)**	**(1)**	**(27)**	**(52)**	**-**	**(52)**
- Collection of debts written off accounting wise in previous years	**16**	**2**	**21**	**39**	**-**	**39**
Net accounting write-offs	**(8)**	**1**	**(6)**	**(13)**	**-**	**(13)**
Provision for credit losses at end of the period(2)	**933**	**148**	**398**	**1,479**	**5**	**1,484**
Of which: (1) In respect of off-balance sheet credit instruments	**105**	**6**	**18**	**129**	**-**	**129**
(2) In respect of off-balance sheet credit instruments	**102**	**6**	**29**	**137**	**-**	**137**

	For the three months ended June 30, 2022 (unaudited)					
	Credit to the public					
	Commercial	Housing	Other private	Total	Banks Governments and bonds	Total
Change in provision for credit losses - Debts						
Provision for credit losses at beginning of the period (1)	752	127	343	1,222	2	1,224
Expenses (income) in respect of credit losses	32	10	(11)	31	-	31
- Accounting write-offs	(34)	-	(26)	(60)	-	(60)
- Collection of debts written off accounting wise in previous years	14	1	22	37	-	37
Net accounting write-offs	(20)	1	(4)	(23)	-	(23)
Provision for credit losses at end of the period(2)	764	138	328	1,230	2	1,232
Of which: (1) In respect of off-balance sheet credit instruments	116	6	12	134	-	134
(2) In respect of off-balance sheet credit instruments	92	6	11	109	-	109

NOTE 6 - CREDIT RISK, CREDIT TO THE PUBLIC AND PROVISION FOR CREDIT LOSSES

(CONT'D)
(NIS million)

2. Change in provision for credit losses (CONT'D)

	For the six months ended June 30, 2023 (unaudited)					
	Credit to the public					
	Commercial	Housing	Other private	Total	Banks Governments and bonds	Total
Change in provision for credit losses - Debts						
Provision for credit losses at beginning of the year (audited)(1)	**817**	**151**	**344**	**1,312**	**2**	**1,314**
Expenses (income) in respect of credit losses	**110**	**(4)**	**62**	**168**	**3**	**171**
- Accounting write-offs	**(42)**	**(3)**	**(51)**	**(96)**	**-**	**(96)**
- Collection of debts written off accounting wise in previous years	**48**	**4**	**43**	**95**	**-**	**95**
Net accounting write-offs	**6**	**1**	**(8)**	**(1)**	**-**	**(1)**
Provision for credit losses at end of the period(2)	**933**	**148**	**398**	**1,479**	**5**	**1,484**
Of which: (1) In respect of off-balance sheet credit instruments	**100**	**6**	**11**	**117**	**-**	**117**
(2) In respect of off-balance sheet credit instruments	**102**	**6**	**29**	**137**	**-**	**137**

	For the six months ended June 30, 2022 (unaudited)					
	Credit to the public					
	Commercial	Housing	Other private	Total	Banks Governments and bonds	Total
Change in provision for credit losses - Debts						
Provision for credit losses at beginning of the year (audited)(1)	670	159	326	1,155	-	1,155
Adjustment to opening balance in respect of initial application*	93	(34)	4	63	2	65
Expenses (income) in respect of credit losses	21	11	(1)	31	-	31
- Accounting write-offs	(58)	-	(46)	(104)	-	(104)
- Collection of debts written off accounting wise in previous years	38	2	45	85	-	85
Net accounting write-offs	(20)	2	(1)	(19)	-	(19)
Provision for credit losses at end of the period(2)	764	138	328	1,230	2	1,232
Of which: (1) In respect of off-balance sheet credit instruments	68	-	11	79	-	79
(2) In respect of off-balance sheet credit instruments	92	6	11	109	-	109

* Effect of initial implementation of the public reporting instruction regarding expected credit losses.

NOTE 7 - DEPOSITS FROM THE PUBLIC
(NIS million)

A. Classes of deposits by place of origin and type of depositor In Israel

	June 30, 2023	June 30, 2022	December 31, 2022
		(unaudited)	(audited)
Demand			
- Non- bearing interest	**47,190**	68,647	55,668
- Bearing interest	**19,205**	29,506	25,869
Total demand	**66,395**	98,153	81,537
Fixed-term	**112,618**	66,386	86,732
Total deposits in Israel*	**179,013**	164,539	168,269
* Of which:			
Deposits of private individuals	**80,274**	78,096	78,552
Deposits of institutional entities	**51,509**	34,572	37,805
Deposits of corporates and others	**47,230**	51,871	51,912

B. Deposits of the public by size

	June 30, 2023	June 30, 2022	December 31, 2022
Maximum amount of deposit		(unaudited)	(audited)
Up to 1	**58,430**	58,045	57,871
From 1 to 10	**39,705**	39,280	39,447
From 10 to 100	**19,413**	20,824	20,632
From 100 to 500	**6,885**	11,280	10,857
Over 500	**54,580**	35,110	39,462
Total	**179,013**	164,539	168,269

NOTE 7A - EMPLOTYEE RIGHTS

(NIS million)

A. Collective labor agreements

The Bank had entered into collective labor agreements that determine linkage of certain employment terms applying to a part of the Bank employees, to agreements signed between the Management of Bank Leumi Le'Israel B.M. (hereinafter "BLL") and the organization of BLL employees.

On April 16, 2023, BLL announced the signature of a labor agreement for the years 2023-2026, with the organization of BLL employees.

On July 13, 2023, the Bank together with the clerks representative committee and the Federation of Labor, signed a collective labor agreement for the years 2023-2026, following the agreement signed at BLL, as stated above.

The agreement stated principles for the payment of a selective supplement to employees for the years 2023-2026. Furthermore, employee social terms and additional benefits have been improved, the model for permanent employment has been modified to that accepted in the banking system, and the number of employees engaged under technological agreements has been increased.

On July 13, 2023, MATAF, the MATAF employee representative committee and the Federation of Labor signed a collective labor agreement for the years 2023-2025. The agreement stated principles for the payment of a selective supplement to employees for the years 2023-2025. Also regularized was the distant work procedure, the number of employees who may be engaged under personal employment agreements has been increased and flexibility has been allowed in engaging outsiders for particular project work.

B. Composition of benefits:

	June 30,		December 31,
	2023	2022	2022
		(unaudited)	(audited)
Pension and severance pay			
Amount of liability	**849**	859	833
Fair value of assets of the scheme	**(259)**	(272)	(258)
Excess liabilities over assets of the scheme	**590**	587	575
Excess liabilities of the scheme included in the item "other liabilities"	**590**	587	575
Long-service awards - amount of liability	**15**	15	15
Benefit regarding unused sick leave - amount of liability	**27**	27	27
Other post-employment benefits	**9**	9	9
Other post-retirement benefits	**199**	196	198
Vacation pay	**80**	89	74
Other	**393**	150	276
Total			
Excess liabilities regarding employee benefits over assets of the scheme included in the item "other liabilities"	**1,313**	1,073	1,174

NOTE 7A - EMPLOTYEE RIGHTS (CON'T)

(NIS million)

B. DEFINED BENEFITS SEVERANCE PAY AND PENSION SCHEMES

(1) Commitment and financing situation

	Severance pay and pension schemes					Other post-retirement benefits				
	For the three months ended June 30,		For the six months ended June 30,		For the year ended December 31,	For the three months ended June 30,		For the six months ended June 30,		For the year ended December 31,
	2023	2022	2023	2022	2022	2023	2022	2023	2022	2022
		(unaudited)		(unaudited)	(audited)		(unaudited)		(unaudited)	(audited)
										(NIS million)
A. Change in liability regarding anticipated benefits										
Liability regarding anticipated benefit at beginning of period	**841**	907	**833**	987	987	**197**	204	**198**	236	236
Cost of service	**6**	6	**12**	13	26	**1**	2	**2**	3	5
Cost of interest	**9**	7	**18**	12	30	**2**	2	**4**	4	8
Actuarial loss (profit)**	**(1)**	(52)	**4**	(131)	(171)	**(1)**	(11)	**(4)**	(45)	(47)
Benefits paid	**(6)**	(9)	**(18)**	(22)	(39)	**-**	(1)	**(1)**	(2)	(4)
Liability regarding anticipated benefit at end of period	**849**	859	**849**	859	833	**199**	196	**199**	196	198
Liability regarding cumulative benefit at end of period	**701**	727	**701**	727	702	197	194	**197**	194	195
B. Change in fair value of assets of the scheme and the financing situation of the scheme										
Fair value of assets of the scheme at beginning of period	**256**	288	**258**	297	297	**-**	-	**-**	-	-
Actual return on assets of the scheme	**3**	(6)	**2**	(6)	(7)	**-**	-	**-**	-	-
Deposits in the scheme by the Bank	**2**	3	**4**	5	9	**-**	-	**-**	-	-
Benefits paid	**(2)**	(13)	**(5)**	(24)	(41)	**-**	-	**-**	-	-
Fair value of assets of the scheme at end of period	**259**	272	**259**	272	258	-	-	**-**	-	-
Financing situation- net liability recognized at the end of period*	**590**	587	**590**	587	575	**199**	196	**199**	196	198

* Included in the item "other liabilities".

** In the first six months of 2023, the actuarial loss derives from the update of actuarial provision following the signing of the collective labor agreements (see item A above), offset by actuarial gain deriving by the rise of the discounting rate. In the first six months of 2022, the actuarial gain derives mainly from the rise of the discounting interest rate.

	Severance pay and pension schemes			Other post-retirement benefits		
		June 30,	December 31,		June 30,	December 31,
	2023	2022	2022	2023	2022	2022
		(unaudited)	(audited)		(unaudited)	(audited)
						(NIS million)
C. Amounts recognized in the consolidated balance sheet						
Amounts recognized in the item "other liabilities"	**590**	587	575	**199**	196	198
Net liability recognized at end of period	**590**	587	575	**199**	196	198
D. Amounts recognized in other cumulative comprehensive loss, before the tax effect						
Actuarial loss, net	**119**	156	117	**27**	36	33
Closing balance in other cumulative comprehensive loss	**119**	156	117	**27**	36	33

NOTE 7A - EMPLOTYEE RIGHTS (CON'T)

(NIS million)

(2) Expense for the period

	Severance pay and pension schemes					Other post-retirement benefits				
	For the three months ended June 30,		For the six months ended June 30,		For the year ended December 31,	For the three months ended June 30,		For the six months ended June 30,		For the year ended December 31,
	2023	**2022**	**2023**	**2022**	**2022**	**2023**	**2022**	**2023**	**2022**	**2022**
		(unaudited)		(unaudited)	(audited)		(unaudited)		(unaudited)	(audited)
										(NIS million)
A. Cost components of net benefit recognized in profit and loss										
Cost of service	**6**	6	**12**	13	26	**1**	2	**2**	3	5
Cost of interest	**9**	7	**18**	12	30	**2**	2	**4**	4	8
Anticipated return on assets of the scheme	**(2)**	(2)	**(4)**	(3)	(8)	**-**	-	**-**	-	-
Amortization of non-recognized amounts:										
Net actuarial loss	**2**	3	**4**	8	13	**1**	1	**2**	2	3
Dismissal	**-**	1	**-**	3	3	**-**	-	**-**	-	-
Capitalization of software costs	**(1)**	(1)	**(2)**	(2)	(3)	**-**	-	**-**	-	-
Total cost of benefits, net	**14**	14	**28**	31	61	**4**	5	**8**	9	16
B. Changes in assets of the scheme and in liability for benefits recognized in other comprehensive (profit) loss, before the tax effect										
Net actuarial loss (profit) for the period	**(2)**	(44)	**6**	(122)	(156)	**(1)**	(11)	**(4)**	(45)	(47)
Amortization of actuarial loss	**(2)**	(3)	**(4)**	(8)	(13)	**(1)**	(1)	**(2)**	(2)	(3)
Dismissal	**-**	(1)	**-**	(3)	(3)	**-**	-	**-**	-	-
Total recognized in other comprehensive (profit) loss	**(4)**	(48)	**2**	(133)	(172)	**(2)**	(12)	**(6)**	(47)	(50)
Total net cost of benefit	**14**	14	**28**	31	61	**4**	5	**8**	9	16
Total net cost of benefit for the period recognized in other comprehensive (profit) loss	**10**	(34)	**30**	(102)	(111)	**2**	(7)	**2**	(38)	(34)

NOTE 7A - EMPLOTYEE RIGHTS (CON'T)

(NIS million)

(3) Assumptions

A. Assumptions on the basis of weighted average used to determine the liability in respect of the benefits and for the measurement of the net cost of benefits

	Severance pay and pension schemes			Other post-retirement benefits		
		June 30,	December 31,		June 30,	December 31,
	2023	2022	2022	2023	2022	2022
		(unaudited)	(audited)		(unaudited)	(audited)
			(NIS million)			(NIS million)
1. Principal guidelines used to determine the liability for benefits						
Nominal discounting rate	**4.6**	3.8	4.4	**4.7**	**4.3**	4.5

	Severance pay and pension schemes			Other post-retirement benefits		
	For the six months ended June 30,		For the year ended December 31,	For the six months ended June 30,		For the year ended December 31,
	2023	2022	2022	2023	2022	2022
		(unaudited)	(audited)		(unaudited)	(audited)
			(NIS million)			(NIS million)
2. Principal guidelines used to measure the net cost of benefits for the period						
Nominal discounting rate	**4.4-4.6**	2.2-3.1	2.2-4.4	**4.5-4.8**	**3.0-3.7**	3.0-4.7

B. Effect of a one percentage point change on the liability in respect of the anticipated benefit, before the tax effect

				One percentage point growth		
	Severance pay and pension schemes			Other post-retirement benefits		
		June 30,	December 31,		June 30,	December 31,
	2023	2022	2022	2023	2022	2022
		(unaudited)	(audited)		(unaudited)	(audited)
			(NIS million)			(NIS million)
Discounting rate	**(50)**	(57)	(49)	**(32)**	(31)	(32)

				One percentage point decline		
	Severance pay and pension schemes			Other post-retirement benefits		
		June 30,	December 31,		June 30,	December 31,
	2023	2022	2022	2023	2022	2022
		(unaudited)	(audited)		(unaudited)	(audited)
			(NIS million)			(NIS million)
Discounting rate	**61**	68	60	**41**	41	42

NOTE 7A - EMPLOYTYEE RIGHTS (CON'T)

(NIS million)

C. Cash flows

Deposits

						Severance pay and pension schemes
	Forecast					Actual deposits
		For the three months ended June 30,		For the six months ended June 30,		For the year ended December 31,
	*2023	2023	2022	2023	2022	2022
	(unaudited)		(unaudited)		(unaudited)	(audited)
						(NIS million)
Deposits	9	**2**	3	**4**	5	9

* Assessment of amounts which the Bank expects to deposit with a defined benefit pension scheme during 2023.

NOTE 8 - CAPITAL ADEQUACY, LEVERAGE AND LIQUIDITY

A. BASEL 3 GUIDELINES

The bank implements measurement and capital adequacy requirements based on the Basel Committee instructions, as published by the Supervisor of Banks and as integrated into Proper Conduct of Banking Business Directives Nos. 201-211, as well in FAQ file.

(1) Capital adequacy goals

In accordance with Proper Conduct of Banking Business Directives regarding the minimal capital ratios, the Bank, the total assets of which on a consolidated basis does not exceed 24% of total assets of the banking sector in Israel, is required to attain a minimal Tier I equity capital ratio of 9%, and a comprehensive capital ratio of 12.5%.
Furthermore, according to Proper Conduct of Banking Business Directive No. 329 regarding "limitations on the granting of residential loans" the Bank is required to increase the Tier 1 equity capital ratio by 1% of the outstanding balance of residential loans at date of reporting, excluding residential loans granted during the Provisional Instruction period, as stated below.
On the background of the spreading of the Coronavirus and as part of the adjustment to Proper Conduct of Banking Business Directives, The Supervisor of Banks published Proper Conduct of Banking Business Directives No. 250, which includes, inter alia, provisional instruction concerning the update of Directive 201, which includes a reduction of 1% of the minimal capital requirements applying to banks and an update to Directive 329, which cancels the demand for an additional 1% on residential loans for the purpose of purchasing a residential property that were granted during the period from March 19, 2020, and until September 30, 2021, and on residential loans taken not for the purpose of purchase of real estate rights secured by a mortgage on residential property (hereinafter - "loan for any other purpose") granted as from March 19, 2020.
On December 27, 2021, in the framework of the amendment of Proper Conduct of Banking Business Directive No.329 regarding limitations on residential loans, it was determined that the additional capital requirements of 1% shall apply only to loans for residential purposes and not to loans for any other purpose.
In view of the above and in consideration of the additional capital requirement regarding the balance of residential loans, the minimal Tier 1 equity capital ratio, which the Bank has to maintain at the reporting date, is 9.24% and the minimal comprehensive capital ratio that the bank has to maintain at the reporting date is 12.50%.

For the outstanding balance of residential loans, see note 12.B.3.

The Group has capital targets approved by the Board of Director and reflect suitable capital level when taking into consideration the risk profile and risk appetite.
The internal capital goals, as determined by the Board of Directors, are as follows:

- In the ordinary course of business - Tier I equity capital ratio of not lower than 9.25% and comprehensive capital ratio of not lower than 12.50%.
- In stress situations - Tier I equity capital ratio of not lower than 6.50% and comprehensive capital ratio of not lower than 9.00%.

NOTE 8 - CAPITAL ADEQUACY, LEVERAGE AND LIQUIDITY (CONT'D)

(NIS million)

(2) Following are details regarding risk assets, the regulatory capital and capital ratios calculated in accordance with Proper Conduct of Banking Business Directives No. 201-211 (NIS million):

		June 30, 2023	June 30, 2022	December 31, 2022
		(unaudited)	(unaudited)	(audited)
a. Consolidated				
1.	**Capital for calculation of capital ratio**			
	Tier 1 capital, after supervisory adjustments and deductions	**11,525**	10,214	10,802
	Tier 2 capital after deductions	**3,553**	2,836	3,448
	Total comprehensive capital	**15,078**	13,050	14,250
2.	**Weighted balances of risk assets**			
	Credit risk	(2)**98,045**	(2)92,726	(2)94,786
	Market risk	**980**	654	789
	Operational risk	**9,268**	7,255	8,061
	Total weighted balances of risk assets	**108,293**	100,635	103,636
				percent
3.	**Ratio of capital to risk assets**			
	Ratio of tier 1 capital to risk assets	**10.64%**	10.15%	10.42%
	Comprehensive ratio of capital to risk assets	**13.92%**	12.97%	13.75%
	Minimal ratio of equity capital tier 1 required by the Supervisor of banks	(1)**9.24%**	(1)9.24%	(1)9.24%
	Minimal ratio of capital required by the Supervisor of Banks	(1)**12.50%**	(1)12.50%	(1)12.50%

	June 30, 2023	June 30, 2022	December 31, 2022
			percent
B. Significant Subsidiaries			
Bank Massad Ltd.			
Ratio of tier 1 capital to risk assets	**16.36%**	14.66%	15.12%
Comprehensive ratio of capital to risk assets	**17.48%**	15.78%	16.25%
Minimal ratio of equity capital tier 1 required by the Supervisor of banks	**9.00%**	9.00%	9.00%
Minimal ratio of capital required by the Supervisor of Banks	**12.50%**	12.50%	12.50%

(1) The required minimal Tier 1 equity capital ratio and minimal comprehensive capital ratio are 9.0% and 12.5%, respectively. To the required minimal Tier 1 equity capital ratio was added capital requirement comprising 1% of residential loans balance at the reporting date. However, in accordance with the Provisional Instructions regarding modification of Proper Conduct of Banking Business Directives regarding confrontation with the Corona crisis, no additional capital requirement at the rate of 1% was required in respect of loans for residential purposes granted as from the beginning of the Provisional Instruction period (March 19, 2020) and until September 30, 2021, and on any purpose residential loans granted as from the beginning of the Provisional Instruction period (March 19, 2020).

(2) An amount of NIS 54 million were deducted from the average balances of risk assets in respect of adjustments regarding the efficiency measures (30.6.22 – NIS 85 million, 31.12.22 – NIS 69 million).

NOTE 8 - CAPITAL ADEQUACY, LEVERAGE AND LIQUIDITY (CONT'D)

(NIS million)

(3) Capital components for computation of capital ratio (consolidated)(NIS million)

	June 30, 2023	June 30, 2022	December 31, 2022
	(unaudited)	(unaudited)	(audited)
A. Equity capital tier 1			
Capital attributed to shareholders	**11,292**	9,973	10,559
Differences between capital attributed to shareholders and equity capital tier 1			
Minority interests	**272**	254	265
Total equity capital tier 1 before regulatory adjustments and deductions	**11,564**	10,227	10,824
Regulatory adjustments and deductions:			
Intangible assets	**(95)**	(97)	(96)
Regulatory adjustments and other deductions- equity capital tier 1	**(4)**	(7)	(5)
Total regulatory adjustments and deductions before adjustments in respect of efficiency measures and expected credit losses - equity capital tier 1	**(99)**	(104)	(101)
Total adjustments in respect of efficiency measures - Tier 1 equity capital(1)	**39**	63	51
Total adjustments in respect of expected credit losses - Tier 1 equity capital(2)	**21**	28	28
Total equity capital tier 1 after regulatory adjustments and deductions	**11,525**	10,214	10,802
B. Tier 2 capital			
Tier 2 capital: instruments before deductions	**2,354**	1,781	2,296
Tier 2 capital: provisions before deductions	**1,199**	1,055	1,152
Total tier 2 capital before deductions	**3,553**	2,836	3,448
Deductions:			
Total deductions- tier 2 capital	**-**	-	-
Total tier 2 capital	**3,553**	2,836	3,448

(4) Effect of adjustments in respect of efficiency measures, expected credit losses and highly leveraged financing of acquisition of land on equity capital tier 1

	June 30, 2023	June 30, 2022	December 31, 2022
	(unaudited)	(unaudited)	(audited)
Ratio of capital to risk assets			
Ratio of tier 1 equity capital to risk assets before effect of adjustments	**10.60%**	10.06%	10.28%
Effect of adjustments in respect of efficiency measures(1)	**0.03%**	0.06%	0.05%
Effect of adjustments in respect of expected credit losses(2)	**0.01%**	0.03%	0.03%
Effect of adjustments in respect of highly leveraged financing of acquisition of land(3)	**-**	-	0.06%
Ratio of tier 1 equity capital to risk assets	**10.64%**	10.15%	10.42%

(1) Adjustments in respect of efficiency measures, according to the directives of the Supervisor of Banks (see item 5 hereunder) which are being reduced gradually over 5 years period, from the date of their initiation.

(2) Adjustments in respect of expected credit losses, according to the directive of the Supervisor of Banks (see item 6 hereunder) are being gradually reduced until December 31, 2024.

(3) Adjustments in respect of highly leveraged financing of acquisition of land (see item 7 hereunder) are being gradually reduced until June 30, 2023.

NOTE 8 - CAPITAL ADEQUACY, LEVERAGE AND LIQUIDITY (CONT'D)

(5) Efficiency measures

The Supervisor of Banks published a letter on January 12, 2016, in the matter of "operational efficiency of the banking sector in Israel". In accordance with the letter, the Board of Directors of the Bank has to outline a multiannual program for the increase in efficiency. A banking corporation that complies with the provisions of the letter shall be entitled to a relief, whereby, for the purpose of calculating the capital adequacy, the effect of the cost of this program may be spread by the "straight line" method over five years. On December 16, 2019 the Supervisor of Banks published a letter that extends the effectiveness of these guidelines until December 31, 2021.

The volume of the efficiency measures in manpower, as from the year 2018 onwards, in respect of which the relieves are applicable, amounted to NIS 118 million, net after tax.

The impact of the efficiency measures on the ratio of equity to risk components is recognized, as stated, in installments over five years, and is estimated at June 30, 2023 to be lower by 0.03%.

(6) Initial implementation of accounting principles regarding expected credit losses

As from January 1, 2022, the Bank is applying the new rules regarding provisions for credit losses, recognizing at date of initial implementation, the cumulative effect thereof.

On December 1, 2020, the Supervisor of Banks issued a letter in the matter of "regulatory capital - effect of implementation of accounting principles regarding expected credit losses", which included, inter alia, update of Proper Conduct of Banking Business Directive No. 299, stating that, to the extent that the initial implementation of these rules results in a decline in the Tier I equity capital of a banking corporation, then the amount of the decline may be spread over a period of three years (hereinafter - "the transitional period").

Save for the said relief, as of June 30, 2023, the implementation would have resulted in an additional decrease of 0.01% in the capital adequacy ratios.

(7) Additional allocation of capital in respect of highly leveraged financing of the acquisition of land

On May 22, 2022, the Supervisor of Banks published an updating to Proper Conduct of Banking Business Directive No. 203 (Measurement and capital adequacy) designated to treat exposure in the construction and real estate sector. According to this letter, loans extended to finance the acquisition of land for development or construction purposes, of a ratio exceeding 80% of the value of the purchased property (LTV), shall be weighted at an increased weight of 150%, with the exception of loans financing the purchase of agricultural land that has no zoning outlook or in respect of which there is no intention of applying for planning consent and loans for the acquisition of land for self-use of a borrower who is not classified to the construction and real estate segment.

The effect of the letter on the risk assets of the Bank as of June 30, 2022, was spread in constant quarterly rates as from September 30, 2022 until June 30, 2023.

NOTE 8 - CAPITAL ADEQUACY, LEVERAGE AND LIQUIDITY (CONT'D)

(8) Factors that might materially affect the capital adequacy of the Bank and of its significant subsidiary

(8a.) Capital components subject to fluctuations

The Bank manages the capital adequacy ratio with the aim of adhering to the minimal capital requirements of the Supervisor of Banks. The capital of the Bank and the volume of risk assets are subject to changes, inter alia, in respect of the factors detailed below:

- Actuarial changes due to changes in the interest rate used to compute the liabilities of the Bank or in other actuarial assumptions, such as: mortality rates, retirement etc.
- The effect of changes in interest rate and interest spread on the adjustments to fair value of available-for-sale bonds.
- Effect of changes in the CPI and exchange rates on the balances of the assets.
- The credit portfolio's mix, including credit quality and the volume of the provision of credit losses, and including the volume of residential loans in respect of total risk's assets of the Bank.

Following is an analysis of the impact of such changes on the Tier I equity capital of the Bank as of June 30, 2023:

	Effect of a change of NIS 100 million in Tier I equity capital	Effect of a change of NIS 1 billion in total risk assets
		percent
The Bank (consolidated data)	**0.10**	**0.10**
Massad Bank Ltd.	**1.53**	**2.17**

B. Leverage ratio in accordance with instructions of the Supervisor of Banks

The Bank implements Proper Conduct of Banking Business Directive No. 218 in the matter of leverage ratio. The Directive states a simple and transparent leverage ratio that is not risk based, which would serve as a supplementary and reliable measurement of the risk-based capital requirements, and which is intended to restrict the accumulation of leverage at a banking corporation.

The leverage ratio is expressed in percentages, and is defined as the ratio between the measurement of capital and the measurement of exposure. Capital for the purpose of measuring leverage is the Tier I capital as defined in Proper Conduct of Banking Business Directive No. 202, taking into consideration the determined transitional arrangements. The total measurement of exposure of the Bank is the total of the balance sheet exposures, exposure to derivatives and to transactions financing the purchase of securities and off-balance sheet items.

As a general rule, the measurement is consistent with the accounting values, where for this purpose, risk weights are not taken into account. Likewise, the Bank is not permitted to use physical or financial collateral, guarantees or other techniques reducing credit risk, in order to reduce exposure measurements, unless these are specifically permitted by the Directive. Stated assets deducted from Tier I capital (in accordance with Directive 202) are deducted from exposure measurement. In accordance with the Directive, the Bank computes the exposure in respect of derivatives according to Appendix "C" to Proper Conduct of Banking Business Directive No. 203, and the exposure in respect of off-balance sheet items by converting into credit the theoretical amount of these items, using conversion into credit coefficients prescribed by Proper Conduct of Banking Business Directive No. 203.

In accordance with the Directive, a banking corporation shall maintain a leverage ratio of not less than 5% on a consolidated basis, for a banking corporation, the total stated consolidated assets of which comprises up to 24% of the total stated assets of the banking industry, including the Bank.

NOTE 8 - CAPITAL ADEQUACY, LEVERAGE AND LIQUIDITY (CONT'D)

Notwithstanding, and according to Proper Conduct of Banking Business Directive No. 250 - modifications to Proper Conduct of Banking Business Directives in order to cope with the Coronavirus crisis, which, inter alia, includes the Provisional Instruction, published on November 15, 2020, according to which, a banking corporation has to maintain a leverage ratio of no less than 4.5% (instead of 5%) on a consolidated basis, if it is a banking corporation, the total consolidated stated assets of which is up to 24% of total stated assets of the banking sector as a whole. In accordance with a letter amending Proper Conduct of Banking Business Directive No. 250, dated May 15, 2022, the relief will be valid until June 30, 2024, on condition that the leverage ratio of the banking corporation will not be less than the leverage ratio at December 31, 2023, or the minimal leverage ratio applying to the banking corporation prior to the Provisional Instruction, whichever is lower.

	June 30, 2023 (unaudited)	June 30, 2022 (unaudited)	December 31, 2022 (audited)
			NIS million
A. Consolidated			
Tier 1 capital*	**11,525**	10,214	10,802
Total exposures	**221,596**	203,386	207,943
			percent
Leverage ratio	**5.20%**	5.02%	5.19%
B. Significant Subsidiary			
Massad Bank Ltd.			
Leverage ratio	**8.93%**	7.57%	8.15%
Minimal Leverage ratio required by the Supervisor of banks	**4.50%**	4.50%	4.50%

* For the effect in respect of the efficiency program, initial implementation of accounting principal in respect of expected credit losses and highly leveraged financing of acquisition of land, see note A(4) above.

NOTE 8 - CAPITAL ADEQUACY, LEVERAGE AND LIQUIDITY (CONT'D)

C. REPORTING THE LIQUIDITY COVERAGE RATIO IN ACCORDANCE WITH INSTRUCTIONS OF THE SUPERVISOR OF BANKS

The Bank implements Proper Conduct of Banking Business Directive No. 221 in the matter of "liquidity coverage ratio". The Directive adopts the recommendations of the Basel Committee in the matter of liquidity coverage ratio as regards the banking industry in Israel. The liquidity coverage ratio is being measured in accordance with a uniform stress test for a time range of thirty days, as detailed in the Directive. The ratio is intended to ensure that a banking corporation shall have an inventory of high-quality liquid assets, as defined in the Directive, serving the liquidity needs of the corporation, and being measured in accordance with the net cash outflow anticipated in the stress tests.

	For the three months ended		
	June 30,	June 30,	December 31
	2023	2022	2022
	(unaudited)	(unaudited)	(audited)
			percent
A. Consolidated*			
Liquidity coverage ratio	**134%**	125%	127%
B. The bank*			
Liquidity coverage ratio	**134%**	124%	127%
C. Significant Subsidiary*			
Massad Bank Ltd.			
Liquidity coverage ratio	**340%**	307%	261%
Minimal liquidity coverage ratio required by the Supervisor of banks	**100%**	100%	100%

* In terms of simple averages of daily observations during the reported quarter.

D. NET STABLE FUNDING RATIO IN ACCORDANCE WITH DIRECTIVES OF THE SUPERVISOR OF BANKS

Since December 31, 2021, the Bank implements Proper Conduct of Banking Business Directive No. 222 in the matter of "Net stable Funding Ratio - NSFR", which adopts the recommendations of the Basel Committee in the matter of net stable funding ratio regarding the banking system in Israel. In accordance with the Directive, the aim of the net stable funding ratio, is to improve the resilience of the liquidity risk profile of banking corporations over a longer time horizon, by way of requiring banking corporations to maintain a stable funding profile, in accordance with the composition of their balance sheet assets and their off-balance sheet operations. The net stable funding ratio contains two components: available stable funding items (numerator) and required stable funding items (denominator). "Available stable funding" is defined as that part of capital and liabilities that may be relied on over the time horizon taken into account in the net stable funding ratio, covering a period of one year. The required amount of stable funding of a certain corporation is a function of its liquidity characteristics and the remaining periods to redemption of the different assets held by that corporation, as well as its off-balance sheet exposure.

	For June 30,	For December 31,
	2023	2022
	(unaudited)	(audited)
		percent
1. Consolidated		
Net stable funding ratio	**134%**	133%
2 Significant Subsidiary		
Massad Bank Ltd.		
Net stable funding ratio	**156%**	150%
Minimal net stable funding ratio required by the Supervisor of banks	**100%**	100%

NOTE 8 - CAPITAL ADEQUACY, LEVERAGE AND LIQUIDITY (CONT'D)

E. DIVIDENDS

	For the three months ended June 30,		For the six months ended June 30,		For the year ended December 31,
	2023	2022	2023	2022	2022
		(unaudited)		(unaudited)	(audited)
		NIS million		NIS million	NIS million
Dividend declared and paid by the Bank	**220**	160	**488**	540	945

Taking into consideration that the dividend distribution policy relates to an annual distribution of up to 50% of net earnings for the year, and principally on background of the uncertainty level prevailing in Israel and globally, the Board of Directors of the Bank decided on August 15, 2023, to approve a dividend distribution in cash to the shareholders of the Bank in a total amount of NIS 220 million (gross).

The ex-dividend date for the payment of the dividend is August 23, 2023, and the date of payment will be August 31, 2023. The amount of the dividend is before taxes, including withholding tax that the Bank has to deduct in accordance with the law.

NOTE 9 - COMMITMENTS AND CONTINGENT LIABILITIES

(NIS million)

OTHER CONTINGENT LIABILITIES AND SPECIAL COMMITMENTS

		June 30,	June 30,	December 31
		2023	2022	2022
		(unaudited)	(unaudited)	(audited)
A.	Improvements to premises and acquisition of new premises, equipment and software	**12**	9	13
	Commitments to invest in private investment funds	**126**	164	151

B. The Bank Group (the Bank and its subsidiary companies) is a party to legal proceedings, including motions for approval of class actions. In the opinion of Management of the Bank and Managements of the consolidated companies, based on legal opinions regarding the prospects of the actions, including the motions for approval of class actions, as detailed in this sub-section, adequate provisions have been included in the financial statements, where required, to cover losses which might be sustained as a result of these actions.

With respect to legal actions, including motions for approval of class actions see Note 25G to the financial statements as of December 31, 2022.

Following is a motion for approval of a class action that had been filed against the Bank in the past, to which a change has applied in relation to that stated in the financial statements for 2022:

On May 7, 2020, the Bank received notice of a motion for approval of a class action against the Bank with respect to the charging of a broker commission on operations in securities. The Plaintiff argues that for each transaction of purchase/sale of securities, the Bank charges a commission named by it as "broker commission", despite the fact that such a commission does not appear on the pricelist of the Bank and therefore is unlawfully charged. The Plaintiff further claims that to the extent that the matter involves a third-party expense (which, according to the pricelist, the Bank may collect) the Bank has to provide details of the rate of the commission and manner of its calculation, which the Bank does not provide. The Plaintiff notes that it is not possible to assess the total amount of the claim, however, as argued, the personal damage caused to the Plaintiff in respect of each transaction amounts to NIS 2. Accordingly, the Plaintiff assumes that the total damage caused to the class as a whole during the seven years preceding the date of the action amounts to tens of millions of NIS, if not more. As argued in the claim, similar actions have been brought also against other banks. On September 4, 2022, the Court dismissed the motion for approval of the action as a class action. An appeal against the verdict was filed on November 9, 2022, and on June 28, 2023, this appeal was rejected.

The amount of additional exposure of the Bank and of the subsidiary companies of the Bank as of June 30, 2023, in respect of pending claims, which, in the opinion of the Bank, the possibility of their materialization, in whole or in part, is not remote and in respect of which no provision has been included, amounts to NIS 71 million.

C. Also pending against the Bank are motions for approval of class actions, the amounts claimed therein are material, as detailed hereunder. In the opinion of Management of the Bank, based on Counsel's opinion, it is not possible, at this stage, to assess the prospects of these claims, and no allowance has been included in respect thereof:

1. On June 5, 2023, an action brief together with a motion for approval of the action as a class action suit were received by the Bank. The claim relates to interest on credit balances in current accounts, and the amount claim therein, which is attributed to all the Defendant banks (4 in number), amounts to between NIS 3.4 and NIS 4.8 billion. As argued in the motion, the nonpayment of interest to customers on the credit balances held in their current accounts with the banks, whether by way of directly crediting the interest and/or by way of automatically creating a deposit bearing daily interest, or in any other way, comprises unlawful conduct and lack of proper disclosure, lack of good faith, exploitation, taking advantage and violation of binding agreements and the law, as well as unjust enrichment. The motion also raises arguments regarding avoidance of information to customers regarding suitable options open to them in case of current

account credit balances (which bear no interest at all), offering them suitable real-time solutions in order that such credit balances would earn some interest.

2. On June 25, 2023, an action brief together with a motion for approval of the action as a class action suit were received by the Bank. The amount stated in the action, which is attributed to all the Defendant banks (5 in number), is NIS 5 billion, and the action relates to interest on credit extended by the banks, where such credit bears variable interest on the basis of the "prime" rate (hereinafter – "the credit"). As argued in the motion, the banks are not permitted to raise the interest charged on credit at exactly the same rate at which Bank of Israel raised the interest, even though this right is seemingly established in agreements signed by customers, since the cost of sources used by banks for the purpose of extending such credit, did not rise and was not raised (due to the control of banks over these sources) at exactly the same rate (at which Bank of Israel interest was raised) but at a much lower rate, significantly.

3. On July 24, 2023, an action brief together with a motion for approval of the action as a class action suit were received by the Bank. The amount stated in the action, which is attributed to all the Defendant banks (5 in number), is NIS 984 million, and as alleged by the Claimants, this amount grows in each month by NIS 104 million. As argued in the motion, the interest payable on deposits created online is lower than the interest used and accepted by the Bank as well as lower than the interest payable on a similar deposit created by means of a bank clerk, and this without bringing it to the attention of customers creating a deposit online, and without inviting them to negotiate the rate of interest with the bank. All this, as alleged by the Claimants, being in contradiction of the law.

D. 1. Following are details of actions and legal proceedings, including motions for approval of class actions against an affiliated company, Israel Credit Cards Ltd. ("ICC"), the amount claimed therein is material. In the opinion of the Management of ICC, based inter alia on legal opinions, adequate provisions in respect of such claims are included in the financial statements, where required.

(a) Note 25H 1(a) to the financial statements for the year 2022, discussed an amended motion filed on June 8, 2016, with the Central District Court for approval of an action as a class action against three credit card companies including ICC (hereinafter - "the amended motion"). The amended motion replaces a previous motion submitted on April 28, 2014.

The subject matter of the motion comprises two cartel arrangements with respect to immediate debit cards ("debit cards") and to "prepaid" cards. The first cartel arrangement, as argued by the Plaintiffs, refers to an arrangement for the charging of cross commission in respect of transactions made by debit cards and prepaid cards. The second cartel arrangement, as argued by the Plaintiffs, refers to the unlawful withholding of funds due to trading houses for periods of approximately twenty days after the credit card companies had received the money.

On April 12, 2021, a pre-trial was held in which the parties stated their arguments. At the end of the hearing, the Court suggested to the parties to refer to mediation the question of date of accountability. On July 6, 2021, the parties jointly informed the Court of their acceptance of the Court's suggestion to conduct mediation proceedings in the matter, and have started the mediation process. The last mediation meeting was held on September 7, 2022, in which the Mediator declared that she sees no point in continuing the mediation proceedings, referring the parties back to the Court.

On July 9, 2023, a motion for approval of a compromise arrangement between the Claimant, ICC and Isracard was filed with the Court.

(b) Note 25H 1(b) to the financial statements for the year 2022, discussed an action filed on May 2, 2018, with the Tel Aviv District Court, to which was attached a motion for approval of the action as a class action suit.

It is alleged in the action that ICC had unlawfully increased the amounts of clearing commission charged to trading houses. The motion for approval relies, inter alia, on the decision of the Tel Aviv District Court in a similar case, wherein a motion for approval of an action as a class action, filed against another company, had been approved.

The Plaintiffs assess their personal damage at NIS 4,036. They did not state an amount regarding the damage to the group, but assessed it at "tens of millions of NIS". ICC had responded to the motion for approval, and the

Plaintiffs responded to ICC's response. The parties had conducted mediation proceedings, and on May 8, 2023, the parties entered into a compromise agreement, applying to the Court for approval of the agreement as a compromise agreement in a class action. On July 30, 2023, the Court approved the compromise arrangement.

(c) Note 25H 1(c) to the financial statements for the year 2022, discussed an action filed on July 22, 2018, with the Tel Aviv District Court, to which was attached a motion for approval of the action as a class action, against ICC and against two additional credit card companies. The subject matter of the action is credit card transactions considered "no document transactions" (mainly transactions effected by telephone) made by members of the class with trading houses operating in the "direct marketing" field. It is claimed in the motion that such trading houses utilized the weakness of the senior citizen population, unlawfully charging their credit cards in respect of many transactions, as well as charging them with additional amounts that had not been approved by them. The Plaintiff argues that the credit card companies are engaged in clearing agreements with the "direct marketing" trading houses, thus enabling them to operate. The Plaintiff states the amount of the damage for the whole class, which he purports to represent, at NIS 900 million. A further hearing was held on January 6, 2022, in which the parties stated their arguments with respect to the position of the Attorney General to the Government. On June 29, 2022, ICC submitted its summing-up brief regarding the motion, and on July 14, 2022, the Plaintiffs submitted their response summing-up brief. On August 21, 2022, the District Court issued a verdict dismissing the motion for approval. On November 13, 2022, the Plaintiffs filed an appeal against the verdict of the District Court, and on November 21, 2022, ICC submitted its response. On May 21, 2023, the Respondents filed their response to the appeal. Hearing of the appeal was fixed for September 27, 2023.

(d) On May 14, 2020, an action was filed against ICC with the District Court-Central Region together with a motion for approval of the action as a class action. As argued in the action, the notice delivered to the Plaintiff regarding future charges in respect of use of a credit card, contained flaws requiring determination that the notice does not fulfill the notification duties required by law. The Plaintiff states its personal monetary damage at an amount of NIS 13.5 and the non-monetary damage at an amount of NIS 100, but does not state the amount of the damage for the whole class. On April 7, 2022, an additional pretrial of the case was held, at the conclusion of which, the Court advised the parties to renew negotiations between them, either directly or through a mediator, after which, the parties announced that they were unsuccessful in reaching an understanding. The Plaintiff then requested permission to file for perusal of the Court the position of the Supervisor of Banks submitted in another action against another company. Following the study of the position of the Supervisor of Banks, the Court advised the parties to try again the reaching of an arrangement, while even recommending a joint mediation process in respect of the two proceedings. The parties had started mediation proceedings, and on July 2, 2023, the Court ordered that by August 15, 2023, the parties have to inform the Court as to the results of the mediation proceedings.

(e) Note 25H 1(e) to the financial statements for the year 2022, discussed an action filed on December 8, 2020, with the Tel Aviv District Court against Isracard Ltd., Europay (EuroCard) Israel Ltd., Premium Express Ltd., ICC and Diners Club Israel Ltd., to which was attached a motion for approval of the action as a class action ("the approval motion"). The Plaintiff argues that Respondents make illegitimate and prohibited use of the data base at their disposal (both by power of them being issuers of credit cards as well as operating as clearing agents), and this without obtaining the informed consent of their customers. It is also argued that the Respondents disclose to third parties' personal data of their customers; conduct advertising targeting on the basis of the said characterization for the purpose of promoting sales by third parties; conduct the monitoring of their customers; and make use of their customers' data for the sale of statistical information. As estimated by the Plaintiff, the amount of relief for the class is NIS 150 million. On November 25, 2022, the parties informed the Court of their consent to refer the dispute to mediation proceedings. On April 4, 2023, the Mediator announced that in his opinion, at this stage, it is not possible to reach agreement between the parties. Therefore, the legal proceedings are to be continued. A date for the hearing of the case was fixed for November 1, 2023.

2. The amount of exposure regarding legal actions served against ICC, the realization of which, in whole or in part, is reasonably possible, totals NIS 256 million.

3. On December 14, 2016, the Director of Value Added Tax (hereinafter - "the VAT Director") issued to ICC VAT assessments for charge periods from January 2012 to August 2016. The sum charged in the assessments, including interest and linkage increments, amounts to NIS 48 million. ICC disputes the position of the VAT Director, and is of the opinion that it has good arguments supporting its position. On March 9, 2017, ICC filed an appeal against these assessments. To the best knowledge of ICC, assessments in this matter have also been received by its competitors.

   On March 8, 2018, ICC received the decision of the VAT Director rejecting the appeal and also increasing the amount charged in the assessments to NIS 75 million (including interest and linkage increments). On January 31, 2019, ICC filed an appeal against the said decision with the Lod District Court.

   On November 3, 2019, the Supreme Court approved an agreed motion for the consolidation of the hearing of the appeal with those of the appeals filed by competitors of ICC. A pre-trial was held on March 5, 2020.

   Hearing of evidence was held in June and July 2022. In the reported period, the parties conducted negotiations in respect of a compromise regarding the said assessments. The parties had not reached an agreement, and accordingly, ICC submitted a summing-up brief in the case. On February 12, 2023, ICC received VAT assessments for the years 2018-2022 in a total amount of NIS 192 million, including interest and linkage increments (hereinafter - "the additional assessments"). The issues raised in the said assessments are in principle similar to those contained in the assessments issued in respect of prior tax periods. To the extent that the position of ICC would be rejected by the Court, then ICC might become liable in respect of the issues raised in the assessments also with regards to the additional assessments and with regards to later periods than those of the assessments.

   ICC estimates the total amount of exposure in respect of which no allowance is included in its financial statements regarding this matter, at NIS 229 million.

E. As collateral for credit received from Bank of Israel, the Bank pledged on February 14, 2023, in favor of Bank of Israel, by means of a fixed first-degree pledge and assignment by way of pledge, unlimited in amount, all of its contractual and proprietary rights, of any type or class, in a part of the residential loan portfolio extended to its customers, including all the collateral provided by such customers securing the said residential loans. As of June 30, 2023, the residential loans serving as collateral amount to NIS 3,277 million, and this against a reduction in the balance of securities pledged in favor of Bank of Israel. For details regarding existing pledges in favor of Bank of Israel, see Note 26D to the financial statements for 2022.

F. Failure arrangements in the Central Bank Clearing (CBC) and Automated Banking Services (ATM) payment systems - Within the framework of Bank of Israel guidelines for the matching of the payments system operations to accepted international arrangements (PFMI standards), failure arrangements have been formed for these payment systems, with a view of ensuring the timely conclusion of the daily clearing in case of failure of a participant. The failure arrangements relevant to the whole banking system have been formed by Bank of Israel, operators of the systems and the participants therein, and they state detailed principles and procedures, which allow the operator of the system, in case of failure of a participant, to continue and conduct the daily clearing in full and in time, while using the funds deposited as collateral in designated accounts with Bank of Israel, in favor of the failure arrangement by the participant in the system, and which are managed on their behalf by operators of the system. The amount of collateral which each bank has to deposit as part of the failure arrangement, is determined in accordance with the volume of operations of each bank in each payment system. The failure arrangement regarding the CBC system became effective on May 1, 2023, and that regarding the ATM system became effective on April 30, 2023.

   At the present time, participants in the payments systems are promoting the drafting of agreements for the pledging of the said collateral funds in favor of all participants.

NOTE 10 - DERIVATIVE FINANCIAL INSTRUMENTS - VOLUME, CREDIT RISKS AND MATURITY DATES

(NIS million)

A. VOLUME OF ACTIVITY ON A CONSOLIDATED BASIS

1. Face value of derivatives

	June 30, 2023 (unaudited)			June 30, 2022 (unaudited)			December 31, 2022 (audited)		
	Not trading derivatives	Trading derivatives	Total	Not trading derivatives	Trading derivatives	Total	Not trading derivatives	Trading derivatives	Total
Interest contracts									
Forward and Futures Contracts	**410**	**2,701**	**3,111**	702	2,605	3,307	780	3,135	3,915
Options written	**-**	**-**	**-**	-	255	255	-	258	258
Options purchased	**-**	**-**	**-**	-	255	255	-	258	258
SWAPS(1)	**2,649**	**12,567**	**15,216**	3,519	13,429	16,948	3,536	13,774	17,310
Total(2)	**3,059**	**15,268**	**18,327**	4,221	16,544	20,765	4,316	17,425	21,741
Of which: Hedging derivatives(3)	**2,642**	**-**	**2,642**	3,486	-	3,486	3,522	-	3,522
Foreign currency contracts									
Forward and Futures Contracts(4)	**20,112**	**44,842**	**64,954**	21,038	32,847	53,885	18,364	34,259	52,623
Options written	**-**	**8,381**	**8,381**	-	8,146	8,146	-	6,985	6,985
Options purchased	**-**	**9,108**	**9,108**	-	8,122	8,122	-	7,250	7,250
SWAPS	**33**	**-**	**33**	47	-	47	40	-	40
Total	**20,145**	**62,331**	**82,476**	21,085	49,115	70,200	18,404	48,494	66,898
Contracts on shares									
Forward and Futures Contracts	**-**	**37,748**	**37,748**	-	30,002	30,002	84	30,803	30,887
Options written	**-**	**13,853**	**13,853**	-	13,275	13,275	-	12,127	12,127
Options purchased(5)	**1**	**13,853**	**13,854**	1	13,275	13,276	1	12,127	12,128
Total	**1**	**65,454**	**65,455**	1	56,552	56,553	85	55,057	55,142
Commodities and other contracts									
Forward and Futures Contracts	**-**	**112**	**112**	-	105	105	-	132	132
Options written	**-**	**49**	**49**	-	-	-	-	-	-
Options purchased	**-**	**49**	**49**	-	-	-	-	-	-
Total	**-**	**210**	**210**	-	105	105	-	132	132
Total face value	**23,205**	**143,263**	**166,468**	25,307	122,316	147,623	22,805	121,108	143,913

(1) Of which: SWAPS the Bank is paying fixed interest in an amount of NIS 9,294 million (30.6.22 - NIS 10,053 million, 31.12.22 - NIS 10,764 million).

(2) Of which: NIS-CPI swap contracts in an amount of NIS 452 million (30.6.22 - NIS 979 million, 31.12.22 - NIS 782 million).

(3) The Bank performs protection transactions by IRS derivatives in order to hedge the accounting fair value of bonds. These transactions hedge the interest risk imbedded in foreign currency bonds having fixed interest and long duration.

(4) Of which: foreign currency swap spot contracts in an amount of NIS 1,623 million (30.6.22 - NIS 3,579 million, 31.12.22 - NIS 1,741 million).

(5) Of which: Traded on the Stock Exchange in an amount of NIS 13,853 million (30.6.22 - NIS 13,275 million, 31.12.22 - NIS 12,127 million).

NOTE 10 - DERIVATIVE FINANCIAL INSTRUMENTS - VOLUME, CREDIT RISKS AND MATURITY DATES (CONT'D)

(NIS million)

2. Gross fair value of derivative instruments

	June 30, 2023 (unaudited)					
	Gross amount of assets in respect of derivative instruments			Gross amount of liabilities in respect of derivative instruments		
	Not trading derivatives	Trading derivatives	Total	Not trading derivatives	Trading derivatives	Total
Interest contracts	**201**	**277**	**478**	**36**	**264**	**300**
Of which: Hedging derivatives	**201**	**-**	**201**	**16**	**-**	**16**
Foreign currency contracts	**84**	**1,029**	**1,113**	**42**	**846**	**888**
Contracts on shares	**1**	**1,994**	**1,995**	**-**	**1,994**	**1,994**
Commodities and other contracts	**-**	**2**	**2**	**-**	**2**	**2**
Total assets/liabilities in respect of derivatives gross	**286**	**3,302**	**3,588**	**78**	**3,106**	**3,184**
Amounts offset in the balance sheet	**-**	**-**	**-**	**-**	**-**	**-**
Balance sheet balance	**286**	**3,302**	**3,588**	**78**	**3,106**	**3,184**
Of which: not subject to net settlement arrangement or similar arrangements	**-**	**-**	**-**	**-**	**-**	**-**

	June 30, 2022 (unaudited)					
	Gross amount of assets in respect of derivative instruments			Gross amount of liabilities in respect of derivative instruments		
	Not trading derivatives	Trading derivatives	Total	Not trading derivatives	Trading derivatives	Total
Interest contracts	115	202	317	19	213	232
Of which: Hedging derivatives	113	-	113	2	-	2
Foreign currency contracts	176	1,266	1,442	69	991	1,060
Contracts on shares	1	1,118	1,119	-	1,118	1,118
Commodities and other contracts	-	2	2	-	2	2
Total assets/liabilities in respect of derivatives gross[(1)]	292	2,588	2,880	88	2,324	2,412
Amounts offset in the balance sheet	-	-	-	-	-	-
Balance sheet balance	292	2,588	2,880	88	2,324	2,412
Of which: not subject to net settlement arrangement or similar arrangements	-	-	-	-	-	-

	December 31, 2022 (audited)					
	Gross amount of assets in respect of derivative instruments			Gross amount of liabilities in respect of derivative instruments		
	Not trading derivatives	Trading derivatives	Total	Not trading derivatives	Trading derivatives	Total
Interest contracts	220	299	519	17	284	301
Of which: Hedging	217	-	217	-	-	-
Foreign currency contracts	126	877	1,003	35	684	719
Contracts on shares	1	1,300	1,301	-	1,300	1,300
Commodities and other contracts	-	2	2	-	2	2
Total assets/liabilities in respect of derivatives gross[(1)]	347	2,478	2,825	52	2,270	2,322
Amounts offset in the balance sheet	-	-	-	-	-	-
Balance sheet balance	347	2,478	2,825	52	2,270	2,322
Of which: not subject to net settlement arrangement or similar arrangements	-	-	-	-	-	-

NOTE 10 - DERIVATIVE FINANCIAL INSTRUMENTS - VOLUME, CREDIT RISKS AND MATURITY DATES (CONT'D)

(NIS million)

B. Accounting Hedge

General

The Bank is exposed to market risks, including basis risks and interest risks. Basis risk is the existing or future risk to the income or capital of the Group which can materialize as a result from changes in the CPI or the exchange rates of foreign currency due to the difference between the value of the assets to the value of the liabilities. Interest risk is the risk to the earnings or capital deriving from fluctuations in the interest rates. Changes in the interest rates affect the Bank's earnings by change in net earnings, and the value of the Bank's assets, its liabilities and off-balance sheet instruments, since the present value of future cash flows (and even the cash flows themselves) changes when a change occur in the interest rates. As part of the overall strategy of the Bank to manage the level of exposure to basis and interest risks, the Bank uses derivative instruments such as foreign currency and CPI forwards, foreign currency options and interest rate swaps (swapping fixed interest rate with variable interest rate). The Bank has derivatives designated and qualified as fair value hedges.

If a derivative is not designated as qualified hedging, the derivative is stated according to fair value and changes in the fair value are stated on a current basis in the profit and loss statement.

Fair value hedges

The Bank designates certain derivatives as fair value hedges. The change in the fair value of the derivatives, hedging the exposure to changes in the fair value of the underlying of the asset, is recognized on a current basis in the profit and loss statement, as well as the change in the fair value of the hedged instrument, which can be attributed to the hedged risk.

	For the three months ended June 30,	For the three months ended June 30,	For the six months ended June 30,	For the six months ended June 30,	For the year ended December 31,
	2023	2022	2023	2022	2022
		(unaudited)		(unaudited)	(audited)
					Interest income (expenses)
1. Effect of accounting of fair value Hedge on profit (loss)					
Profit from fair value Hedge					
Interest contracts					
- Hedged items	**(16)**	(77)	**12**	(200)	(299)
- Hedging derivatives	**41**	69	**34**	180	293

	June 30, 2023 (unaudited)		June 30, 2022 (unaudited)		December 31, 2022 (audited)	
		Cumulative fair value adjustments decreasing the book value		Cumulative fair value adjustments increasing the book value		Cumulative fair value adjustments increasing the book value
	Book value	Existing hedge relation	Book value	Existing hedge relation	Book value	Existing hedge relation
2. Items Hedged by fair value Hedge						
Securities- debt instruments classified as available for sale	**2,531**	**(178)**	3,440	(126)	3,494	(223)

NOTE 10 - DERIVATIVE FINANCIAL INSTRUMENTS - VOLUME, CREDIT RISKS AND MATURITY DATES (CONT'D)

(NIS million)

	For the three months ended June 30, 2023 (unaudited)	For the three months ended June 30, 2022 (unaudited)	For the year ended December 31, 2022 (audited)
	Profit recognized in income from activity in derivative instruments[1]		
3. Effect of derivatives which were not designated as hedging instruments on statement of income			
Derivatives which were not designated as hedging instruments			
Interest contracts	**25**	29	127
Foreign currency contracts	**345**	1,073	1,481
Contracts on shares	**1**	1	8

	For the six months ended June 30, 2023 (unaudited)	For the six months ended June 30, 2022 (unaudited)
	Profit recognized in income from activity in derivative instruments[1]	
3. Effect of derivatives which were not designated as hedging instruments on statement of income		
Derivatives which were not designated as hedging instruments		
Interest contracts	**65**	30
Foreign currency contracts	**626**	1,350
Contracts on shares	**3**	4

(1) Included in the item non-interest financing income (expenses).

NOTE 10 - DERIVATIVE FINANCIAL INSTRUMENTS - VOLUME, CREDIT RISKS AND MATURITY DATES (CONT'D)

(NIS million)

C. CREDIT RISK IN RESPECT OF DERIVATIVES INSTRUMENTS, ACCORDING TO TRANSACTION COUNTERPARTY

	June 30, 2023 (unaudited)						
	Exchanges	Banks	Dealers/ brokers	Government and central banks	Institutional entities	Others	Total
Balance sheet balance of assets in respect of derivative instruments	**1,427**	**843**	**352**	**-**	**551**	**415**	**3,588**
Gross amounts not offset in the balance sheet:							
Credit risk mitigation in respect of financial instruments	**-**	**(362)**	**(74)**	**-**	**(164)**	**(70)**	**(670)**
Credit risk mitigation in respect of cash collateral received	**-**	**(61)**	**(178)**	**-**	**(11)**	**(1)**	**(251)**
Net amount of assets in respect of derivative instruments- reflecting proforma, if the entity performed setoff of assets and liabilities	**1,427**	**420**	**100**	**-**	**376**	**344**	**2,667**
Adjustment of net balance sheet balance to balance sheet credit risk	**(1,426)**	**(353)**	**(93)**	**-**	**-**	**(1)**	**(1,873)**
Balance sheet credit risk in respect of derivatives instruments	**1**	**67**	**7**	**-**	**376**	**343**	**794**
Net off balance sheet credit risk in respect of derivative instruments(2)	**1**	**310**	**40**	**1**	**2,616**	**574**	**3,542**
Total credit risk in respect of derivative instruments	**2**	**377**	**47**	**1**	**2,992**	**917**	**4,336**
Balance sheet balance of liabilities in respect of derivative instruments	**71**	**704**	**173**	**24**	**1,929**	**283**	**3,184**
Gross amounts not offset in the balance sheet:							
Financial instruments	**-**	**(362)**	**(74)**	**-**	**(164)**	**(70)**	**(670)**
Cash collateral which was attached by a lien	**-**	**(201)**	**(5)**	**(17)**	**(274)**	**-**	**(497)**
Net amount of liabilities in respect of derivative instruments	**71**	**141**	**94**	**7**	**1,491**	**213**	**2,017**

	June 30, 2022 (unaudited)						
	Exchanges	Banks	Dealers/ brokers	Government and central banks	Institutional entities	Others	Total
Balance sheet balance of assets in respect of derivative instruments	152	582	231	-	1,535	380	2,880
Gross amounts not offset in the balance sheet:							
Credit risk mitigation in respect of financial instruments	-	(458)	(55)	-	(95)	(63)	(671)
Credit risk mitigation in respect of cash collateral received	-	(50)	(3)	-	(496)	(92)	(641)
Net amount of assets in respect of derivative instruments	152	74	173	-	944	225	1,568
Off balance sheet credit risk in respect of derivative instruments(2)	-	292	54	9	1,249	226	1,830
Off balance sheet mitigation	-	(154)	(13)	(5)	(452)	(56)	(680)
Net off balance sheet credit risk in respect of derivative instruments	-	138	41	4	797	170	1,150
Total credit risk in respect of derivative instruments	152	212	214	4	1,741	395	2,718
Balance sheet balance of liabilities in respect of derivative instruments	112	941	837	76	170	276	2,412
Gross amounts not offset in the balance sheet:							
Financial instruments	-	(458)	(55)	-	(33)	(36)	(582)
Cash collateral which was attached by a lien	-	(241)	(3)	-	(39)	-	(283)
Net amount of liabilities in respect of derivative instruments	112	242	779	76	98	240	1,547

NOTE 10 - DERIVATIVE FINANCIAL INSTRUMENTS - VOLUME, CREDIT RISKS AND MATURITY DATES (CONT'D)

(NIS million)

C. CREDIT RISK IN RESPECT OF DERIVATIVES INSTRUMENTS, ACCORDING TO TRANSACTION COUNTERPARTY (cont'd)

	December 31, 2022 (audited)						
	Exchanges	**Banks**	**Dealers/ brokers**	**Government and central banks**	**Institutional entities**	**Others**	**Total**
Balance sheet balance of assets in respect of derivative instruments	674	595	329	-	948	279	2,825
Gross amounts not offset in the balance sheet:							
Credit risk mitigation in respect of financial instruments	-	(391)	(65)	-	(66)	(63)	(585)
Credit risk mitigation in respect of cash collateral received	-	(102)	(211)	-	(410)	(1)	(724)
Net amount of assets in respect of derivative instruments- reflecting proforma, if the entity performed setoff of assets and liabilities	674	102	53	-	472	215	1,516
Adjustment of net balance sheet balance to balance sheet credit risk	(674)	(44)	(50)	-	-	(1)	(769)
Balance sheet credit risk in respect of derivatives instruments	-	58	3	-	472	214	747
Net off balance sheet credit risk in respect of derivative instruments(2)	-	246	33	23	1,712	453	2,467
Total credit risk in respect of derivative instruments	-	304	36	23	2,184	667	3,214
Balance sheet balance of liabilities in respect of derivative instruments	84	1,007	163	103	728	237	2,322
Gross amounts not offset in the balance sheet:							
Financial instruments	-	(391)	(65)	-	(66)	(63)	(585)
Cash collateral which was attached by a lien	-	(122)	(11)	(94)	(13)	-	(240)
Net amount of liabilities in respect of derivative instruments	84	494	87	9	649	174	1,497

(1) 30.6.22 - The fair value of derivative instruments subject to netting agreements, as well as derivative instruments received as collateral in government bonds, shares received as collateral and corporate bonds received as collateral amounts to NIS 582 million, NIS 61 million, NIS 26 million and NIS 2 million, respectively.

(2) The difference, if positive, between total amounts in respect of derivative instruments (including in respect of derivative instruments having a negative fair value) as computed for the purpose of limitations on indebtedness of a single borrower, before credit risk mitigation, to the total balance of assets in respect of derivative instrument of the borrower.

NOTE 10 - DERIVATIVE FINANCIAL INSTRUMENTS - VOLUME, CREDIT RISKS AND MATURITY DATES (CONT'D)

(NIS million)

D. MATURITY DATES (STATED VALUE AMOUNTS): BALANCE ON CONSOLIDATED BASIS

	June 30, 2023 (unaudited)				
	Up to 3 months	from 3 months to 1 year	From 1 to 5 years	Over 5 years	Total
Interest rate contracts -					
- NIS - CPI	**-**	**202**	**250**	**-**	**452**
- Other	**4,974**	**3,308**	**7,161**	**2,432**	**17,875**
Foreign currency contracts	**66,937**	**14,611**	**928**	**-**	**82,476**
Contracts of shares	**61,868**	**3,360**	**227**	**-**	**65,455**
Commodities and other contracts	**207**	**3**	**-**	**-**	**210**
Total	**133,986**	**21,484**	**8,566**	**2,432**	**166,468**

	June 30, 2022 (unaudited)				
	Up to 3 months	from 3 months to 1 year	From 1 to 5 years	Over 5 years	Total
Total	109,244	24,922	10,197	3,260	147,623

	December 31, 2022 (audited)				
	Up to 3 months	from 3 months to 1 year	From 1 to 5 years	Over 5 years	Total
Total	107,856	23,824	8,828	3,405	143,913

NOTE 11 - SUPERVISORY SEGMENTS OF OPERATION

A. ASSIGNMENT OF CUSTOMERS TO THE SUPERVISORY ACTIVITY SEGMENTS

The reporting is in accordance with the format and classifications established in the Public Reporting Directives of the Banking Supervision Department, as detailed in the Annual Financial Statements for 2022.

NOTE 11 - SUPERVISORY SEGMENTS OF OPERATION (CON'T)

(NIS million)

B. OPERATIONAL SUPERVISION SEGMENT INFORMATION

	For the three months ended June 30, 2023 (Unaudited)									
	Activity in Israel									
	Households									
	Total	Of which: Housing loans	Of which: credit cards	Private banking	Small and minute businesses	Medium businesses	Large businesses	Institutional entities	Financial Management	Total
										(NIS million)
Interest income from external	883	483	6	-	345	131	396	1	767	2,523
Interest expense from external	368	-	-	110	174	58	228	297	(30)	1,205
Net interest income										
- From external	515	483	6	(110)	171	73	168	(296)	797	1,318
- Inter - segment	184	(353)	(2)	144	123	10	3	351	(815)	-
Total net interest income (expenses)	699	130	4	34	294	83	171	55	(18)	1,318
Non-interest income	149	6	22	22	90	18	42	51	45	417
Total income	848	136	26	56	384	101	213	106	27	1,735
Expenses (income) from credit losses	47	(4)	-	-	69	(2)	(18)	-	3	99
Operating and other expenses	384	34	10	22	173	30	60	55	16	740
Operating profit before taxes	417	106	16	34	142	73	171	51	8	896
Provision for taxes on operating profit	143	36	5	11	48	25	59	18	3	307
Operating profit after taxes	274	70	11	23	94	48	112	33	5	589
Bank's share in operating profit of investee company after tax effect	-	-	-	-	-	-	-	-	19	19
Net profit:										
Before attribution to non-controlling interests	274	70	11	23	94	48	112	33	24	608
Attributed to non-controlling interests	(20)	-	(1)	(1)	(2)	(1)	(1)	-	4	(21)
Net profit attributed to shareholders of the Bank	254	70	10	22	92	47	111	33	28	587
Average balance of assets[1]	57,443	35,406	3,200	81	19,199	7,823	32,656	1,450	83,100	201,752
of which: Investee Company[1]	-	-	-	-	-	-	-	-	737	737
of which: Average balance of credit to the public[1]	57,443	35,406	3,200	81	19,199	7,823	32,656	1,450	-	118,652
Balance of credit to the public	58,551	[4]35,341	4,237	105	19,045	7,716	32,687	1,924	-	120,028
Balance of non-accruing debts	257	166	-	-	185	91	31	-	-	564
Balance in arrears over 90 days	14	-	-	-	12	-	-	-	-	26
Average balance of liabilities[1]	69,657	461	80	10,628	25,925	6,629	16,010	46,402	15,177	190,428
of which: Average balance of deposits from the public[1]	68,807	-	-	10,618	25,472	6,407	14,842	46,385	-	172,531
Balance of deposits from the public	69,365	-	-	10,909	25,119	6,518	15,593	51,509	-	179,013
Average balance of risk assets[1][2]	39,304	18,383	3,032	416	19,008	9,434	29,377	2,275	7,226	107,040
Balance of risk assets[2]	40,403	18,461	3,799	424	18,606	9,259	30,489	1,662	7,450	108,293
Average balance of assets under management[1][3]	39,013	-	-	27,517	21,507	4,666	12,339	313,989	-	419,031
Segmentation of net interest income:										
- Earnings from credit - granting activity	275	113	4	-	139	48	107	3	-	572
- Earnings from deposits - taking activity	391	-	-	33	139	27	37	51	-	678
- Other	33	17	-	1	16	8	27	1	(18)	68
Total net interest income	699	130	4	34	294	83	171	55	(18)	1,318

(1) Average balances computed on the basis of balances at the beginning of the quarter or as at the beginning of the month.
(2) Risk assets - as computed for the purpose of capital adequacy.
(3) Managed assets - including assets of provident funds, further education funds, mutual funds and securities of customers.
(4) Including residential loans to private individuals, which their business activity is classified to the small and minute business segment amount to NIS 1,993 million.

NOTE 11 - SUPERVISORY SEGMENTS OF OPERATION (CON'T)

(NIS million)

B. OPERATIONAL SUPERVISION SEGMENT INFORMATION (CON'T)

	For the three months ended June 30, 2022 (Unaudited)									
	Activity in Israel									
	Households									
	Total	Of which: Housing loans	Of which: credit cards	Private banking	Small and minute businesses	Medium businesses	Large businesses	Institutional entities	Financial Management	Total
										(NIS million)
Interest income from external	669	381	4	1	169	47	106	(2)	114	1,104
Interest expense from external	73	-	-	11	25	6	88	36	6	245
Net interest income										
- From external	596	381	4	(10)	144	41	18	(38)	108	859
- Inter - segment	(243)	(265)	(1)	21	34	10	71	59	48	-
Total net interest income	353	116	3	11	178	51	89	21	156	859
Non-interest income (expenses)	150	3	22	22	96	18	37	53	(27)	349
Total income	503	119	25	33	274	69	126	74	129	1,208
Expenses (income) from credit losses	(2)	10	-	1	21	20	(9)	-	-	31
Operating and other expenses	352	47	21	18	159	26	45	44	18	662
Operating profit before taxes	153	62	4	14	94	23	90	30	111	515
Provision for taxes on operating profit	53	22	2	5	34	8	31	9	39	179
Operating profit after taxes	100	40	2	9	60	15	59	21	72	336
Bank's share in operating profit of investee company after tax effect	-	-	-	-	-	-	-	-	20	20
Net profit:										
Before attribution to non-controlling interests	100	40	2	9	60	15	59	21	92	356
Attributed to non-controlling interests	(10)	-	-	-	(1)	-	(1)	-	(2)	(14)
Net profit attributed to shareholders of the Bank	90	40	2	9	59	15	58	21	90	342
Average balance of assets(1)	56,331	34,292	3,060	160	20,097	7,282	24,391	1,700	73,163	183,124
of which: Investee Company(1)	-	-	-	-	-	-	-	-	689	689
of which: Average balance of credit to the public(1)	56,331	34,292	3,060	160	20,097	7,282	24,391	1,700	-	109,961
Balance of credit to the public	58,163	(4)34,695	3,962	129	21,410	7,755	24,802	1,673	-	113,932
Balance of non-accruing debts*	254	152	-	-	218	80	55	-	-	607
Balance in arrears over 90 days*	13	-	-	-	6	-	-	-	-	19
Average balance of liabilities(1)	66,286	246	39	9,766	26,767	6,936	18,802	30,985	13,351	172,893
of which: Average balance of deposits from the public(1)	65,676	-	-	9,763	26,435	6,808	17,907	30,966	-	157,555
Balance of deposits from the public	67,771	-	-	10,325	27,444	6,879	17,548	34,572	-	164,539
Average balance of risk assets(1)(2)	36,995	17,968	3,451	353	19,375	8,517	23,938	1,247	7,086	97,511
Balance of risk assets(2)	37,294	18,217	4,117	281	20,429	8,844	23,946	1,378	8,463	100,635
Average balance of assets under management(1)(3)	38,363	-	-	26,088	20,010	4,288	15,494	310,194	-	414,437
Segmentation of net interest income:										
- Earnings from credit - granting activity	285	116	3	1	149	43	79	3	-	560
- Earnings from deposits - taking activity	67	-	-	10	29	8	9	18	-	141
- Other	1	-	-	-	-	-	1	-	156	158
Total net interest income	353	116	3	11	178	51	89	21	156	859

(1) Average balances computed on the basis of balances at the beginning of the quarter or as at the beginning of the month.
(2) Risk assets - as computed for the purpose of capital adequacy.
(3) Managed assets - including assets of provident funds, further education funds, mutual funds and securities of customers.
(4) Including residential loans to private individuals, which their business activity is classified to the small and minute business segment amount to NIS 1,403 million.

NOTE 11 - SUPERVISORY SEGMENTS OF OPERATION (CON'T)

(NIS million)

B. OPERATIONAL SUPERVISION SEGMENT INFORMATION (CON'T)

For the six months ended June 30, 2023 (Unaudited)

Activity in Israel

	Households									
	Total	Of which: Housing loans	Of which: credit cards	Private banking	Small and minute businesses	Medium businesses	Large businesses	Institutional entities	Financial Management	Total
										(NIS million)
Interest income from external	1,692	920	11	1	672	249	722	11	1,352	4,699
Interest expense from external	692	-	-	168	287	90	362	570	(63)	2,106
Net interest income										
- From external	1,000	920	11	(167)	385	159	360	(559)	1,415	2,593
- Inter - segment	361	(659)	(4)	233	205	6	(34)	664	(1,435)	-
Total net interest income	1,361	261	7	66	590	165	326	105	(20)	2,593
Non-interest income	301	8	46	46	190	39	85	105	76	842
Total income	1,662	269	53	112	780	204	411	210	56	3,435
Expenses (income) from credit losses	58	(4)	-	-	100	23	(12)	(1)	3	171
Operating and other expenses	759	73	21	44	352	60	115	102	32	1,464
Operating profit before taxes	845	200	32	68	328	121	308	109	21	1,800
Provision for taxes on operating profit	292	69	11	23	113	42	107	38	7	622
Operating profit after taxes	553	131	21	45	215	79	201	71	14	1,178
Bank's share in operating profit of investee company after tax effect	-	-	-	-	-	-	-	-	84	84
Net profit:										
Before attribution to non-controlling interests	553	131	21	45	215	79	201	71	98	1,262
Attributed to non-controlling interests	(40)	-	(2)	(1)	(6)	(2)	(2)	-	7	(44)
Net profit attributed to shareholders of the Bank	513	131	19	44	209	77	199	71	105	1,218
Average balance of assets(1)	57,626	35,445	3,170	83	20,068	7,882	30,685	1,565	81,125	199,034
of which: Investee Company(1)	-	-	-	-	-	-	-	-	723	723
of which: Average balance of credit to the public(1)	57,626	35,445	3,170	83	20,068	7,882	30,685	1,565	-	117,909
Balance of credit to the public	58,551	(4)35,341	4,237	105	19,045	7,716	32,687	1,924	-	120,028
Balance of non-accruing debts	257	166	-	-	185	91	31	-	-	564
Balance in arrears over 90 days	14	-	-	-	12	-	-	-	-	26
Average balance of liabilities(1)	69,169	461	80	10,486	26,438	6,712	16,461	42,578	15,931	187,775
of which: Average balance of deposits from the public(1)	68,360	-	-	10,476	25,981	6,494	15,430	42,549	-	169,290
Balance of deposits from the public	69,365	-	-	10,909	25,119	6,518	15,593	51,509	-	179,013
Average balance of risk assets(1)(2)	39,285	18,422	2,946	416	19,379	9,130	28,817	1,676	7,083	105,786
Balance of risk assets(2)	40,403	18,461	3,799	424	18,606	9,259	30,489	1,662	7,450	108,293
Average balance of assets under management(1)(3)	38,485	-	-	26,589	20,485	4,524	13,227	311,735	-	415,045
Segmentation of net interest income:										
- Earnings from credit - granting activity	558	229	7	-	284	96	208	5	-	1,151
- Earnings from deposits - taking activity	743	-	-	65	274	54	69	98	-	1,303
- Other	60	32	-	1	32	15	49	2	(20)	139
Total net interest income	1,361	261	7	66	590	165	326	105	(20)	2,593

(1) Average balances computed on the basis of balances at the beginning of the quarter or as at the beginning of the month.
(2) Risk assets - as computed for the purpose of capital adequacy.
(3) Managed assets - including assets of provident funds, further education funds, mutual funds and securities of customers.
(4) Including residential loans to private individuals, which their business activity is classified to the small and minute business segment amount to NIS 1,993 million.

NOTE 11 - SUPERVISORY SEGMENTS OF OPERATION (CON'T)

(NIS million)

B. OPERATIONAL SUPERVISION SEGMENT INFORMATION (CON'T)

	For the six months ended June 30, 2022 (Unaudited)									
	Activity in Israel									
	Households									
	Total	Of which: Housing loans	Of which: credit cards	Private banking	Small and minute businesses	Medium businesses	Large businesses	Institutional entities	Financial Management	Total
										(NIS million)
Interest income from external	1,097	676	9	2	362	99	251	5	159	1,975
Interest expense from external	113	-	-	16	38	9	137	50	9	372
Net interest income										
- From external	984	676	9	(14)	324	90	114	(45)	150	1,603
- Inter - segment	(319)	(447)	(3)	30	12	2	52	76	147	-
Total net interest income	665	229	6	16	336	92	166	31	297	1,603
Non-interest income	307	6	46	47	196	36	71	108	10	775
Total income	972	235	52	63	532	128	237	139	307	2,378
Expenses (income) from credit losses	9	11	-	1	11	27	(17)	-	-	31
Operating and other expenses	711	99	27	37	330	53	91	85	39	1,346
Operating profit before taxes	252	125	25	25	191	48	163	54	268	1,001
Provision for taxes on operating profit	87	44	9	9	67	17	57	18	93	348
Operating profit after taxes	165	81	16	16	124	31	106	36	175	653
Bank's share in operating profit of investee company after tax effect	-	-	-	-	-	-	-	-	37	37
Net profit:										
Before attribution to non-controlling interests	165	81	16	16	124	31	106	36	212	690
Attributed to non-controlling interests	(17)	-	(1)	-	(2)	(1)	(1)	-	(5)	(26)
Net profit attributed to shareholders of the Bank	148	81	15	16	122	30	105	36	207	664
Average balance of assets(1)	55,500	33,608	2,976	126	19,944	6,912	22,414	1,605	75,826	182,327
of which: Investee Company(1)	-	-	-	-	-	-	-	-	708	708
of which: Average balance of credit to the public(1)	55,500	33,608	2,976	126	19,944	6,912	22,414	1,605	-	106,501
Balance of credit to the public	58,163	(4)34,695	3,962	129	21,410	7,755	24,802	1,673	-	113,932
Balance of non-accruing debts	254	152	-	-	218	80	55	-	-	607
Balance in arrears over 90 days	13	-	-	-	6	-	-	-	-	19
Average balance of liabilities(1)	65,460	229	36	9,647	26,239	7,049	17,890	31,194	14,531	172,010
of which: Average balance of deposits from the public(1)	65,057	-	-	9,644	25,988	6,950	17,163	31,169	-	155,971
Balance of deposits from the public	67,771	-	-	10,325	27,444	6,879	17,548	34,572	-	164,539
Average balance of risk assets(1)(2)	36,368	17,702	3,389	311	19,023	7,977	22,447	1,903	6,360	94,389
Balance of risk assets(2)	37,294	18,217	4,117	281	20,429	8,844	23,946	1,378	8,463	100,635
Average balance of assets under management(1)(3)	38,924	-	-	25,207	20,572	4,123	16,695	322,324	-	427,845
Segmentation of net interest income:										
- Earnings from credit - granting activity	569	229	6	1	298	82	153	6	-	1,109
- Earnings from deposits - taking activity	96	-	-	15	38	10	13	25	-	197
- Other	-	-	-	-	-	-	-	-	297	297
Total net interest income	665	229	6	16	336	92	166	31	297	1,603

(1) Average balances computed on the basis of balances at the beginning of the quarter or as at the beginning of the month.
(2) Risk assets - as computed for the purpose of capital adequacy.
(3) Managed assets - including assets of provident funds, further education funds, mutual funds and securities of customers.
(4) Including residential loans to private individuals, which their business activity is classified to the small and minute business segment amount to NIS 1,403 million.

NOTE 11 - SUPERVISORY SEGMENTS OF OPERATION (CON'T)

(NIS million)

B. OPERATIONAL SUPERVISION SEGMENT INFORMATION (CON'T)

	For the year ended December 31, 2022 (audited)									
	Activity in Israel									
	Households									
	Total	Of which: Housing loans	Of which: credit cards	Private banking	Small and minute businesses	Medium businesses	Large businesses	Institutional entities	Financial Management	Total
										(NIS million)
Interest income from external	2,408	1,421	20	2	919	290	702	13	827	5,161
Interest expense from external	479	-	-	70	151	41	360	267	(10)	1,358
Net interest income										
- From external	1,929	1,421	20	(68)	768	249	342	(254)	837	3,803
- Inter - segment	(209)	(939)	(8)	138	77	(12)	71	375	(440)	-
Total net interest income	1,720	482	12	70	845	237	413	121	397	3,803
Non-interest income	610	13	102	88	382	75	156	197	103	1,611
Total income	2,330	495	114	158	1,227	312	569	318	500	5,414
Expenses from credit losses	41	25	-	1	24	42	13	2	-	123
Operating and other expenses	1,440	190	31	76	674	113	201	177	74	2,755
Operating profit before taxes	849	280	83	81	529	157	355	139	426	2,536
Provision for taxes on operating profit	296	98	29	28	184	55	124	48	149	884
Operating profit after taxes	553	182	54	53	345	102	231	91	277	1,652
Bank's share in operating profit of investee company after tax effect	-	-	-	-	-	-	-	-	74	74
Net profit:										
Before attribution to non-controlling interests	553	182	54	53	345	102	231	91	351	1,726
Attributed to non-controlling interests	(43)	-	(3)	(1)	(6)	(3)	(1)	-	(5)	(59)
Net profit attributed to shareholders of the Bank	510	182	51	52	339	99	230	91	346	1,667
Average balance of assets(1)	56,656	34,470	3,077	111	21,502	7,291	23,381	1,572	76,588	187,101
of which: Investee Company(1)	-			-	-	-	-	-	698	698
of which: Average balance of credit to the public(1)	56,656	34,470	3,077	111	21,502	7,291	23,381	1,572	-	110,513
Balance of credit to the public	59,045	(4)35,474	4,062	97	20,019	8,192	27,784	2,019	-	117,156
Balance of non-accruing debts	241	145	-	-	234	35	34	-	-	544
Balance in arrears over 90 days	13	-	-	-	8	-	-	-	-	21
Average balance of liabilities(1)	66,970	311	47	9,787	27,225	6,980	18,090	32,022	15,537	176,611
of which: Average balance of deposits from the public(1)	66,606	-	-	9,781	26,987	6,864	17,339	31,997	-	159,574
Balance of deposits from the public	68,122	-	-	10,430	27,325	6,834	17,753	37,805	-	168,269
Average balance of risk assets(1)(2)	37,489	18,080	3,460	346	20,384	8,494	23,360	1,538	6,350	97,961
Balance of risk assets(2)	38,197	18,480	3,905	320	19,574	9,053	26,551	1,210	8,731	103,636
Average balance of assets under management(1)(3)	38,395	-	-	25,265	20,356	4,117	16,056	310,106	-	414,295
Segmentation of net interest income:										
- Earnings from credit - granting activity	1,144	465	12	1	601	177	332	11	-	2,266
- Earnings from deposits - taking activity	545	-	-	69	226	52	59	109	-	1,060
- Other	31	17	-	-	18	8	22	1	397	477
Total net interest income	1,720	482	12	70	845	237	413	121	397	3,803

(1) Average balances computed on the basis of balances at the beginning of the quarter or as at the beginning of the month.
(2) Risk assets - as computed for the purpose of capital adequacy.
(3) Managed assets - including assets of provident funds, further education funds, mutual funds and securities of customers.
(4) Including residential loans to private individuals, which their business activity is classified to the small and minute business segment amount to NIS 1,414 million.

NOTE 11A - ACTIVITY SEGMENTS BASED ON MANAGEMENT'S APROACH

The division into segments of activity according to the management approach is based on types of products and services or on types of customers. The chief operating decision maker of the Bank uses this division to make decisions and to analyze the Group's business results. For details regarding the assignment of customers to segments based on the management approach and rules for the distribution of results of operations among the segments, see Note 28A to the Annual Financial Statements for 2022.

	Banking Division				Corporate Division		
	Housing loans	Households	Private banking	Other	Corporate customers	Commercial customers	Other
Net interest income	**131**	**326**	**210**	**223**	**231**	**110**	**63**
Non-interest income	**6**	**53**	**110**	**53**	**75**	**22**	**10**
Total income	**137**	**379**	**320**	**276**	**306**	**132**	**73**
Expenses (income) in respect of credit losses	**(3)**	**50**	**13**	**40**	**(14)**	**4**	**2**
Operating and other expenses	**40**	**189**	**143**	**117**	**94**	**46**	**12**
Operating profit before taxes	**100**	**140**	**164**	**119**	**226**	**82**	**59**
Provision for taxes on operating profit	**34**	**48**	**56**	**40**	**78**	**28**	**20**
Operating profit after taxes	**66**	**92**	**108**	**79**	**148**	**54**	**39**
Bank's share in operating profit of investee company after taxes	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Net profit							
Before attribution to non-controlling interests	**66**	**92**	**108**	**79**	**148**	**54**	**39**
Attributed to non-controlling interests	-	-	-	-	-	-	-
Attributed to shareholders of the Bank	**66**	**92**	**108**	**79**	**148**	**54**	**39**
Average balance of assets(1)	**35,161**	**15,041**	**4,330**	**10,392**	**40,523**	**11,017**	**891**
Balance of credit to the public at the end of the reported period	**35,098**	**15,622**	**4,622**	**11,552**	**40,504**	**10,845**	**1,245**
Balance of deposits from the public at the end of the reported period	**-**	**31,985**	**43,993**	**21,065**	**28,590**	**8,001**	**44,585**

	Banking Division				Corporate Division		
	Housing loans	Households	Private banking	Other	Corporate customers	Commercial customers	Other
Net interest income	117	152	64	123	135	75	23
Non-interest income	3	54	113	56	73	22	11
Total income	120	206	177	179	208	97	34
Expenses (income) in respect of credit losses	10	(5)	2	26	(16)	35	1
Operating and other expenses	50	171	126	107	85	43	8
Operating profit before taxes	60	40	49	46	139	19	25
Provision for taxes on operating profit	21	14	17	16	48	7	9
Operating profit after taxes	39	26	32	30	91	12	16
Bank's share in operating profit of investee company after taxes	-	-	-	-	-	-	-
Net profit							
Before attribution to non-controlling interests	39	26	32	30	91	12	16
Attributed to non-controlling interests	-	-	-	-	-	-	-
Attributed to shareholders of the Bank	39	26	32	30	91	12	16
Average balance of assets(1)	34,029	15,479	4,553	11,262	31,961	11,332	1,346
Balance of credit to the public at the end of the reported period	34,430	16,154	4,892	13,293	33,274	11,723	1,295
Balance of deposits from the public at the end of the reported period	-	31,827	42,873	22,716	30,096	9,056	29,335

(1) Average balance calculated on the basis of balances at the beginning of the quarter or the beginning of the month.

For the three months ended June 30, 2023 (unaudited)

	Customer Asset Division	Financial management	Subsidiary companies	Adjustments		Total
				Total	Of which: operation in the capital market products	
	634	**(18)**	**110**	**(702)**	**(634)**	**1,318**
	229	**49**	**18**	**(208)**	**(181)**	**417**
	863	**31**	**128**	**(910)**	**(815)**	**1,735**
	(5)	**3**	**7**	**2**	**5**	**99**
	259	**16**	**55**	**(231)**	**(206)**	**740**
	609	**12**	**66**	**(681)**	**(614)**	**896**
	209	**5**	**23**	**(234)**	**(210)**	**307**
	400	**7**	**43**	**(447)**	**(404)**	**589**
	-	**19**	**-**	**-**	**-**	**19**
	400	**26**	**43**	**(447)**	**(404)**	**608**
	-	**-**	**(21)**	**-**	**-**	**(21)**
	400	**26**	**22**	**(447)**	**(404)**	**587**
	12,341	**80,736**	**9,362**	**(18,042)**	**(12,341)**	**201,752**
	13,094	**-**	**6,273**	**(18,827)**	**(13,094)**	**120,028**
	172,139	**-**	**9,297**	**(180,642)**	**(172,139)**	**179,013**

For the three months ended June 30, 2022 (unaudited)

	Customer Asset Division	Financial management	Subsidiary companies	Adjustments		Total
				Total	Of which: operation in the capital market products	
	144	147	70	(191)	(144)	859
	238	(28)	23	(216)	(190)	349
	382	119	93	(407)	(334)	1,208
	-	-	(3)	(19)	-	31
	207	17	54	(206)	(166)	662
	175	102	42	(182)	(168)	515
	61	35	14	(63)	(59)	179
	114	67	28	(119)	(109)	336
	-	20	-	-	-	20
	114	87	28	(119)	(109)	356
	-	-	(14)	-	-	(14)
	114	87	14	(119)	(109)	342
	10,422	70,612	9,028	(16,900)	(10,422)	183,124
	11,088	-	5,889	(18,106)	(11,088)	113,932
	157,714	-	9,581	(168,659)	(157,714)	164,539

NOTE 11A - ACTIVITY SEGMENTS BASED ON MANAGEMENT'S APROACH (CON'T)

	Banking Division				Corporate Division		
	Housing loans	Households	Private banking	Other	Corporate customers	Commercial customers	Other
Net interest income	**263**	**631**	**410**	**443**	**449**	**221**	**118**
Non-interest income	**8**	**107**	**226**	**111**	**158**	**44**	**21**
Total income	**271**	**738**	**636**	**554**	**607**	**265**	**139**
Expenses (income) in respect of credit losses	**(3)**	**61**	**22**	**64**	**(11)**	**48**	**2**
Operating and other expenses	**81**	**379**	**284**	**241**	**191**	**91**	**23**
Operating profit before taxes	**193**	**298**	**330**	**249**	**427**	**126**	**114**
Provision for taxes on operating profit	**67**	**103**	**114**	**86**	**148**	**43**	**39**
Operating profit after taxes	**126**	**195**	**216**	**163**	**279**	**83**	**75**
Bank's share in operating profit of investee company after taxes	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Net profit							
Before attribution to non-controlling interests	**126**	**195**	**216**	**163**	**279**	**83**	**75**
Attributed to non-controlling interests	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Attributed to shareholders of the Bank	**126**	**195**	**216**	**163**	**279**	**83**	**75**
Average balance of assets(1)	**35,200**	**15,180**	**4,387**	**10,536**	**39,207**	**11,233**	**1,014**
Balance of credit to the public at the end of the reported period	**35,098**	**15,622**	**4,622**	**11,552**	**40,504**	**10,845**	**1,245**
Balance of deposits from the public at the end of the reported period	**-**	**31,985**	**43,993**	**21,065**	**28,590**	**8,001**	**44,585**

	Banking Division				Corporate Division		
	Housing loans	Households	Private banking	Other	Corporate customers	Commercial customers	Other
Net interest income	232	284	102	229	249	143	36
Non-interest income	6	109	235	115	143	44	22
Total income	238	393	337	344	392	187	58
Expenses (income) in respect of credit losses	11	4	3	4	(3)	21	-
Operating and other expenses	104	346	255	222	170	89	16
Operating profit before taxes	123	43	79	118	225	77	42
Provision for taxes on operating profit	43	15	27	41	78	27	15
Operating profit after taxes	80	28	52	77	147	50	27
Bank's share in operating profit of investee company after taxes	-	-	-	-	-	-	-
Net profit							
Before attribution to non-controlling interests	80	28	52	77	147	50	27
Attributed to non-controlling interests	-	-	-	-	-	-	-
Attributed to shareholders of the Bank	80	28	52	77	147	50	27
Average balance of assets(1)	33,348	15,350	4,479	11,149	29,805	10,990	1,297
Balance of credit to the public at the end of the reported period	34,430	16,154	4,892	13,293	33,274	11,723	1,295
Balance of deposits from the public at the end of the reported period	-	31,827	42,873	22,716	30,096	9,056	29,335

(1) Average balance calculated on the basis of balances at the beginning of the quarter or the beginning of the month.

					For the six months ended June 30, 2023 (unaudited)
				Adjustments	
Customer Asset Division	**Financial management**	**Subsidiary companies**	**Total**	**Of which: operation in the capital market products**	**Total**
1220	**(21)**	**216**	**(1,357)**	**(1,220)**	**2,593**
480	**89**	**35**	**(437)**	**(383)**	**842**
1,700	**68**	**251**	**(1,794)**	**(1,603)**	**3,435**
(2)	**3**	**2**	**(15)**	**2**	**171**
504	**32**	**111**	**(473)**	**(406)**	**1,464**
1,198	**33**	**138**	**(1,306)**	**(1,199)**	**1,800**
414	**12**	**48**	**(452)**	**(414)**	**622**
784	**21**	**90**	**(854)**	**(785)**	**1,178**
-	**84**	**-**	**-**	**-**	**84**
784	**105**	**90**	**(854)**	**(785)**	**1,262**
-	**-**	**(44)**	**-**	**-**	**(44)**
784	**105**	**46**	**(854)**	**(785)**	**1,218**
12,273	**78,748**	**9,337**	**(18,081)**	**(12,273)**	**199,034**
13,094	**-**	**6,273**	**(18,827)**	**(13,094)**	**120,028**
172,139	**-**	**9,297**	**(180,642)**	**(172,139)**	**179,013**

					For the six months ended June 30, 2022 (unaudited)
				Adjustments	
Customer Asset Division	**Financial management**	**Subsidiary companies**	**Total**	**Of which: operation in the capital market products**	**Total**
210	281	133	(296)	(210)	1,603
492	7	49	(447)	(391)	775
702	288	182	(743)	(601)	2,378
(3)	-	(2)	(4)	3	31
415	38	103	(412)	(336)	1,346
290	250	81	(327)	(268)	1,001
101	87	28	(114)	(93)	348
189	163	53	(213)	(175)	653
-	37	-	-	-	37
189	200	53	(213)	(175)	690
-	-	(26)	-	-	(26)
189	200	27	(213)	(175)	664
9,792	73,212	9,023	(16,118)	(9,792)	182,327
11,088	-	5,889	(18,106)	(11,088)	113,932
157,714	-	9,581	(168,659)	(157,714)	164,539

NOTE 11A - ACTIVITY SEGMENTS BASED ON MANAGEMENT'S APROACH (CON'T)

(NIS million)

	Banking Division				Corporate Division		
	Housing loans	Households	Private banking	Other	Corporate customers	Commercial customers	Other
Net interest income	488	760	391	595	622	340	135
Non-interest income	12	224	453	232	289	88	38
Total income	500	984	844	827	911	428	173
Expenses in respect of credit losses	38	11	6	48	10	45	2
Operating and other expenses	198	717	521	461	366	182	44
Operating profit before taxes	264	256	317	318	535	201	127
Provision for taxes on operating profit	92	89	110	111	186	70	44
Operating profit after taxes	172	167	207	207	349	131	83
Bank's share in operating profit of investee company after taxes	-	-	-	-	-	-	-
Net profit							
Before attribution to non-controlling interests	172	167	207	207	349	131	83
Attributed to non-controlling interests	-	-	-	-	-	-	-
Attributed to shareholders of the Bank	172	167	207	207	349	131	83
Average balance of assets(1)	34,210	15,452	4,532	11,166	32,347	11,290	1,253
Balance of credit to the public at the end of the reported period	35,229	15,992	4,773	12,546	36,115	11,657	1,404
Balance of deposits from the public at the end of the reported period	-	32,580	41,815	23,970	32,813	9,687	30,006

(1) Average balance calculated on the basis of balances at the beginning of the quarter or the beginning of the month.

For the year ended December 31, 2022 (audited)					
			Adjustments		
Customer Asset Division	Financial management	Subsidiary companies	Total	Of which: operation in the capital market products	Total
1,033	371	307	(1,239)	(1,033)	3,803
945	100	95	(865)	(758)	1,611
1,978	471	402	(2,104)	(1,791)	5,414
9	-	5	(51)	(9)	123
870	72	211	(887)	(697)	2,755
1,099	399	186	(1,166)	(1,085)	2,536
383	139	66	(406)	(377)	884
716	260	120	(760)	(708)	1,652
-	74	-	-	-	74
716	334	120	(760)	(708)	1,726
-	-	(59)	-	-	(59)
716	334	61	(760)	(708)	1,667
10,361	74,089	9,099	(16,698)	(10,361)	187,101
11,653	-	6,137	(18,350)	(11,653)	117,156
161,954	-	9,347	(173,903)	(161,954)	168,269

NOTE 12 - ADDITIONAL INFORMATION ABOUT CREDIT RISK, CREDIT TO THE PUBLIC AND PROVISION FOR CREDIT LOSSES

(NIS million)

A. DEBTS(1), BONDS HELD TO MATURITY, BONDS AVAILABLE FOR SALE AND OFF-BALANCE SHEET CREDIT INSTRUMENTS

Provision for credit losses

1. Change in provision for credit losses

	For the three months ended June 30, 2023 (unaudited)					
	Credit to the public				Banks, Governments and Bonds	Total
	Commercial	Housing	Other private	Total		
Provision for credit losses at beginning of the period (1)	**892**	**151**	**353**	**1,396**	**2**	**1,398**
Expenses (income) in respect of credit losses	**49**	**(4)**	**51**	**96**	**3**	**99**
- Accounting write-offs	**(24)**	**(1)**	**(27)**	**(52)**	**-**	**(52)**
- Collection of debts written off in accounting in previous years	**16**	**2**	**21**	**39**	**-**	**39**
Net accounting write-offs	**(8)**	**1**	**(6)**	**(13)**	**-**	**(13)**
Provision for credit losses at end of the period(2)	**933**	**148**	**398**	**1,479**	**5**	**1,484**
Of which: (1) In respect of off-balance sheet credit instruments	**105**	**6**	**18**	**129**	**-**	**129**
(2) In respect of off-balance sheet credit instruments	**102**	**6**	**29**	**137**	**-**	**137**

	For the three months ended June 30, 2022 (unaudited)					
	Credit to the public				Banks, Governments and Bonds	Total
	Commercial	Housing	Other private	Total		
Provision for credit losses at beginning of the period (1)	752	127	343	1,222	2	1,224
Expenses (income) in respect of credit losses	32	10	(11)	31	-	31
- Accounting write-offs	(34)	-	(26)	(60)	-	(60)
- Collection of debts written off in accounting in previous years	14	1	22	37	-	37
Net accounting write-offs	(20)	1	(4)	(23)	-	(23)
Provision for credit losses at end of the period(2)	764	138	328	1,230	2	1,232
Of which: (1) In respect of off-balance sheet credit instruments	116	6	12	134	-	134
(2) In respect of off-balance sheet credit instruments	92	6	11	109	-	109

(1) Credit to the public, credit to governments, deposits with banks and other debts, excluding bonds and securities borrowed.

NOTE 12 - ADDITIONAL INFORMATION ABOUT CREDIT RISK, CREDIT TO THE PUBLIC AND PROVISION FOR CREDIT LOSSES (CONT'D)

(NIS million)

A. DEBTS(1), BONDS HELD TO MATURITY, BONDS AVAILABLE FOR SALE AND OFF-BALANCE SHEET CREDIT INSTRUMENTS(CONT'D)

Provision for credit losses (Cont'd)

1. Change in provision for credit losses (Cont'd)

	For the six months ended June 30, 2023 (unaudited)					
	Credit to the public				Banks, Governments and Bonds	Total
	Commercial	Housing	Other private	Total		
Provision for credit losses at beginning of the year (audited)(1)	**817**	**151**	**344**	**1,312**	**2**	**1,314**
Expenses (income) in respect of credit losses	**110**	**(4)**	**62**	**168**	**3**	**171**
- Accounting write-offs	**(42)**	**(3)**	**(51)**	**(96)**	**-**	**(96)**
- Collection of debts written off in accounting in previous years	**48**	**4**	**43**	**95**	**-**	**95**
Net accounting write-offs	**6**	**1**	**(8)**	**(1)**	**-**	**(1)**
Provision for credit losses at end of the period(2)	**933**	**148**	**398**	**1,479**	**5**	**1,484**
Of which: (1) In respect of off-balance sheet credit instruments	**100**	**6**	**11**	**117**	**-**	**117**
(2) In respect of off-balance sheet credit instruments	**102**	**6**	**29**	**137**	**-**	**137**

	For the six months ended June 30, 2022 (unaudited)					
	Credit to the public				Banks, Governments and Bonds	Total
	Commercial	Housing	Other private	Total		
Provision for credit losses at beginning of the year (audited)(1)	670	159	326	1,155	-	1,155
Adjustment to opening balance due to effect of initial implementation*	93	(34)	4	63	2	65
Expenses (income) in respect of credit losses	21	11	(1)	31	-	31
- Accounting write-offs	(58)	-	(46)	(104)	-	(104)
- Collection of debts written off in accounting in previous years	38	2	45	85	-	85
Net accounting write-offs	(20)	2	(1)	(19)	-	(19)
Provision for credit losses at end of the period(2)	764	138	328	1,230	2	1,232
Of which: (1) In respect of off-balance sheet credit instruments	68	-	11	79	-	79
(2) In respect of off-balance sheet credit instruments	92	6	11	109	-	109

* Effect of initial implementation of the public reporting instruction regarding expected credit losses.

(1) Credit to the public, credit to governments, deposits with banks and other debts, excluding bonds and securities borrowed.

NOTE 12 - ADDITIONAL INFORMATION ABOUT CREDIT RISK, CREDIT TO THE PUBLIC AND PROVISION FOR CREDIT LOSSES (CONT'D)

(NIS million)

A. DEBTS(1), BONDS HELD TO MATURITY, BONDS AVAILABLE FOR SALE AND OFF-BALANCE SHEET CREDIT INSTRUMENTS(Cont'd)

2. Additional information regarding the method of calculating the provision for credit losses in respect of debts(1)

	June 30, 2023 (unaudited)					
	Credit to the public					
	Commercial	Housing	Other private	Total	Banks and Governments	Total
Recorded debt balance of debts						
Examined on an individual basis	**54,900**	**-**	**319**	**55,219**	**26,035**	**81,254**
Examined on a collective basis	**6,613**	**35,341**	**22,855**	**64,809**	**-**	**64,809**
Total debts	**61,513**	**35,341**	**23,174**	**120,028**	**26,035**	**146,063**
Provision for credit losses in respect of debts						
Examined on an individual basis	**738**	**-**	**6**	**744**	**5**	**749**
Examined on a collective basis	**93**	**142**	**363**	**598**	**-**	**598**
Total provision for credit losses	**831**	**142**	**369**	**1,342**	**5**	**1,347**

	June 30, 2022 (unaudited)					
	Credit to the public					
	Commercial	Housing	Other private	Total	Banks and Governments	Total
Recorded debt balance of debts						
Examined on an individual basis	49,185	-	541	49,726	19,333	69,059
Examined on a collective basis	6,573	34,695	22,938	64,206	-	64,206
Total debts	55,758	34,695	23,479	113,932	19,333	133,265
Provision for credit losses in respect of debts						
Examined on an individual basis	592	-	45	637	2	639
Examined on a collective basis	80	132	272	484	-	484
Total provision for credit losses	672	132	317	1,121	2	1,123

	December 31, 2022 (audited)					
	Credit to the public					
	Commercial	Housing	Other private	Total	Banks and Governments	Total
Recorded debt balance of debts						
Examined on an individual basis	51,216	-	389	51,605	19,217	70,822
Examined on a collective basis	6,933	35,474	23,144	65,551	-	65,551
Total debts	58,149	35,474	23,533	117,156	19,217	136,373
Provision for credit losses in respect of debts						
Examined on an individual basis	645	-	10	655	2	657
Examined on a collective basis	72	145	323	540	-	540
Total provision for credit losses	717	145	333	1,195	2	1,197

(1) Credit to the public, credit to governments, deposits with banks and other debts, excluding bonds and securities borrowed.

NOTE 12 - ADDITIONAL INFORMATION ABOUT CREDIT RISK, CREDIT TO THE PUBLIC AND PROVISION FOR CREDIT LOSSES (CONT'D)

(NIS million)

B. CREDIT TO THE PUBLIC

1. Credit quality and arrears

	June 30, 2023 (unaudited)					
		Problematic[1]			Accruing debts[2] - additional information	
	Performing	Accruing[2]	Non-accruing	Total	In arrears of 90 days or more	In arrears of 30 to 89 days[3]
Borrower activity in Israel						
Public - commercial						
Construction and real estate - construction	**10,270**	**63**	**27**	**10,360**	**2**	**2**
Construction and real estate - real estate activities	**7,053**	**19**	**38**	**7,110**	**-**	**7**
Financial services	**15,462**	**8**	**2**	**15,472**	**3**	**12**
Commercial - other	**27,273**	**629**	**240**	**28,142**	**7**	**20**
Total commercial	**60,058**	**719**	**307**	**61,084**	**12**	**41**
Private individuals - housing loans	**35,110**	**65**	**166**	**35,341**	**-**	**185**
Private individuals - others	**22,912**	**171**	**91**	**23,174**	**14**	**43**
Total activity in Israel	**118,080**	**955**	**564**	**119,599**	**26**	**269**
Borrower activity abroad						
Public - commercial						
Construction and real estate	**10**	**-**	**-**	**10**	**-**	**-**
Other commercial	**419**	**-**	**-**	**419**	**-**	**6**
Total commercial	**429**	**-**	**-**	**429**	**-**	**6**
Private individuals	**-**	**-**	**-**	**-**	**-**	**-**
Total activity abroad	**429**	**-**	**-**	**429**	**-**	**6**
Total credit to the public	**118,509**	**955**	**564**	**120,028**	**26**	**275**

(1) Credit to the public, credit to government, deposits with banks and other debts, excluding bonds and securities borrowed.
(2) Classified as problematic debts, accruing interest income.
(5) Accruing interest income. Debts in arrears of 30 to 89 days, in the amount of approximately NIS 96 million (30.6.22 - NIS 65 million) were classified as problematic debts.

NOTE 12 - ADDITIONAL INFORMATION ABOUT CREDIT RISK, CREDIT TO THE PUBLIC AND PROVISION FOR CREDIT LOSSES (CONT'D)

(NIS million)

B. CREDIT TO THE PUBLIC (Cont'd)

1. Credit quality and arrears (Cont'd)

	June 30, 2022 (unaudited)					
		Problematic[1]			Accruing debts[2] - additional information	
	Performing	Accruing[2]	Non-accruing	Total	In arrears of 90 days or more	In arrears of 30 to 89 days[3]
Borrower activity in Israel						
Public - commercial						
Construction and real estate - construction	8,799	36	69	8,904	-	3
Construction and real estate - real estate activities	7,235	30	41	7,306	1	-
Financial services	10,983	3	4	10,990	-	1
Commercial - other	27,360	553	233	28,146	5	16
Total commercial	54,377	622	347	55,346	6	20
Private individuals - housing loans	34,492	51	152	34,695	-	167
Private individuals - others	23,228	149	102	23,479	13	30
Total activity in Israel	112,097	822	601	113,520	19	217
Borrower activity abroad						
Public - commercial						
Construction and real estate	23	-	-	23	-	-
Other commercial	383	-	6	389	-	2
Total commercial	406	-	6	412	-	2
Private individuals	-	-	-	-	-	-
Total activity abroad	406	-	6	412	-	2
Total credit to the public	112,503	822	607	113,932	19	219

NOTE 12 - ADDITIONAL INFORMATION ABOUT CREDIT RISK, CREDIT TO THE PUBLIC AND PROVISION FOR CREDIT LOSSES (CONT'D)

(NIS million)

B. CREDIT TO THE PUBLIC (Cont'd)

1. Credit quality and arrears (Cont'd)

	December 31, 2022 (audited)					
		Problematic(1)			Accruing debts(2) - additional information	
	Performing	Accruing(2)	Non-accruing	Total	In arrears of 90 days or more	In arrears of 30 to 89 days(3)
Borrower activity in Israel						
Public - commercial						
Construction and real estate - construction	9,620	26	60	9,706	-	4
Construction and real estate - real estate activities	7,076	13	40	7,129	-	12
Financial services	13,000	4	2	13,006	-	11
Commercial - other	27,130	532	201	27,863	8	22
Total commercial	56,826	575	303	57,704	8	49
Private individuals - housing loans	35,254	75	145	35,474	-	205
Private individuals - others	23,287	150	96	23,533	13	45
Total activity in Israel	115,367	800	544	116,711	21	299
Borrower activity abroad						
Public - commercial						
Construction and real estate	13	-	-	13	-	-
Other commercial	432	-	-	432	-	-
Total commercial	445	-	-	445	-	-
Private individuals	-	-	-	-	-	-
Total activity abroad	445	-	-	445	-	-
Total credit to the public	115,812	800	544	117,156	21	299

(1) Credit to the public, credit to government, deposits with banks and other debts, excluding bonds and securities borrowed.
(2) Classified as problematic debts, accruing interest income.
(5) Accruing interest income. Debts in arrears of 30 to 89 days, in the amount of approximately NIS 81 million were classified as problematic debts.

NOTE 12 - ADDITIONAL INFORMATION ABOUT CREDIT RISK, CREDIT TO THE PUBLIC AND PROVISION FOR CREDIT LOSSES (CONT'D)

(NIS million)

B. CREDIT TO THE PUBLIC (Cont'd)

1.1. Credit quality according to the credit granting year

	June 30, 2023 (unaudited)							
	Stated balance of debt regarding fixed-term credit to the public*							
	2023	2022	2021	2020	2019	Prior years	Stated debt Balance of renewable loans	Total
Borrower activity in Israel								
Public - commercial								
Construction and real estate	3,284	6,077	2,635	1,308	488	1,324	2,354	17,470
Credit having a credit granting rating	3,190	5,957	2,574	1,275	466	1,242	2,240	16,944
Credit not having credit granting rating and is not problematic	82	104	46	19	16	58	54	379
Accruing problematic credit	4	12	9	9	2	7	39	82
Non-accruing credit	8	4	6	5	4	17	21	65
Other commercial	11,293	8,142	4,057	3,266	1,429	2,457	12,970	43,614
Credit having a credit granting rating	11,118	7,940	3,805	3,092	1,313	2,279	12,365	41,912
Credit not having credit granting rating and is not problematic	139	134	143	83	56	78	190	823
Accruing problematic credit	26	49	95	58	49	51	309	637
Non-accruing credit	10	19	14	33	11	49	106	242
Private individuals - residential loans	1,026	5,670	7,167	5,025	3,265	13,188	-	35,341
LTV of up to 60%	657	3,510	4,610	3,302	2,299	9,951	-	24,329
LTV of over 60% and up to 75%	356	2,131	2,501	1,666	926	2,804	-	10,384
LTV of over 75%	13	29	56	57	40	433	-	628
Credit not in default, having a credit granting rating	1,022	5,651	7,123	4,974	3,230	12,874	-	34,874
Credit not in default, not having a credit granting rating	3	6	8	9	11	92	-	129
In arrears for 30 to 89 days	1	11	28	26	19	106	-	191
In arrears for over 90 days	-	2	8	16	5	116	-	147
Non-accruing credit	-	4	9	16	6	131	-	166
Private individuals - others	5,835	3,807	2,772	1,988	1,449	5,364	1,959	23,174
Credit not in default, having a credit granting rating	5,759	3,714	2,660	1,898	1,382	5,037	1,835	22,285
Credit not in default, not having a credit granting rating	69	78	96	78	56	285	110	772
In arrears for 30 to 89 days	6	8	10	7	7	31	4	73
In arrears for over 90 days	1	7	6	5	4	11	10	44
Non-accruing credit	8	9	13	9	8	41	3	91
Total Credit to the public - activity in Israel	21,438	23,696	16,631	11,587	6,631	22,333	17,283	119,599
Total Credit to the public - activity abroad	212	21	-	1	1	8	186	429
Performing credit	212	21	-	1	1	8	186	429
Accruing problematic credit	-	-	-	-	-	-	-	-
Non-accruing credit	-	-	-	-	-	-	-	-
Total Credit to the public	21,650	23,717	16,631	11,588	6,632	22,341	17,469	120,028

* Including stated debts balance of renewable loans which were converted into fixed term loans.

NOTE 12 - ADDITIONAL INFORMATION ABOUT CREDIT RISK, CREDIT TO THE PUBLIC AND PROVISION FOR CREDIT LOSSES (CONT'D)

(NIS million)

B. CREDIT TO THE PUBLIC (Cont'd)

1.1. Credit quality according to the credit granting year

	June 30, 2022 (unaudited)*							
	Stated balance of debt regarding fixed-term credit to the public**							
	2022	2021	2020	2019	2018	Prior years	Stated debt Balance of renewable loans	Total
Borrower activity in Israel								
Public - commercial								
Construction and real estate	5,074	5,005	1,758	1,590	424	596	1,763	16,210
Credit having a credit granting rating	4,968	4,713	1,699	1,556	410	555	1,643	15,544
Credit not having credit granting rating and is not problematic	103	253	42	10	12	6	64	490
Accruing problematic credit	2	31	7	3	2	8	13	66
Non-accruing credit	1	8	10	21	-	27	43	110
Other commercial	12,012	7,441	5,050	3,323	887	1,187	9,236	39,136
Credit having a credit granting rating	11,808	7,030	4,762	3,225	816	1,099	8,590	37,330
Credit not having credit granting rating and is not problematic	175	179	125	35	33	38	428	1,013
Accruing problematic credit	28	176	92	46	26	34	154	556
Non-accruing credit	1	56	71	17	12	16	64	237
Private individuals - residential loans	3,188	7,477	5,372	3,562	2,785	12,311	-	34,695
LTV of up to 60%	1,969	4,828	3,527	2,485	2,004	9,096	-	23,909
LTV of over 60% and up to 75%	1,205	2,609	1,808	1,043	752	2,618	-	10,035
LTV of over 75%	14	40	37	34	29	597	-	751
Credit not in default, having a credit granting rating	3,179	7,442	5,315	3,522	2,735	11,972	-	34,165
Credit not in default, not having a credit granting rating	8	12	27	19	22	136	-	224
In arrears for 30 to 89 days	1	21	23	18	21	92	-	176
In arrears for over 90 days	-	2	7	3	7	111	-	130
Non-accruing credit	-	2	7	4	11	128	-	152
Private individuals - others	7,691	5,210	3,546	2,229	1,369	1,545	1,889	23,479
Credit not in default, having a credit granting rating	7,565	5,004	3,367	2,130	1,297	1,451	1,771	22,585
Credit not in default, not having a credit granting rating	123	174	147	84	64	85	105	782
In arrears for 30 to 89 days	-	26	26	13	6	6	4	81
In arrears for over 90 days	3	6	6	2	2	3	9	31
Non-accruing credit	6	31	29	15	8	9	4	102
Total Credit to the public - activity in Israel	27,965	25,133	15,726	10,704	5,465	15,639	12,888	113,520
Total Credit to the public - activity abroad	128	22	7	-	10	102	143	412
Performing credit	128	22	1	-	10	102	143	406
Accruing problematic credit	-	-	-	-	-	-	-	-
Non-accruing credit	-	-	6	-	-	-	-	6
Total Credit to the public	28,093	25,155	15,733	10,704	5,475	15,741	13,031	113,932

* Restated due to data improvement.

** Including stated debts balance of renewable loans which were converted into fixed term loans.

NOTE 12 - ADDITIONAL INFORMATION ABOUT CREDIT RISK, CREDIT TO THE PUBLIC AND PROVISION FOR CREDIT LOSSES (CONT'D)

(NIS million)

B. CREDIT TO THE PUBLIC (Cont'd)

1.1. Credit quality according to the credit granting year

	December 31, 2022 (audited)*							
	Stated balance of debt regarding fixed-term credit to the public**							
	2022	2021	2020	2019	2018	Prior years	Stated debt Balance of renewable loans	Total
Borrower activity in Israel								
Public - commercial								
Construction and real estate	7,072	3,141	1,476	1,535	425	1,118	2,068	16,835
Credit having a credit granting rating	6,935	3,067	1,450	1,517	416	1,083	1,965	16,433
Credit not having credit granting rating and is not problematic	125	59	13	7	4	14	41	263
Accruing problematic credit	6	7	7	2	2	6	9	39
Non-accruing credit	6	8	6	9	3	15	53	100
Other commercial	11,627	6,745	4,645	3,417	870	2,190	11,375	40,869
Credit having a credit granting rating	11,285	6,527	4,347	3,285	803	2,094	10,642	38,983
Credit not having credit granting rating and is not problematic	292	106	159	81	31	42	436	1,147
Accruing problematic credit	38	84	100	38	20	16	240	536
Non-accruing credit	12	28	39	13	16	38	57	203
Private individuals - residential loans	5,684	7,359	5,189	3,361	2,649	11,232	-	35,474
LTV of up to 60%	3,621	4,719	3,404	2,342	1,918	8,272	-	24,276
LTV of over 60% and up to 75%	2,039	2,586	1,729	981	700	2,406	-	10,441
LTV of over 75%	24	54	56	38	31	554	-	757
Credit not in default, having a credit granting rating	5,667	7,311	5,126	3,331	2,605	10,942	-	34,982
Credit not in default, not having a credit granting rating	8	19	19	13	14	82	-	155
In arrears for 30 to 89 days	9	26	37	13	20	107	-	212
In arrears for over 90 days	-	3	7	4	10	101	-	125
Non-accruing credit	-	3	8	5	11	118	-	145
Private individuals - others	8,245	3,299	2,342	1,699	1,828	4,143	1,977	23,533
Credit not in default, having a credit granting rating	8,115	3,179	2,248	1,625	1,718	3,870	1,845	22,600
Credit not in default, not having a credit granting rating	117	103	84	64	94	240	113	815
In arrears for 30 to 89 days	9	10	7	6	11	30	7	80
In arrears for over 90 days	4	7	3	4	5	3	12	38
Non-accruing credit	11	12	9	9	14	38	3	96
Total Credit to the public - activity in Israel	32,628	20,544	13,652	10,012	5,772	18,683	15,420	116,711
Total Credit to the public - activity abroad	275	-	1	1	9	-	159	445
Performing credit	275	-	1	1	9	-	159	445
Accruing problematic credit	-	-	-	-	-	-	-	-
Non-accruing credit	-	-	-	-	-	-	-	-
Total Credit to the public	32,903	20,544	13,653	10,013	5,781	18,683	15,579	117,156

* Restated due to data improvement.

** Including stated debts balance of renewable loans which were converted into fixed term loans.

NOTE 12 - ADDITIONAL INFORMATION ABOUT CREDIT RISK, CREDIT TO THE PUBLIC AND PROVISION FOR CREDIT LOSSES (CONT'D)

(NIS million)

B. CREDIT TO THE PUBLIC (Cont'd)

2. A. Additional information regarding non-accruing debts:

	June 30, 2023 (unaudited)					
	Balance(1) of provided for non-accruing debts	Balance of provision	Balance(1) of not provided for non-accruing debts	Total Balance(1) of non-accruing debts	Balance of contractual principal of non-accruing debts	Recognized interest income(2)
Borrower activity in Israel						
Construction and real estate	46	14	19	65	1,725	-
Commercial - other	199	66	43	242	3,891	-
Total commercial	245	80	62	307	5,616	-
Private individuals - residential loans	165	7	1	166	204	-
Private individuals - others	83	29	8	91	318	-
Total Credit to the public - activity in Israel	493	116	71	564	6,138	-
Borrower activity abroad						
Total Credit to the public - activity abroad	-	-	-	-	50	-
Total *	493	116	71	564	6,188	-
(*) Of which:						
Measured individually by present value of cash flows	245	80	47	292		
Measured individually according to present value of collateral	-	-	12	12		
Measured on a collective basis	248	36	12	260		

(1) Stated balance of debt.

(2) Amount of interest income recognized in the reported period, in respect of the average balance of non-accruing debts, during the period of time in which the debts had been classified as non-accruing.
Had the non-accruing debts accrued interest according to the original terms, interest income of NIS 20 million would have been recognized.
Additional information: the total stated average debt balance of non-accruing debts was NIS 551 million.

NOTE 12 - ADDITIONAL INFORMATION ABOUT CREDIT RISK, CREDIT TO THE PUBLIC AND PROVISION FOR CREDIT LOSSES (CONT'D)

(NIS million)

B. CREDIT TO THE PUBLIC (Cont'd)

2. A. Additional information regarding non-accruing debts: (Cont'd)

	June 30, 2022 (unaudited)					
	Balance(1) of provided for non-accruing debts	Balance of provision	Balance(1) of not provided for non-accruing debts	Total Balance(1) of non-accruing debts	Balance of contractual principal of non-accruing debts	Recognized interest income(2)
Borrower activity in Israel						
Construction and real estate	91	20	19	110	1,990	-
Commercial - other	185	78	52	237	3,663	-
Total commercial	276	98	71	347	5,653	-
Private individuals - residential loans	152	6	-	152	165	-
Private individuals - others	92	28	10	102	236	-
Total Credit to the public - activity in Israel	520	132	81	601	6,054	-
Borrower activity abroad						
Total Credit to the public - activity abroad	6	3	-	6	32	-
Total *	526	135	81	607	6,086	-
(*) Of which:						
Measured individually by present value of cash flows	369	128	62	431		
Measured individually according to present value of collateral	-	-	12	12		
Measured on a collective basis	157	7	7	164		

(1) Stated balance of debt.

(2) Amount of interest income recognized in the reported period, in respect of the average balance of non-accruing debts, during the period of time in which the debts had been classified as non-accruing.
Had the non-accruing debts accrued interest according to the original terms, interest income of NIS 16 million would have been recognized.
Additional information: the total stated average debt balance of non-accruing debts was NIS 553 million.

NOTE 12 - ADDITIONAL INFORMATION ABOUT CREDIT RISK, CREDIT TO THE PUBLIC AND PROVISION FOR CREDIT LOSSES (CONT'D)

(NIS million)

B. CREDIT TO THE PUBLIC (Cont'd)

2. A.: Additional information regarding non-accruing debts: (Cont'd)

	December 31, 2022 (audited)					
	Balance[1] of provided for non-accruing debts	Balance of provision	Balance[1] of not provided for non-accruing debts	Total Balance[1] of non-accruing debts	Balance of contractual principal of non-accruing debts	Recognized interest income[2]
Borrower activity in Israel						
Construction and real estate	80	21	20	100	2,139	-
Commercial - other	151	58	52	203	3,740	-
Total commercial	231	79	72	303	5,879	-
Private individuals - housing loans	143	6	2	145	173	-
Private individuals - others	82	28	14	96	342	-
Total Credit to the public - activity in Israel	456	113	88	544	6,394	-
Borrower activity abroad						
Total Credit to the public - activity abroad	-	-	-	-	31	-
Total *	456	113	88	544	6,425	-
(*) Of which:						
Measured individually by present value of cash flows	231	79	61	292		
Measured individually according to present value of collateral	-	-	12	12		
Measured on a collective basis	225	34	15	240		

(1) Stated balance of debt.

(2) Amount of interest income recognized in the reported period, in respect of the average balance of non-accruing debts, during the period of time in which the debts had been classified as non-accruing.
Had the non-accruing debts accrued interest according to the original terms, interest income of NIS 39 million would have been recognized.
Additional information: the total stated average debt balance of non-accruing debts was NIS 538 million.

(NIS million)

B. CREDIT TO THE PUBLIC (Cont'd)

2.B. Debts which had undergone restructure of a problematic debt:

	June 30, 2023 (unaudited)				
	Recorded debt balance				
	Not accruing interest income	accruing[1] in arrears of 90 days or more	accruing [1] in arrears of 30 to 89 days	Accruing[1], not in arrears	Total[2]
Borrower activity in Israel					
Public - commercial					
Construction and real estate	**14**	**-**	**-**	**3**	**17**
Commercial - other	**59**	**-**	**-**	**13**	**72**
Total commercial	**73**	**-**	**-**	**16**	**89**
Private individuals - residential loans	**9**	**-**	**-**	**5**	**14**
Private individuals - others	**64**	**-**	**-**	**31**	**95**
Total Credit to the public - activity in Israel	**146**	**-**	**-**	**52**	**198**
Borrower activity abroad					
Total Credit to the public - activity abroad	**-**	**-**	**-**	**-**	**-**
Total	**146**	**-**	**-**	**52**	**198**

	June 30, 2022 (unaudited)				
	Recorded debt balance				
	Not accruing interest income	accruing[1] in arrears of 90 days or more	accruing [1] in arrears of 30 to 89 days	Accruing[1], not in arrears	Total[2]
Borrower activity in Israel					
Public - commercial					
Construction and real estate	7	-	-	4	11
Commercial - other	54	-	-	18	72
Total commercial	61	-	-	22	83
Private individuals - residential loans	14	-	-	3	17
Private individuals - others	65	-	-	30	95
Total Credit to the public - activity in Israel	140	-	-	55	195
Borrower activity abroad					
Total Credit to the public - activity abroad	-	-	-	-	-
Total	140	-	-	55	195

(1) Accruing interest income.

(2) As at June 30, 2023, debts of NIS 191 million, that had been restructured are classified as problematic debts (as of June 30, 2022 – NIS 170 million).

NOTE 12 - ADDITIONAL INFORMATION ABOUT CREDIT RISK, CREDIT TO THE PUBLIC AND PROVISION FOR CREDIT LOSSES (CONT'D)

(NIS million)

B. CREDIT TO THE PUBLIC (Cont'd)

2.B. Debts which had undergone restructure of a problematic debt: (Cont'd)

	December 31, 2022 (audited)				
	Recorded debt balance				
	Not accruing interest income	accruing[1] in arrears of 90 days or more	accruing [1] in arrears of 30 to 89 days	Accruing[1], not in arrears	Total[2]
Borrower activity in Israel					
Public - commercial					
Construction and real estate	14	-	-	4	18
Commercial - other	52	-	-	15	67
Total commercial	66	-	-	19	85
Private individuals - residential loans	13	-	-	1	14
Private individuals - others	63	-	-	26	89
Total Credit to the public - activity in Israel	142	-	-	46	188
Borrower activity abroad					
Total Credit to the public - activity abroad	-	-	-	-	-
Total	142	-	-	46	188

(1) Accruing interest income.

(2) As at December 31, 2022, debts of NIS 165 million, that had been restructured are classified as problematic debts.

NOTE 12 - ADDITIONAL INFORMATION ABOUT CREDIT RISK, CREDIT TO THE PUBLIC AND PROVISION FOR CREDIT LOSSES (CONT'D)

(NIS million)

B. CREDIT TO THE PUBLIC (Cont'd)

2.B. Debts which had undergone restructure of a problematic debt: (Cont'd)

	Restructuring made					
	For the three months ended June 30					
	2023			2022		
				(unaudited)		
	Number of contracts	Debt balance before restructuring	Debt balance after restructuring	Number of contracts	Debt balance before restructuring	Debt balance after restructuring
Borrower activity in Israel						
Public - commercial						
Construction and real estate	**13**	**5**	**5**	3	-	-
Commercial - other	**53**	**12**	**12**	46	21	21
Total commercial	**66**	**17**	**17**	49	21	21
Private individuals - housing loans	**1**	**-**	**-**	1	1	1
Private individuals - others	**306**	**18**	**16**	242	8	7
Total credit to the public - activity in Israel	**373**	**35**	**33**	292	30	29

	Restructuring made					
	For the six months ended June 30					
	2023			2022		
				(unaudited)		
	Number of contracts	Debt balance before restructuring	Debt balance after restructuring	Number of contracts	Debt balance before restructuring	Debt balance after restructuring
Borrower activity in Israel						
Public - commercial						
Construction and real estate	**24**	**7**	**7**	9	1	1
Commercial - other	**118**	**24**	**24**	95	15	15
Total commercial	**142**	**31**	**31**	104	16	16
Private individuals - housing loans	**3**	**1**	**1**	1	1	1
Private individuals - others	**622**	**33**	**31**	589	22	21
Total credit to the public - activity in Israel	**767**	**65**	**63**	694	39	38

	Restructuring made and failed (1)				Restructuring made and failed (1)			
	For the three months ended June 30				For the six months ended June 30			
	2023		2022		2023		2022	
			(unaudited)				(unaudited)	
	Number of contracts	Balance of debt recorded	Number of contracts	Balance of debt recorded	Number of contracts	Balance of debt recorded	Number of contracts	Balance of debt recorded
Borrower activity in Israel								
Public - commercial								
Construction and real estate	**4**	**-**	5	-	**11**	**-**	14	1
Commercial - other	**25**	**4**	16	5	**41**	**5**	40	9
Total commercial	**29**	**4**	21	5	**52**	**5**	54	10
Private individuals - housing loans	**1**	**-**	-	-	**3**	**-**	4	1
Private individuals - others	**126**	**2**	119	3	**250**	**5**	251	7
Total credit to the public - activity in Israel	**156**	**6**	140	8	**305**	**10**	309	18

(1) Debts that became debts in arrears of 30 days or more during the reported period which were restructured as a problematic debt during the 12 months that preceded the date in which they became debts in arrears.

NOTE 12 - ADDITIONAL INFORMATION ABOUT CREDIT RISK, CREDIT TO THE PUBLIC AND PROVISION FOR CREDIT LOSSES (CONT'D)

(NIS million)

B. CREDIT TO THE PUBLIC (Cont'd)

2.c. Additional information regarding non-accruing credit in arrears

	June 30, 2023 (unaudited)							
	Not in arrears of 90 days or more	In arrears from 90 to 180 days	In arrears from 180 days to one year	In arrears from one to 3 years	In arrears from 3 to 5 years	In arrears from 5 to 7 years	In arrears for over 7 years	Total
Commercial	**213**	**16**	**21**	**39**	**14**	**4**	**-**	**307**
Residential loans	**19**	**79**	**37**	**20**	**3**	**2**	**6**	**166**
Private individuals - others	**86**	**2**	**1**	**2**	**-**	**-**	**-**	**91**
Total	**318**	**97**	**59**	**61**	**17**	**6**	**6**	**564**

	June 30, 2022 (unaudited)							
	Not in arrears of 90 days or more	In arrears from 90 to 180 days	In arrears from 180 days to one year	In arrears from one to 3 years	In arrears from 3 to 5 years	In arrears from 5 to 7 years	In arrears for over 7 years	Total
Commercial	254	28	24	41	6	-	-	353
Residential loans	24	59	38	19	5	6	1	152
Private individuals - others	83	14	2	3	-	-	-	102
Total	361	101	64	63	11	6	1	607

	December 31, 2022 (audited)							
	Not in arrears of 90 days or more	In arrears from 90 to 180 days	In arrears from 180 days to one year	In arrears from one to 3 years	In arrears from 3 to 5 years	In arrears from 5 to 7 years	In arrears for over 7 years	Total
Commercial	206	25	27	33	9	3	-	303
Residential loans	19	56	32	27	3	6	2	145
Private individuals - others	90	2	2	2	-	-	-	96
Total	315	83	61	62	12	9	2	544

NOTE 12 - ADDITIONAL INFORMATION ABOUT CREDIT RISK, CREDIT TO THE PUBLIC AND PROVISION FOR CREDIT LOSSES (CONT'D)

(NIS million)

B. CREDIT TO THE PUBLIC (Cont'd)

3. Additional information regarding housing loans

Year-end balances by financing ratio (LTV) (*), repayment type, and interest type

	June 30, 2023 (unaudited)			
	Balance of housing loans			
	Total	Of which: bullet and balloon	OF which: floating interest rate	Total Off-balance sheet credit risk
First lien financing rate				
- Up to 60%	**23,905**	**233**	**14,056**	**1,477**
- Over 60%	**11,012**	**71**	**6,663**	**1,102**
Secondary lien or no lien	**424**	**24**	**370**	**-**
Total	**35,341**	**328**	**21,089**	**2,579**

	June 30, 2022 (unaudited)			
	Balance of housing loans			
	Total	Of which: bullet and balloon	OF which: floating interest rate	Total Off-balance sheet credit risk
First lien financing rate				
- Up to 60%	23,432	209	13,848	1,459
- Over 60%	10,786	71	6,521	2,000
Secondary lien or no lien	477	67	412	-
Total	34,695	347	20,781	3,459

	December 31, 2022 (audited)			
	Balance of housing loans			
	Total	Of which: bullet and balloon	OF which: floating interest rate	Total Off-balance sheet credit risk
First lien financing rate				
- Up to 60%	23,831	207	14,122	1,313
- Over 60%	11,198	64	6,789	922
Secondary lien or no lien	445	39	388	-
Total	35,474	310	21,299	2,235

* Ratio of the approved credit facility, when the facility was provided, to the value of the asset, as approved by the Bank when the facility was provided.

NOTE 12 - ADDITIONAL INFORMATION ABOUT CREDIT RISK, CREDIT TO THE PUBLIC AND PROVISION FOR CREDIT LOSSES (CONT'D)

(NIS million)

C. OFF-BALANCE SHEET FINANCIAL INSTRUMENTS (2)

	Balance of contracts[1]			Balance of provision for credit losses		
	30.6.23	**30.6.22**	**31.12.22**	**30.6.23**	**30.6.22**	**31.12.22**
	(unaudited)	(unaudited)	(audited)	(unaudited)	(unaudited)	(audited)
Transactions the balance of which represents credit risk:						
Documentary credit	**140**	334	572	**-**	1	1
Guarantees securing credit	**1,209**	911	1,174	**12**	7	10
Guarantees to home purchasers	**4,700**	4,353	4,325	**7**	10	9
Guarantees and other liabilities	**5,020**	4,931	5,141	**51**	36	46
Unutilized credit lines for derivatives instruments	**2,559**	3,144	3,303	**-**	-	-
Unutilized revolving credit and other on-call credit facilities	**11,565**	11,768	11,672	**24**	26	22
Irrevocable commitments to grant credit, not yet executed	**8,774**	6,875	6,042	**25**	19	18
Unutilized credit lines for credit card facilities	**9,614**	9,064	9,396	**15**	8	9
Facilities for the lending of securities	**480**	525	595	**-**	-	-
Required guarantees and collateral in respect of the Stock Exchange and Maof Clearing Houses	**319**	273	220	**-**	-	-
Commitments to issue guarantees	**1,878**	1,201	1,387	**3**	2	2

(1) Balance of contracts or their stated amounts at the end of the period, before provision for credit losses.

(2) In addition, the Bank provided the courts with letters of self-undertaking unlimited in amounts, given in connection with legal proceedings, in order to secure compensation for the damage to the defendants in the event that the action against them is dismissed or the legal proceedings terminated because of any other reason.

NOTE 13 - ASSETS AND LIABILITIES ACCORDING TO LINKAGE BASES

(NIS million)

	June 30, 2023 (unaudited)						
	Israeli currency		Foreign currency[1]				
	Non-linked	Linked to the consumer price index	U.S. dollar	Euro	Other	Non-monetary items[2]	Total
Assets							
Cash and deposits with banks	**55,885**	**-**	**1,848**	**516**	**304**	**-**	**58,553**
Securities	**7,501**	**2,695**	**10,856**	**1,463**	**-**	**448**	**22,963**
Securities which were borrowed	**104**	**-**	**-**	**-**	**-**	**-**	**104**
Credit to the public, net[3]	**96,485**	**14,785**	**5,304**	**1,393**	**58**	**661**	**118,686**
Credit to the government	**240**	**701**	**20**	**-**	**-**	**-**	**961**
Investee company	**-**	**-**	**-**	**-**	**-**	**751**	**751**
Premises and equipment	**-**	**-**	**-**	**-**	**-**	**880**	**880**
Intangible assets and goodwill	**-**	**-**	**-**	**-**	**-**	**309**	**309**
Assets in respect of derivative instruments	**246**	**4**	**1,110**	**169**	**62**	**1,997**	**3,588**
Other assets	**918**	**8**	**17**	**18**	**-**	**374**	**1,335**
Total assets	**161,379**	**18,193**	**19,155**	**3,559**	**424**	**5,420**	**208,130**
Liabilities							
Deposits from the public	**137,577**	**6,175**	**28,467**	**4,593**	**1,540**	**661**	**179,013**
Deposits from banks	**3,893**	**-**	**175**	**6**	**71**	**-**	**4,145**
Deposits from the Government	**390**	**-**	**214**	**3**	**1**	**-**	**608**
Bonds and subordinated capital notes	**2**	**4,711**	**-**	**-**	**-**	**-**	**4,713**
Liabilities in respect of derivative instruments	**252**	**23**	**807**	**74**	**32**	**1,996**	**3,184**
Other liabilities	**4,477**	**76**	**40**	**10**	**1**	**46**	**4,650**
Total liabilities	**146,591**	**10,985**	**29,703**	**4,686**	**1,645**	**2,703**	**196,313**
Difference	**14,788**	**7,208**	**(10,548)**	**(1,127)**	**(1,221)**	**2,717**	**11,817**
Non-hedging derivatives							
Derivative instruments (not including options)	**(12,393)**	**(243)**	**10,322**	**1,093**	**1,221**	**-**	**-**
Options in the money, net (in terms of underlying asset)	**46**	**-**	**11**	**(57)**	**-**	**-**	**-**
Options out of the money, net (in terms of underlying asset)	**(332)**	**-**	**264**	**68**	**-**	**-**	**-**
Total	**2,109**	**6,965**	**49**	**(23)**	**-**	**2,717**	**11,817**
Options in the money, net (present value of stated amount)	**53**	**-**	**24**	**(77)**	**-**	**-**	**-**
Options out of the money, net (present value of stated amount)	**(774)**	**-**	**634**	**140**	**-**	**-**	**-**

(1) Including linked to foreign currency.

(2) Including derivatives instruments which their underlying assets represent non-monetary item.

(3) After deduction of provisions for credit losses attributed to the linkage base.

NOTE 13 - ASSETS AND LIABILITIES ACCORDING TO LINKAGE BASES (CONT'D)

(NIS million)

	June 30, 2022 (unaudited)						
	Israeli currency		Foreign currency[1]				
	Non-linked	Linked to the consumer price index	U.S. dollar	Euro	Other	Non-monetary items[2]	Total
Assets							
Cash and deposits with banks	51,667	-	3,925	425	288	-	56,305
Securities	7,346	922	4,951	1,359	-	771	15,349
Securities which were borrowed	289	-	-	-	-	-	289
Credit to the public, net[3]	93,084	13,467	3,878	1,352	71	959	112,811
Credit to the government	93	726	120	-	-	-	939
Investee company	-	-	-	-	-	669	669
Premises and equipment	-	-	-	-	-	904	904
Intangible assets and goodwill	-	-	-	-	-	300	300
Assets in respect of derivative instruments	194	14	1,423	94	34	1,121	2,880
Other assets	908	3	17	2	-	650	1,580
Total assets	153,581	15,132	14,314	3,232	393	5,374	192,026
Liabilities							
Deposits from the public	127,870	6,527	24,110	3,642	1,431	959	164,539
Deposits from banks	5,187	-	218	22	2	-	5,429
Deposits from the Government	510	4	53	2	1	-	570
Bonds and subordinated capital notes	4	4,183	-	-	-	-	4,187
Liabilities in respect of derivative instruments	201	27	1,028	18	18	1,120	2,412
Other liabilities	4,043	66	35	5	7	313	4,469
Total liabilities	137,815	10,807	25,444	3,689	1,459	2,392	181,606
Difference	15,766	4,325	(11,130)	(457)	(1,066)	2,982	10,420
Non-hedging derivatives							
Derivative instruments (not including options)	(10,768)	(195)	9,538	367	1,058	-	-
Options in the money, net (in terms of underlying asset)	(1,153)	-	1,082	71	-	-	-
Options out of the money, net (in terms of underlying asset)	(311)	-	320	(9)	-	-	-
Total	3,534	4,130	(190)	(28)	(8)	2,982	10,420
Options in the money, net (present value of stated amount)	(1,248)	-	1,148	100	-	-	-
Options out of the money, net (present value of stated amount)	(1,732)	-	1,802	(70)	-	-	-

(1) Including linked to foreign currency.

(2) Including derivatives instruments which their underlying assets represent non-monetary item.

(3) After deduction of provisions for credit losses attributed to the linkage base.

NOTE 13 - ASSETS AND LIABILITIES ACCORDING TO LINKAGE BASES (CONT'D)

(NIS million)

	December 31, 2022 (audited)						
	Israeli currency		Foreign currency(1)				
	Non-linked	Linked to the consumer price index	U.S. dollar	Euro	Other	Non-monetary items(2)	Total
Assets							
Cash and deposits with banks	53,993	-	2,178	488	471	-	57,130
Securities	6,806	1,193	6,178	1,388	-	445	16,010
Securities which were borrowed	12	-	-	-	-	-	12
Credit to the public, net(3)	95,804	14,095	3,955	1,298	89	720	115,961
Credit to the government	64	707	95	-	-	-	866
Investee company	-	-	-	-	-	687	687
Premises and equipment	-	-	-	-	-	902	902
Intangible assets and goodwill	-	-	-	-	-	317	317
Assets in respect of derivative instruments	256	13	954	246	53	1,303	2,825
Other assets	827	14	23	1	-	380	1,245
Total assets	157,762	16,022	13,383	3,421	613	4,754	195,955
Liabilities							
Deposits from the public	130,157	5,990	26,095	3,680	1,627	720	168,269
Deposits from banks	4,662	-	140	6	13	-	4,821
Deposits from the Government	206	-	28	2	1	-	237
Bonds and subordinated capital notes	4	4,745	-	-	-	-	4,749
Liabilities in respect of derivative instruments	264	26	597	87	46	1,302	2,322
Other liabilities	4,344	73	50	5	1	49	4,522
Total liabilities	139,637	10,834	26,910	3,780	1,688	2,071	184,920
Difference	18,125	5,188	(13,527)	(359)	(1,075)	2,683	11,035
Non-hedging derivatives							
Derivative instruments (not including options)	(14,333)	(189)	13,107	335	1,080	-	-
Options in the money, net (in terms of underlying asset)	(195)	-	187	8	-	-	-
Options out of the money, net (in terms of underlying asset)	(165)	-	164	3	(2)	-	-
Total	3,432	4,999	(69)	(13)	3	2,683	11,035
Options in the money, net (present value of stated amount)	(204)	-	178	26	-	-	-
Options out of the money, net (present value of stated amount)	(552)	-	616	(27)	(37)	-	-

(1) Including linked to foreign currency.
(2) Including derivatives instruments which their underlying assets represent non-monetary item.
(3) After deduction of provisions for credit losses attributed to the linkage base.

NOTE 14A - BALANCES AND FAIR VALUE ESTIMATES OF FINANCIAL INSTRUMENTS

(NIS million)

	June 30, 2023 (unaudited)				
	Stated in the Balance Sheet	Fair value[1]			
		(1)	(2)	(3)	Total
Financial assets					
Cash and deposits with banks	**58,553**	**645**	**57,898**	**-**	**58,543**
Securities[2]	**22,963**	**10,177**	**12,440**	**164**	**22,781**
Securities which were borrowed	**104**	**-**	**104**	**-**	**104**
Credit to the public, net	**118,686**	**10,099**	**-**	**107,126**	**117,225**
Credit to the government	**961**	**-**	**257**	**688**	**945**
Assets in respect of derivative instruments	**3,588**	**2,089**	**771**	**728**	**3,588**
Other financial assets	**260**	**12**	**10**	**238**	**260**
Total financial assets	[3]**205,115**	**23,022**	**71,480**	**108,944**	**203,446**
Financial liabilities					
Deposits from the public	**179,013**	**7,869**	**119,781**	**48,008**	**175,658**
Deposits from Banks	**4,145**	**-**	**747**	**3,252**	**3,999**
Deposits from the Government	**608**	**85**	**319**	**205**	**609**
Bonds and non-convertible subordinated capital notes	**4,713**	**4,462**	**-**	**-**	**4,462**
Liabilities in respect of derivative instruments	**3,184**	**2,091**	**1,070**	**23**	**3,184**
Other financing liabilities	**2,938**	**24**	**-**	**2,889**	**2,913**
Total financial liabilities	[3]**194,601**	**14,531**	**121,917**	**54,377**	**190,825**
Off balance sheet financial instruments					
Transaction where the balance represents credit risk	**44**	**-**	**-**	**44**	**44**
In addition, the liability in respect of employee rights, gross - pension and severance pay[4]	**849**	**-**	**-**	**849**	**849**

(1) Level 1 - fair value measurements using prices quoted in an active market.
Level 2 - fair value measurements using other significant observable data.
Level 3 - fair value measurements using significant unobservable data.

(2) For further details of the stated balance and the fair value of securities, see Note 5, "Securities".

(3) Of which: assets of NIS 33,020 million and liabilities of NIS 11,162 million, the stated balance of which is identical to their fair value (instruments reflected in the balance sheet at fair value). For further information regarding instruments measured at fair value on a recurring basis and on a non-recurring basis, see note 14B-14D.

(4) The liability is shown gross, without considering the plan assets managed against it.

NOTE 14A - BALANCES AND FAIR VALUE ESTIMATES OF FINANCIAL INSTRUMENTS (CONT'D)

(NIS million)

	June 30, 2022 (unaudited)				
	Stated in the Balance Sheet	Fair value[1]			
		(1)	(2)	(3)	Total
Financial assets					
Cash and deposits with banks	56,305	659	55,640	4	56,303
Securities[2]	15,349	8,676	6,497	112	15,285
Securities which were borrowed	289	-	289	-	289
Credit to the public, net	112,811	8,236	-	102,889	111,125
Credit to the government	939	-	213	723	936
Assets in respect of derivative instruments	2,880	1,242	733	905	2,880
Other financial assets	559	283	-	276	559
Total financial assets	[3]189,132	19,096	63,372	104,909	187,377
Financial liabilities					
Deposits from the public	164,539	6,530	116,443	39,107	162,080
Deposits from Banks	5,429	-	1,333	3,937	5,270
Deposits from the Government	570	-	540	32	572
Bonds and non-convertible subordinated capital notes	4,187	4,104	-	9	4,113
Liabilities in respect of derivative instruments	2,412	1,190	1,195	27	2,412
Other financing liabilities	3,081	337	-	2,734	3,071
Total financial liabilities	[3]180,218	12,161	119,511	45,846	177,518
Off balance sheet financial instruments					
Transaction where the balance represents credit risk	42	-	-	42	42
In addition, the liability in respect of employee rights, gross - pension and severance pay[4]	859	-	-	859	859

* Reclassified.

(1) Level 1 - fair value measurements using prices quoted in an active market.
Level 2 - fair value measurements using other significant observable data.
Level 3 - fair value measurements using significant unobservable data.

(2) For further details of the stated balance and the fair value of securities, see Note 5, "Securities".

(3) Of which: assets of NIS 23,655 million and liabilities of NIS 9,279 million, the stated balance of which is identical to their fair value (instruments reflected in the balance sheet at fair value). For further information regarding instruments measured at fair value on a recurring basis and on a non-recurring basis, see note 14B-14D.

(4) The liability is shown gross, without considering the plan assets managed against it.

NOTE 14A - BALANCES AND FAIR VALUE ESTIMATES OF FINANCIAL INSTRUMENTS (CONT'D)

(NIS million)

	December 31, 2022 (audited)				
	Stated in the				Fair value[1]
	Balance Sheet	(1)	(2)	(3)	Total
Financial assets					
Cash and deposits with banks	57,130	654	56,473	-	57,127
Securities[2]	16,010	7,984	7,705	143	15,832
Securities which were borrowed	12	-	12	-	12
Credit to the public, net	115,961	8,388	-	104,731	113,119
Credit to the government	866	-	157	683	840
Assets in respect of derivative instruments	2,825	1,358	825	642	2,825
Other financial assets	216	26	-	189	215
Total financial assets	[3]193,020	18,410	65,172	106,388	189,970
Financial liabilities					
Deposits from the public	168,269	6,484	117,313	41,047	164,844
Deposits from Banks	4,821	-	622	4,007	4,629
Deposits from the Government	237	-	206	32	238
Bonds and non-convertible subordinated capital notes	4,749	4,514	-	3	4,517
Liabilities in respect of derivative instruments	2,322	1,359	937	26	2,322
Other financing liabilities	2,949	26	-	2,901	2,927
Total financial liabilities	[3]183,347	12,383	119,078	48,016	179,477
Off balance sheet financial instruments					
Transaction were the balance represents credit risk	43	-	-	43	43
In addition, the liability in respect of employee rights, gross - pension and severance pay [4]	833	-	-	833	833

(1) Level 1 - fair value measurements using prices quoted in an active market.
Level 2 - fair value measurements using other significant observable data.
Level 3 - fair value measurements using significant unobservable data.

(2) For further details of the stated balance and the fair value of securities, see Note 5, "Securities".

(3) Of which: assets of NIS 23,907 million and liabilities of NIS 8,832 million, the stated balance of which is identical to their fair value (instruments reflected in the balance sheet at fair value). For further information regarding instruments measured at fair value on a recurring basis and on a non-recurring basis, see note 14B-14D.

(4) The liability in shown gross, without considering the plan assets managed against it.

NOTE 14A - BALANCES AND FAIR VALUE ESTIMATES OF FINANCIAL INSTRUMENTS

(CONT'D)

(NIS million)

A. FAIR VALUE OF FINANCIAL INSTRUMENTS.

The note includes information regarding the fair value of financial instruments. There is no quotable “market value” for most of the financial instruments of the Bank since they are not traded in an active market. Therefore, the fair value is derived by accepted pricing models, such as discounting future cash flows at interest rates reflecting the risk level inherent in the financial instrument.

Determination of fair value, estimated by discounting future cash flows and determining the relative interest rates is subjective. Furthermore, the fair value estimations for most of the financial instruments does not necessarily indicate the realizable value on the reporting date. The estimated fair value was calculated according to interest rates prevailing on balance sheet date and does not consider interest rate fluctuations. Given other interest rate assumptions fair value estimates may differ materially. This is mainly the case where financial instruments have fixed interest rates or do not bear interest.

In addition, in determining fair value, commissions to be received or paid as a result of the said transactions and tax effects, in respect of the gap between the fair value and the balances at the balance sheet, were not taken into consideration.

Furthermore, the difference between the balance sheet and the fair value amounts may not be realized as the Bank may hold the instruments until maturity. As a result of all of these it is necessary to emphasize that the data included in this note does not reflect the net worth of the Bank as a going concern. Also, as a result of the wide range of possible estimation techniques and methods, care should be taken when comparing fair value of different banks.

NOTE 14A - BALANCES AND FAIR VALUE ESTIMATES OF FINANCIAL INSTRUMENTS (CONT'D)

(NIS million)

B. PRINCIPAL METHODS AND ASSUMPTIONS USED FOR THE CALCULATION OF THE FAIR VALUE ESTIMATES OF FINANCIAL INSTRUMENTS

Marketable securities - fair value was estimated according to their value in the principal market. Where there are several markets on which the instrument is traded, the assessment is made according to the most beneficial market.

Credit to the public - The fair value was estimated according to discounting the future cash flows in an appropriate discount rate. The balance was separated into homogenous categories. The receipts in each category were discounted at a discount rate which reflects the risk inherent in the category. In general, this discount rate is determined according to the interest at which the Bank transacts similar business at the reporting date.
The fair value of non-accruing debts is assessed using discount rates that reflect the high credit risk inherent in such debts.
Anticipated future cash flows in respect of non-accruing debts and other debts have been assessed after deducting the effect of accounting write-offs and of provisions for credit losses in respect of the debts.
Accounting write-offs and provisions for credit losses are attributed, where possible, to periods in which these debts had been classified (example: where the provision was assessed on a specific basis, by the present value of future cash flows). In the absence of such data, accounting write-offs and provisions for credit losses are attributed proportionally to the outstanding balance of credit according to maturity periods at end of the period.
Cash flows in respect of mortgages have been assessed according to the premature repayment forecast, which is based on a statistical model.

Deposits and subordinate capital notes - fair value was estimated by discounting future cash flows according to interest rates used by the Group in raising similar deposits, or issuing similar capital notes (if a quoted price on an active market is not available) at reporting date. As regards bonds and subordinate debt notes that are traded as an asset on an active market, fair value is based upon quoted market prices or on traders' quotations regarding a similar liability traded as an asset on an active market.
Cashflows with respect to demand deposits (current accounts) were distributed based on statistical model for forecasting stable balances.
Cashflows in respect of deposits from the public were estimated according to premature repayment forecast, which is based on a statistical model.

Derivative financial instruments - Derivative financial instruments for which an active market exists have been estimated at market value, and where several active markets exist, have been estimated according to the most beneficial market.
Derivative financial instruments for which no active market exists have been calculated according to models which are used by the Group in current activity and take into account the inherent risks of the financial instrument (market risk, credit risk, etc.).

Off-balance sheet financial instruments in transactions the balance of which represents credit risk - the fair value has been assessed in accordance with commission earned in similar transactions at the reporting date, adjusted in respect of the remaining period of the transaction and the credit quality of the counterparty.

NOTE 14B - ITEMS MEASURED AT FAIR VALUE

(NIS million)

A. ITEMS MEASURED AT FAIR VALUE ON A RECURRENT BASIS

	June 30, 2023 (unaudited)				
	Fair-value measurements using -				
	Prices quoted in an active market (level 1)	Other significant observable inputs (level 2)	Significant unobservable inputs (level 3)	Effect of netting agreements	Balance sheet balance
Assets					
Bonds available for sale	**6,426**	**12,297**	**-**	**-**	**18,723**
Shares not for trading	**220**	**-**	**-**	**-**	**220**
Trading Securities	**378**	**-**	**-**	**-**	**378**
Assets in respect of derivative instruments	**2,089**	**771**	**728**	**-**	**3,588**
Others	**10,111**	**-**	**-**	**-**	**10,111**
Total assets	**19,224**	**13,068**	**728**	**-**	**33,020**
Liabilities					
Liabilities in respect of derivative instruments	**2,091**	**1,070**	**23**	**-**	**3,184**
Others	**7,978**	**-**	**-**	**-**	**7,978**
Total liabilities	**10,069**	**1,070**	**23**	**-**	**11,162**

	June 30, 2022 (unaudited)				
	Fair-value measurements using -				
	Prices quoted in an active market (level 1)	Other significant observable inputs (level 2)	Significant unobservable inputs (level 3)	Effect of netting agreements	Balance sheet balance
Assets					
Bonds available for sale	5,250	6,280	-	-	11,530
Shares not for trading	575	-	-	-	575
Trading Securities	151	-	-	-	151
Assets in respect of derivative instruments	1,242	733	905	-	2,880
Others	8,519	-	-	-	8,519
Total assets	15,737	7,013	905	-	23,655
Liabilities					
Liabilities in respect of derivative instruments	1,190	1,195	27	-	2,412
Others	6,867	-	-	-	6,867
Total liabilities	8,057	1,195	27	-	9,279

	December 31, 2022 (audited)				
	Fair-value measurements using -				
	Prices quoted in an active market (level 1)	Other significant observable inputs (level 2)	Significant unobservable inputs (level 3)	Effect of netting agreements	Balance sheet balance
Assets					
Bonds available for sale	4,864	7,537	-	-	12,401
Shares not for trading	240	-	-	-	240
Trading Securities	27	-	-	-	27
Assets in respect of derivative instruments	1,358	825	642	-	2,825
Others	8,414	-	-	-	8,414
Total assets	14,903	8,362	642	-	23,907
Liabilities					
Liabilities in respect of derivative instruments	1,359	937	26	-	2,322
Others	6,510	-	-	-	6,510
Total liabilities	7,869	937	26	-	8,832

NOTE 14B - ITEMS MEASURED AT FAIR VALUE (CONT'D)

(NIS million)

B. ITEMS MEASURED AT FAIR VALUE ON A NON-RECURRENT BASIS

	June 30, 2023 (unaudited)				
	Level 1	Level 2	Level 3	Total fair value	Total profits for the six months ended June 30, 2023
Investment in shares	**-**	**63**	**-**	**63**	**1**
Non-accruing credit the collection of which is contingent on collateral	**-**	**-**	**12**	**12**	**-**

	June 30, 2022 (unaudited)				
	Level 1	Level 2	Level 3	Total fair value	Total losses for the six months ended June 30, 2022
Investment in shares	-	84	-	84	(4)
Non-accruing credit the collection of which is contingent on collateral	-	-	12	12	-

	December 31, 2022 (audited)				
	Level 1	Level 2	Level 3	Total fair value	Total losses for the year ended December 31, 2022
Investment in shares	-	62	-	62	(9)
Non-accruing credit the collection of which is contingent on collateral	-	-	12	12	-

NOTE 14C - CHANGES IN ITEMS MEASURED AT FAIR VALUE ON A RECURRENT BASIS INCLUDED IN LEVEL 3

(NIS million)

	For the three months ended June 30, 2023 (unaudited)							
	Fair value as at March 31, 2023	Profits (losses) realized and unrealized Included in the profit and loss statement (1)	Purchases	Payments	Transfers to level 3, gross	Transfer from level 3, gross	Fair value as at June 30, 2023	Unrealized profits (losses) in respect of instruments held as at June 30, 2023
Assets								
Assets in respect of derivative instruments	**877**	**848**	**17**	**(1,014)**	**-**	**-**	**728**	**461**
Liabilities								
Liabilities in respect of derivative instruments	**28**	**(1)**	**-**	**(6)**	**-**	**-**	**23**	**(2)**

	For the three months ended June 30, 2022 (unaudited)							
	Fair value as at March 31, 2022	Profits realized and unrealized Included in the profit and loss statement (1)	Purchases	Payments	Transfers to level 3, gross	Transfer from level 3, gross	Fair value as at June 30, 2022	Unrealized profits in respect of instruments held as at June 30, 2022
Assets								
Assets in respect of derivative instruments	247	1,802	17	(1,161)	-	-	905	793
Liabilities								
Liabilities in respect of derivative instruments	29	1	-	(1)	-	-	27	2

	For the six months ended June 30, 2023 (unaudited)							
	Fair value as at December 31, 2022	Profits (losses) realized and unrealized Included in the profit and loss statement (1)	Purchases	Payments	Transfers to level 3, gross	Transfer from level 3, gross	Fair value as at June 30, 2023	Unrealized profits (losses) in respect of instruments held as at June 30, 2023
Assets								
Assets in respect of derivative instruments	**642**	**2,138**	**39**	**(2,091)**	**-**	**-**	**728**	**621**
Liabilities								
Liabilities in respect of derivative instruments	**26**	**(3)**	**-**	**(6)**	**-**	**-**	**23**	**(5)**

	For the six months ended June 30, 2022 (unaudited)							
	Fair value as at December 31, 2021	Profits (losses) realized and unrealized Included in the profit and loss statement (1)	Purchases	Payments	Transfers to level 3, gross	Transfer from level 3, gross	Fair value as at June 30, 2022	Unrealized profits (losses) in respect of instruments held as at June 30, 2022
Assets								
Assets in respect of derivative instruments	249	2,348	36	(1,728)	-	-	905	805
Liabilities								
Liabilities in respect of derivative instruments	18	(10)	-	(1)	-	-	27	(9)

NOTE 14C - CHANGES IN ITEMS MEASURED AT FAIR VALUE ON A RECURRENT BASIS INCLUDED IN LEVEL 3 (CONT'D)

(NIS million)

	For the year ended December 31, 2022 (audited)							
	Fair value as at December 31, 2021	Profits (losses) realized and unrealized Included in the profit and loss statement (1)	Purchases	Payments	Transfers to level 3, gross	Transfer from level 3, gross	Fair value as at December 31, 2022	Unrealized profits (losses) in respect of instruments held as at December 31, 2022
Assets								
Assets in respect of derivative instruments	249	3,890	81	(3,578)	-	-	642	576
Liabilities								
Liabilities in respect of derivative instruments	18	(7)	-	1	-	-	26	(11)

(1) Realized profits (losses) are included in the profit and loss statement in the item non interest financing income.

NOTE 14D - QUANTITATIVE INFORMATION ON ITEMS MEASURED AT FAIR VALUE INCLUDED IN LEVEL 3

					As of June 30, 2023 (unaudited)
	Value Assessment technique	Unobservable inputs	Fair value	Average	Range
			(NIS million)		in %
A. Items measured at fair value on a recurrent basis					
Assets					
Assets in respect of derivative instruments:					
Interest rate contract: NIS-CPI	Discounted cash flow	Anticipated inflation curve	**-**	**4.91**	**4.91**
Interest rate contract: other	Discounted cash flow	Counter-party credit risk	**20**	**1.24**	**1.00-1.55**
Foreign currency contracts	Discounted cash flow	1. CPI-linked interest	**4**	**0.89**	**0.71-1.05**
		2. Counter-party credit risk	**704**	**1.28**	**1.00-5.10**
Liabilities					
Liabilities in respect of derivative instruments:					
Interest rate contract: NIS-CPI	Discounted cash flow	Anticipated inflation curve	**19**	**2.32**	**1.32-4.91**
Foreign currency contracts	Discounted cash flow	CPI-linked interest	**4**	**0.89**	**0.71-1.05**
B. Items measured at fair value on a non-recurrent basis					
Non-accruing credit the collection of which is contingent on collateral	Collateral value		**12**		

					As of June 30, 2022 (unaudited)
	Value Assessment technique	Unobservable inputs	Fair value	Average	Range
			(NIS million)		in %
A. Items measured at fair value on a recurrent basis					
Assets					
Assets in respect of derivative instruments:					
Interest rate contract: NIS-CPI	Discounted cash flow	CPI linked interest	7	(0.83)	(0.27)-(2.11)
Interest rate contract: other	Discounted cash flow	Counter-party credit risk	20	1.41	1.20-1.55
Foreign currency contracts	Discounted cash flow	1. CPI-linked interest	6	(2.01)	(1.18)-(3.62)
		2. Counter-party credit risk	872	1.31	1.00-4.60
Liabilities					
Liabilities in respect of derivative instruments:					
Interest rate contract: NIS-CPI	Discounted cash flow	CPI-linked interest	20	(0.52)	(0.01)-(2.11)
Foreign currency contracts	Discounted cash flow	CPI-linked interest	7	(2.01)	(1.18)-(3.62)
B. Items measured at fair value on a non-recurrent basis					
Non-accruing credit the collection of which is contingent on collateral	Collateral value		12		

NOTE 14D - QUANTITATIVE INFORMATION ON ITEMS MEASURED AT FAIR VALUE INCLUDED IN LEVEL 3 (CONT'D)

	As of December 31, 2022 (audited)				
	Value Assessment technique	Unobservable inputs	Fair value	Average	Range
			(NIS million)		in %
A. Items measured at fair value on a recurrent basis					
Assets					
Assets in respect of derivative instruments:					
Interest rate contract: NIS-CPI	Discounted cash flow	CPI linked interest	7	0.71	0.47-1.08
Interest rate contract: other	Discounted cash flow	Counter-party credit risk	22	1.41	1.20-1.55
Foreign currency contracts	Discounted cash flow	1. CPI-linked interest	5	0.06	0.23-(0.14)
		2. Counter-party credit risk	608	1.29	1.00-4.52
Liabilities					
Liabilities in respect of derivative instruments:					
Interest rate contract: NIS-CPI	Discounted cash flow	CPI-linked interest	21	0.86	0.47-1.09
Foreign currency contracts	Discounted cash flow	CPI-linked interest	5	0.06	0.23-(0.14)
B. Items measured at fair value on a non-recurrent basis					
Non-accruing credit the collection of which is contingent on collateral	Collateral value		12		

Qualitative information in respect of items measured at fair value included in level 3

- Interest linked to the CPI- a change in the forecasted inflation rate will affect the fair value of CPI transaction, so an Increase (decrease) in the forecasted inflation rate will lead to an increase (decrease) in the fair value in accordance to the Bank's CPI position.
- Counter-party credit risk- a change in the credit risk of the counter-party to the transaction, so when the credit risk of the counter-party will be high/low, the value of the transaction will be low/high.

CORPORATE GOVERNANCE, ADDITIONAL INFORMATION AND APPENDIX

LIST OF TABLES

CORPORATE GOVERNANCE

DISCLOSURE OF THE INTERNAL AUDITOR

Details regarding the Internal Auditor of the Bank (which also serves as the Internal Auditor in Massad Bank), including the working plan of the internal auditor department, conduct of the audit and the internal audit reports, were published in the annual financial statements for 2022.

The report of the internal audit for the year 2022 was discussed in the audit committee of the Bank on March 28, 2023.

MEETINGS OF THE BOARD OF DIRECTORS AND ITS COMMITTEES

During January-June 2023, the Bank's Board of Directors held 12 meetings in plenary session and 32 meetings of its various Board Committees.

RETIREMENTS AND APPOINTMENTS

Ms. Smadar Berber-Tzadik informed on May 17, 2023, of her intension to terminate her office as President and CEO of the Bank, following a term of office of sixteen years as President and CEO and some twenty years in total in senior positions at the Bank. The date for the termination of her office has not yet been determined, though it will be fixed after the Board of Directors decides on the appointment of a new President and an orderly transfer of duties is made. On May 29, 2023, the Board of Directors decided on the formation of a committee of the Board for locating candidates for the office of President of the Bank. The Committee, headed by the Chairman of the Board, will submit its recommendations to the Board of Directors for the purpose of taking a decision regarding the appointment of a President and CEO.

TRANSACTIONS WITH INTERESTED PARTIES

a. Amendments to the Securities Regulations (Periodic and immediate reports), 1970 - Reporting of transactions with controlling interests

No changes occurred during the reported period in the rules regarding the reporting of transactions with controlling interests, as detailed in the Chapter on corporate governance, transactions with interested parties, contained in the financial statements for the year 2018.

b. Determination of criteria regarding transactions of the Bank with interested parties

No changes occurred during the reported period in the said criteria, as detailed in the Chapter on corporate governance, transactions with interested parties, contained in the financial statements for the year 2018.

c. Transactions with controlling shareholders, or transactions in which controlling shareholders have a personal interest, which have been approved during the reported period in accordance with Section 270(4) and or Section 267A of the Companies Act (including framework transactions that are still in effect at date of the report and transactions approved under the Companies Regulations (Relief respecting transactions with interested parties), 2000 (hereinafter – "the Relief Regulations"):

For details of transactions, see Chapter "Corporate Governance", interested party transactions, in the financial statements for 2022.

In addition:

(1) On June 27, 2023, the Audit Committee, the Compensation Committee and the Board of Directors approved, in accordance with Regulations 1(3), 1a1, 1b(5) and 1b1 of the Companies Regulations (Relief respecting transactions with interested parties), 2000, the renewal of the Directors and Officers liability insurance policy for an additional period, in respect of the Bank and the Bank Group, including the subsidiaries of the Bank as well as the controlling shareholder, FIBI Holdings Ltd., including the President of the Bank and Directors from among the controlling shareholders. The additional insurance period begins on July 1, 2023, and ends on June 30, 2024. For details regarding the terms of the policy, see the Immediate Report of the Bank dated June 27, 2023 (Ref. No. 01-060133-2023) the contents thereof are presented herewith by way of reference.

(2) On July 6, 2023, the General Meeting of Shareholders of the Bank approved the granting of updated letters of indemnity to Directors of the Bank, who are acting and who would from time-to-time act of the Bank. The General Meeting further approved the granting of indemnity letters, as stated, to Directors who are controlling shareholders and/or their relatives and/or where a controlling shareholder might have a personal interest in granting them letters of indemnity, for a period of three years from date of approval by the General Meeting, at the same terms and in the same version of the updated letter of indemnity granted to all other Directors and Officers of the Bank. For details regarding the details of the updated letter of indemnity, see the Immediate Report of the Bank dated May 29, 2023, regarding the convening of a General Meeting (Ref. No. 01-049210-2023) the contents thereof are presented herewith by way of reference.

d. Additional information regarding transactions with interested parties that have undergone changes in the reported period

Set out below is a collation of data concerning banking transactions that were conducted by the Bank and companies under its control with the controlling owners at the Bank (including their relatives and companies in which controlling owners at the Bank are interested parties), including data concerning transactions conforming to the criteria that were determined with respect to negligible transactions, as detailed in the Chapter Corporate Governance, transactions with interested parties, contained in the financial statements for the year 2018 (NIS thousand):

Indebtedness	Credit	Investment in bonds	Fair value of derivatives	Total balance-sheet monetary indebtedness	Unutilized credit balance	Guarantees granted by Bank for securing credit to a controlling owner or to a party related thereto	Guarantees granted to Bank by controlling owner in favor of third party	Indebtedness of controlling owner in respect of transactions in derivatives	Total
									NIS thousand
Indebtedness of others(1)									
June 30, 2023	**142**	**-**	**-**	**142**	**461**	**-**	**-**	**-**	**603**
December 31, 2022	151	-	-	151	509	-	-	-	660

Deposits	June 30, 2023		December 31, 2022	
	Balance on balance-sheet date	Highest balance during period(2)	Balance on balance-sheet date	Highest balance during period(2)
		NIS thousand		NIS thousand
Deposits of others(1)	**28,752**	**30,767**	2,238	7,285

(1) Relatives of controlling shareholders of the Bank. As the term relative is defined in the Banking Law (licensing)-1981.

(2) On the basis of balances at the end of each month, except for the non-linked shekel segment in which the highest balance is computed on the basis of daily data.

DETAILS OF THE OWNERS OF CONTROL IN THE BANK

FIBI Holdings Ltd. (hereinafter - "FIBI"), a public company the shares of which are traded on the Stock Exchange, holds 48.34% of the issued share capital and voting rights in the Bank (a rate comprising the core of control according to the control permit issued by Bank of Israel). The holders of control of FIBI are Mr. Zadik Bino and his children - Gill Bino, Hadar Bino-Shmueli and Daphna Bino-Or (hereinafter - "the Bino family"), Messrs. Michael and Helen Abeles, and Messrs. Barry Lieberman, Casy Lieberman-Harris, Lee Lieberman and Joshua Lieberman (each of the groups by way of corporations under their full control: Binohon Ltd., Instanz No.2 Ltd. and Dolphin Energies Ltd.). For details regarding the different arrangements existing among the control holders with respect to their holdings in FIBI, and indirectly in the Bank, and with respect to the terms of the control permit dated September 19, 2003, that had been granted to the control holders by Bank of Israel, as amended from time to time, see "Details regarding the owners of control in the Bank" in the Chapter "Corporate Governance" in the financial statements for 2019.

In accordance with the reports of FIBI, as of date of publication of the financial statements, the holdings of the controlling shareholders in FIBI (in equity and voting) are as follows: Binohon Ltd. - 28.54%, Instanz No. 2 Ltd. - 11.68%, and Dolphin Energies Ltd. - 11.68% (the holdings of all the controlling shareholders of FIBI comprise its core of control, in accordance with the control permit issued by Bank of Israel).

ADDITIONAL INFORMATION

LEGISLATION AND REGULATORY INITIATIVES

Following are summarized details of the provisions of laws and regulatory initiatives, which were published and/or entered into effect during the reported period, and which materially affect or might affect the operations of the Bank. The Bank is studying the overall significance of the said provisions and initiatives regarding the income and expenses of the Bank, as well as the long-term business and operating implications.

A part of the initiatives may have an adverse effect on the income of the Bank and/or its expenses. This effect cannot be quantified at this stage, due to dependence of different factors, including customer behavior, competitors' activity and additional regulatory changes, regarding legislation not yet finalized, it is also not possible to assess whether it would in fact be enacted and what would be its final content.

Nothing in the contents of this Chapter derogates from that stated in other Chapters and Sections of this Report, where there exists additional reference to provisions of the law and to regulatory initiatives as described below or to other, in particular, to that stated in the Chapter "Leading and developing risks" regarding the large number of regulatory initiatives relevant to the banking system introduced in the recent period.

BANKING

Proper Conduct of Banking Business Directive No. 345 – Principles for the effective management of climate related financial risks

The Directive was published on June 12, 2023, on background of the increasing awareness in Israel and globally to the existence and scope of financial risks stemming from the potential damage of climate related events and processes, and with a view of strengthening the financial stability of the banking system with respect to climate risks. The Directive is based on a document issued by the Basel Committee in June 2022, and states twelve principles for the effective management of climate related financial risks. The principles involve aspects of corporate governance, framework of internal control, capital adequacy and liquidity, risk management procedures, monitoring and reporting, comprehensive management of credit risks, market, liquidity, operating risk and other risks, and scenario analysis.

The Directive takes effect at the end of 24 month from date of publication.

Amendment of Proper Conduct of Banking Business Directive No. 434 – Joint accounts – "Surviving party" clause and treatment of existing liabilities following death

The Amendment, published on June 11, 2023, states instructions intended to increase awareness of parties to a joint account to the existence of a "Surviving party" clause in account opening documents and to its ramifications, as well as facilitating the handling by the surviving party of liabilities existing through the means of payment that had been issued for the use of the deceased party, whether by the bank or by nonbanking means of payment (jointly with other banking corporations).

The Amendment takes effect at the end of twelve months since date of publication, except for the requirement for an initiated approach to existing joint account holders, who had elected that the "Surviving party" clause would not apply to them, in order to draw their attention to the matter. Such approach should be made within six months from date of publication of the Amendment, at the latest, and a bank should adopt reasonable efforts to complete the process regarding the customers until the end of one year since date of publication of the Amendment.

Amendment of the Banking Act (customer service) 1981

In accordance with the Amendment, issued within the framework of the Economic Program Act (Legislation amendments for the implementation of the economic policy for the budget years 2023 and 2024) 2023, which was published on June 6, 2023, banks are required to send to each customer, at the beginning of each calendar month, a notice stating the total amount of commissions (excluding in respect of residential loans, if existing) charged by the Bank to the customer in the month preceding the date of the notice, the amount of interest (excluding in respect of residential loans) charged by the Bank to the customer in the month preceding the date of the notice, and the amount of commissions and interest charged to the customer in the preceding month in respect of residential loans. The notice has to be delivered by means allowing immediate and accessible communication, to the extent possible, and the Supervisor of Banks was authorized to determine instructions in this matter (for this purpose, Bank of Israel published on July 5, 2023, a draft amendment to Proper Conduct of Banking Business Directive No. 420 – Delivery by communication channels). The above notice is to be sent starting on June 2, 2024, except for the information regarding the total amount of commissions (excluding residential loans), which already has to be sent starting on January 1, 2024.

It is further stated that, with respect to the pricelists, banks have to inform their customers that they may charge amounts or rates that are lower than those stated in the pricelists. Also added is the prohibition on charging a commission in an amount or rate higher than those stated in the pricelists, and that no commission may be charged to a customer by a banking corporation unless it is in respect of a service actually provided. It is also stated that the Supervisor of Banks may impose upon a bank a monetary sanction of NIS 750, 000, in respect of violation of each of the new instructions relating to the charging of commission according to the bank's pricelists.

Proper Conduct of Banking Business Directive No. 501 - Management of the customer service and support layout

The Directive was published on March 26, 2023, as part of a planned across-the-board layout of Bank of Israel, the purpose of which is to determine principles and standards for proper and fair conduct of Banks as regards their customers. The Directive establishes principles for providing service and support for customers of the banking system in the different service channels, and states commitments in the field of corporate governance and work procedures, including formation of strategy, policy, work plan and procedures, allocation of resources and development of supervision and control mechanisms, which would ensure promoting compliance by a bank with the said principles. Furthermore, banking corporations are required to act in a systematic, persistent and continuous manner in order to improve compliance with the principles, while applying judgment and determining preferences in accordance with materiality to the customer. Among the main principles established in the Directive may be mentioned, inter alia, the maintenance of an optimal service and support layout that would provide an appropriate response in a variety of service channels, both on a current basis and in urgent cases; maintenance of useful communication providing information and simple and clear explanations at an appropriate timing; avoiding service obstructions, damage or misstatements, difficulties or the charging of excessive costs; availability and quality all through the period of engagement with the customer; providing service and support adjusted to customer needs and providing response to the different needs of the different customer groups, and providing appropriate and qualitative service on the various channels. A banking corporation is also required to determine a service charter and publish details regarding the customer service and support layout. The Directive will take effect at the end of one year after publication date, except for certain requirements relating to the publication of the service charter and details regarding the service and support layout, in respect of which different effective dates have been fixed.

Proper Conduct of Banking Business Directive No. 422 - Opening of a credit balance current account and management of an account

As stated by Bank of Israel, in view of the importance and need for basic banking services for all population groups, an update of the Directive was published on March 26, 2023. Within the framework of the update, inter alia, the duty of offering basic services in respect of conducting a current account in Israeli currency has been expanded also to an account having a debit balance that does not exceed the approved credit line; application of the Directive has also been expanded to a foreign worker legally residing in Israel; to basic means of payment that a bank is required to offer its customers, and in the absence of reasons for reasonable refusal, are added also a charge card that is a bank card for immediate charging or a bank card for cash withdrawals which allows transactions of a limited amount for a period; also expanded are transactions that can be effected by means of online banking channels; it has been clarified that no argument of "reasonable refusal" would be admitted regarding the opening of a credit balance current account and regarding the management of an account by means of basic payment services, due only to the belonging of the customer to a particular group of population, this without derogating from the right of a bank to determine limitations and controls required according to the circumstances of the matter; a duty has been added requiring a bank to deliver to the customer in writing the decision regarding refusal to provide the services stated in the Directive, as well as the reasons therefore, subject to any legislation, within ten business days from date of application; also added to the duty of notifying the discontinuation of a service stated in the Directive, is the duty to state the reasons therefore. The Directive will take effect at the end of one year after publication date.

The draft Banking Order (Customer service) (Supervision over basic track, extended track, extended plus track services, direct channel transaction and bank teller transaction), 2022, and draft amendment of Banking Rules (Customer service) (Commissions), 2008

In accordance with the above drafts, published on December 5, 2022, the principal proposed changes are as follows:

- Updating of the method of charging current account commissions and requiring banks to compute for individual customers and for small businesses the cheapest monthly payment method best for them, according to the number of current account transactions (both direct channel and teller assisted transactions) made by them in a particular month, the payment to be charged to them would be in accordance therewith.
- Enlarging the group of small businesses to which the cheaper pricelist would apply, from a corporation with an up to NIS 5 million business turnover to a corporation with a business turnover of up to NIS 10 million, and changing the default option by attachment of a small business to the cheaper pricelist, so that all these corporations would be considered as small businesses, with the bank being permitted to request an annual report in cases where it has reasonable ground to assume that the business turnover of the corporation exceeds NIS 10 million.
- Update of the extended plus track designed for customers conducting extensive banking activity, who are interested in a track that provides them with added value, exceeding the basic services offered by a direct channel transaction and by a teller assisted transaction. This track would be enlarged so that the number of a teller assisted transactions and the direct channel transactions contained therein would not be limited. (At the present time, this track is not being offered by the Bank).

The proposed effective date of the Order is six months since date of publication.

Proper Conduct of Banking Business Directive No. 362 - cloud computing

On background of development and upgrading of the cloud computing technology, an amendment to the Directive was published on June 13, 2022. Among other things, the amendment defined "cloud computing" and "material cloud computing", removed the prohibition on usage of cloud computing services for core operations and/or core systems, stated that cloud computing is a private matter of outsourcing and, accordingly, added singular duties for the board of directors and senior management with respect to the use of cloud computing services, which are not included in Proper Conduct of Banking Business Directive No. 359A, including the duty of the board of directors to approve a policy and a multi-annual program for the use of cloud computing services, and the duty to define a function subject to the head of the information technology division, who would have an in-depth knowledge of the risks involved in the use of cloud computing services and of the technological services provided by all suppliers of cloud computing services, with whom a banking corporation is engaged. Further new requirements were added within the framework of risk assessment by a banking corporation, such as the duty to perform a risk survey regarding a material cloud computing, additional requirements and instructions regarding engagement with suppliers of material cloud computing services, regarding confrontation with cyber events in cloud computing services, including performance of cyber exercises, and with respect to the management of business continuity.

The Directive took effect on January 1, 2023, however, a banking corporation was allowed to apply the Directive in its entirety, before the effective date. Also stated are transitional instructions regarding agreements with suppliers of cloud computing services that had been signed prior to the date of publication of the Directive, as well as regarding such agreements signed after date of publication of the Directive and up to the said effective date.

Proper Conduct of Banking Business Directive No. 420 - Delivery of notices through communication channels

In accordance with an update of the Directive, published on June 6, 2021, intended to improve service to customers and reduce costs, it has been, inter alia, determined that a banking corporation has to choose the most suitable communication channel for delivering particular notices to customers who had joined the service of receiving notices by means of communication channels, in accordance with the level of materiality of the information and the speed required for its delivery. For this purpose, a banking corporation has to examine the needs of the customer in accordance with circumstances and take into consideration aspects of privacy protection, and among other things, examine whether a need exists to enable the customer to receive the information immediately and in an accessible manner, and whether the customer needs to monitor, save and print the notice. Moreover, a closed list of notices has been determined, which a bank is required to deliver to the customer both by means of a communication channel, allowing the customer the monitoring, safekeeping and printing of the notice, and by means of a communication channel enabling the immediate delivery of the notice in an accessible manner, such as SMS notices. Following an amendment dated June 13, 2022, the update entered into effect on January 1, 2023.

CAPITAL MARKET

Proper Conduct of Banking Business Directive No. 461 – Activity of a banking corporation as a broker/dealer

The Directive, published on July 19, 2023, regularizes the activity of banking corporations in the field of financial brokerage – receipt and transfer of instructions involving securities and foreign currency derivative transactions (excluding SPOT transactions) on behalf of customers, both in their role as brokers and also by way of trading on their own account. The Directive is intended to protect investors, while maintaining efficiency, fairness, transparency and minimizing risk. In its role as broker/dealer, a banking corporation is required to implement proper principles of corporate governance, risk management, control and internal audit, including where the activity is conducted in dealing rooms. The Directive is based upon global standards originating in European legislation for securities activity – Mifid II – and the FX global code principles, as well as on fiduciary and care duties applying to banking corporations. The main duties applying to banking corporations within the framework of the Directive, are: determination of a policy regarding the execution of instructions, customizing the operations for the particular customer, qualification and suitability of the staff involved in the operations, code of conduct, documentation requirements, providing information to the customer and obtaining information from him, proper disclosure regarding the conflict of interest and implementation of control over the operation.

The Directive will take effect at the end of 18 months since date of publication thereof, followed by the removal of Proper Conduct of Banking Business Directive No. 461 (in its previous version) in the matter of securities activity of a banking corporation on account of its customers, as well as Proper Conduct of Banking Business Directive No. 419 in the matter of the safekeeping of documents.

Proper Conduct of Banking Business Directive No. 460 - presentation of data regarding transactions in a securities deposit

The Directive, which was published on December 23, 2021, and updated on June 13, 2022, determines a uniform format for the presentation to the customer of data regarding his securities deposit with a banking corporation, with a view of improving the ability of the customer to take an educated decision as to the investment track best for him in relation to other investment options. The Directive includes, inter alia, details of the types of information and data, which the banking corporation has to present, including the rate of return, and where the customer obtains from the bank investment advisory services, it is required to present, inter alia, also the measure of exposure of his securities deposit. The Directive states also the dates and format in which the information would be presented.

The Directive took effect on January 1, 2023.

INCREASING COMPETITION

Proper Conduct of Banking Business Directive No. 473 – Distribution of credit cards of issuers engaged with a banking corporation in a distribution agreement

The Directive was published on June 29, 2023, in continuation of Section 7F of the Banking Act (Customer service), 1981 (hereinafter – "the Section"), which states that upon an approach by customer of a banking corporation asking to enter into a credit card agreement with the bank, or upon approach by a bank to the customer offering such an engagement, the banking corporation has to distribute the credit cards issued by issuers engaged with the bank in a distribution agreement, as defined in the Section. The Section also states that a banking corporation shall not unreasonably refuse to engage in a distribution agreement with an issuer, and that the Supervisor of Banks shall issue instructions regarding the implementation of the Section. The present Directive of the Supervisor includes instructions regarding credit card distribution processes in accordance with the Section, including terms of a distribution agreement, manner of distribution, details which the banking corporation has to present to the customer, and terms that would be considered as unreasonable refusal to enter into a distribution agreement.

Regulation of Engagement in Payment Services and Initiation of Payments Act, 2023

The Act was published on June 6, 2023, with a view of regularizing engagement in payment services and the initiation of payments, enabling nonbanking factors to enter this market and develop therein, and encouraging competition. According to the Act, engagement in payment services, which include advanced initiation services, clearing of payment transactions, issuance of means of payment, as well as management of a payment account, shall require having a "Payment company" license issued by the Securities Authority, excluding exempt entities, which include banks. Basic initiation (in which a third party enters details of the customer's instructions and the customer is required to confirm the instructions to the payment account manager) is not considered a payment service, and engagement therein requires another license having mitigating requirements in relation to the advanced initiation (in which the customer empowers a third party to deliver payment orders on his behalf by means of an interface system for delivery of payment orders, with no need for the customer to identify himself and confirm the payment order to his payment account manager). The existing credit card companies are required to hold a license applying to "provider of payment services having a stabilized importance", with licensing and supervision in their respect being, generally, effected by Bank of Israel. "Provider of services for the transfer of funds between individuals", as defined in the Act (at the present time, only payment applications agree with this definition), having a "wide scope of operation" (anyone whose share in the receipt/transfer of funds in this way exceeds 20%), is required to enable customers, being individuals, to receive or transfer funds through another payment application, based on an identifying item. In addition, a payment account manager for a beneficiary, excluding one who has a small scope of operation (having, in case of a bank or an auxiliary corporation, an asset value not exceeding 5% of the total asset value of all banks in Israel) must enable the customer to receive funds from a payer being a customer of another bank or another payment application, based on an identifying item.

The Act includes many more provisions regarding the activity of the different players, among which are provisions regarding the duty of obtaining a permit for the control of a license holder, the duty of maintaining a register of providers of payment services by the Authority, duties pertaining to a payment corporation with respect to data protection, risk management, including money laundering and finance of terror risks, provisions regarding the management and protection of customer funds held by the payment corporation and forbidding the use of funds received from customers of the payment corporation or in their favor for the purpose of extending credit, restrictions on additional business of payment corporations, the right of payment corporations to participate in non-designated controlled payment systems, and forbidding a payment account manager to charge a fee for granting access to the initiator of a payment. Also stated in the Act are sanctions, including criminal sanctions, in respect of violation of the provisions of the Act. In addition, the provision forbidding a payment corporation to pay interest on the credit balance of the customer in a payment account has been removed. It has also been clarified that, the receipt of funds from customers of a payment corporation or in their favor, for the purpose of providing payment services and keeping them in a designated account, shall not be considered as receipt of a monetary deposit as defined in Section 21(b) of the Banking Act (Licensing). The significance of this is that providers of payment services would be permitted to pay interest on credit balances under determined terms.

Financial Information Service Act, 2021

The Act, published on November 18, 2021, creates a comprehensive and uniform regulation of financial information service activity. In accordance with the Act, providing such service will require a license or permit by the relevant Regulator of the service provider (the Supervisor of Banks in the case of a bank, clearing agent and an auxiliary corporation). It is further stated that a provider of this service shall not be allowed to engage in cost comparison or brokerage services, as defined in the Act, in relation to the products and financial services that he (or parties related to him) provide to his customers. The Act includes instructions regarding the operations and duties of the entities providing financial information services and of the "sources of information" (including, according to the Act, banks clearing agents, auxiliary corporations, institutional bodies [provident funds and insurance companies], holders of license for providing deposit and credit services, holders of license for extending credit, and holders of a license for operating a credit brokerage system), including with respect to privacy protection, use of information, its protection and obtaining authority to make use of it, to charge a fee, avoidance of conflicting interest and consumer instructions. The Act states gradual effective dates for the different sources of information and types of information. The latest effective date determined for all types of information required from information sources comprising banks or auxiliary corporations is December 14, 2023.

A Financial Information Service Order (Deferral of the effective date of the Act regarding a source of information comprising a bank, an auxiliary corporation or a clearing agent with respect to a securities basket and accounts of large corporations), 2023, was published on June 12, 2023, deferring the effective date of the securities basket to September 15, 2023, and the effective date of the duty to provide access to information regarding accounts of large corporations to April 14, 2024.

Proper Conduct of Banking Business Directive No. 368 - application in Israel of the open banking Standard

The Directive was published on February 24, 2020, in continuation to the provisions of the Increase in Competition and Decrease in Centralization in the Banking Market in Israel Act (Legislation amendments), 2017, and with a view of promoting the open banking Reform, giving customers the option of allowing third parties access to their financial information in a digital and secured way.

With respect to information regarding the current account of the customer, the Directive took effect on April 18, 2021. Gradual and later effective dates were determined in respect of information regarding charge cards and nonrecurring payment orders in NIS; information regarding savings accounts, deposits, credit and securities.

The Directive applies to banks and credit card companies and includes provisions in matters of implementation of open banking (both as regards the transfer of information and in respect of payment orders), with respect to corporate governance, the manner in which the consent of the customer for delivery of information or for instructing payment, is obtained, rules regarding the level of service, principles for the management of data protection risk and cyber defense, duties applying to banks and to credit card companies choosing to operate also as a consumer of information or as a payments initiator, the manner of treating approaches by customers and the reports required by the Supervisor.

Following the enactment of the Financial Information Service Act, 2021, (hereinafter - "the Act"), Bank of Israel published on February 23, 2022, an amendment to the Directive, with the aim of modifying it to the provisions of the Act, including expansion of the classes of providers of financial information services, who would be entitled to obtain access to the financial information of a customer, with his consent. Also, on January 17, 2022, Bank of Israel published a letter updating part of the effective dates that had been fixed by the Directive, with a view of modifying them to the provisions of the Act. On May 15, 2022, Bank of Israel published an additional amendment to the Directive, which includes instructions regarding the consideration received from another entity in respect of the granting of financial information services to the customer. The instructions are intended to avoid concern in respect of conflict of interests, and require, inter alia, determination of rules ensuring that the consideration arrangement with that other party would not affect the quality of service provided to the customer.

On January 23, 2023, Bank of Israel published an Amendment to the Directive, which includes, inter alia, amendments allowing the delivery of information regarding securities held in the customer's securities deposit, as part of the implementation of the next stage in open banking.

LEGAL PROCEEDINGS

With respect to material legal actions pending against the Bank and against its consolidated subsidiaries, see Note 9 to the financial statements.

THE RATING OF THE BANK BY RATING AGENCIES

Set out below is the Bank’s rating as determined by rating agencies in Israel and by an international rating agency:

- On January 10, 2023 S&P Ma'alot ratified the issuer rating of the Bank at ilAAA\Stable outlook and its subordinate debt notes with a loss absorption mechanism at ilAA-.
- On May 23, 2023, the international rating agency Moody's ratified the rating of long-term deposits with the Bank in foreign currency and in Israeli currency at A2, the short-term deposits with the Bank at Prime-1, and the rating outlook at "stable".
- On August 6, 2023, Midrug ratified the evaluation of the Bank's internal financial stability at the rank of aa2.il, the Bank's short-term deposits at the rank of P-1.il, the Bank's long-term deposits and the senior debt at the rank of Aaa.il/stable outlook and its subordinate debt notes with a loss absorption mechanism at Aa3.il (hyb)/stable outlook rating.

EMPLOYEE COMPENSATION POLICY

In accordance with Proper Conduct of Banking Business Directive A301 - Compensation policy of a banking corporation (hereinafter - "the Directive"), and following three years since date of the prior approval, the Bank approved in June 2023, the updated compensation policy, which includes no material changes, applying to all employees of the Bank, including central employees.

For disclosure regarding the employee compensation policy, see the document "Disclosure according to Pillar 3 of Basel and additional information regarding risk" for the year 2022, which is available on the Internet site of the Bank.

INVOLVEMENT AND CONTRIBUTION TO THE COMMUNITY

The Bank attributes great importance to the promotion of social values and contribution to the community alongside its business activity. Therefore, the Bank acts within the framework of the flag plan "Believing-in-you", the aim of which is to establish long-term involvement and cooperation in society, inter alia, by means of voluntary activity of its employees and cooperation with factors, organizations and associations assisting the community. Employees of the Bank take part in such projects and contribute their time, experience and skills, in aid of different populations and sectors.

Defense forces

"Warm Home" - the Bank is active in favor of the defense forces, with a focus on providing response to the needs of solitary soldiers serving in fighting units of the IDF. In conjunction with the "Together in favor of the Soldier", the Bank has put at the disposal of soldiers 30 apartments all over the country, equipped at a high level, serving soldiers in leading a comfortable and embracing daily routine, providing the feeling of a warm home. Each such apartment has an adopting branch of the Bank, employees of which escort the soldiers using the apartment and maintain current relations with them, being attentive and providing response to their needs in their daily life.

"Leading to Success" - The Bank attributes great importance to the issue of reduction of gaps in the population and providing opportunities for the integration of disadvantaged soldiers and veterans in the community. The Bank has formed a scholarship plan to finance academic studies at the Open University, intended for such students, with a view of providing them with a key for economic independence, allowing a change of life and increasing their earning ability, thus leading them to optimal integration in society.

"Adopt a warrior" - Within the framework of the project "Adopt a warrior", the Bank adopts two combat units. As part of this adoption, the Bank participates in events of the units and supports the well-being of the soldiers all through their service period.

"Special in uniform" - The Bank participates in the "Special in Uniform" program, engaged in integrating handicapped youth in military framework, enabling them to join-up and serve "just like all others". The program comprises a jumping board for their integration in the work place and in Israeli society in all areas of activity. Within the framework of the program, the Bank adopted two units and is expected to adopt two more units, each of them having an adopting branch of the Bank, which accompanies the unit during the period of service.
"G cleft" - The Bank, jointly with the "Lior Foundation", contributes to the "G cleft" program, which grants scholarships to shell-shocked ex-servicemen studying music within a treatment framework, at the Tel Aviv Music Conservatory.

"Now it's me" - The Bank, jointly with the IDF Disabled Organization, has contributed to the formation of a designated personal training and growth program for IDF female casualties/disabled, interested in a process of development and self-fulfillment, struggling with the injury and participating in an embracing female community. Within the framework of the program, Bank employees have been integrated into the mentoring process and have enriched the participants with respect to financial contents.

In addition, the Bank is a party to the promotion of culture among IDF service personnel. In participation with the Lior Foundation, the Bank has made a contribution which enables the meeting of military service personnel with authors all over the country, and concurrently contributes to "Sunday Culture Days" for the welfare of the servicemen and women.

Cooperation for the advancement of the Ultra-Orthodox sector

"Leadership in Hi-Tech" - program engaged in the advancement of diversifying processes and inclusion of applications intended for the optimal integration of Ultra-Orthodox women in qualitative and advancing employment in the technology world. The program operates nationwide in Ultra- Orthodox communities and supports training courses for the integration in the new labor world, including preparation for development in the technological world, delivery of presentations, delivery of messages, exercise practices and constant improvement of the English language, and more. Employees of the Bank take part in the classification, training and mentoring processes.

Volunteering employees

Employees of the Bank participate in different voluntary activities, such as cooking meals for lone service personnel and involvement in the teaching of basics in the financial field among youth. At the same time, the Bank cooperates with Bank of Israel, the Union of Banks and the banking system, regarding financial education to other diversified populations.

APPENDIX 1 - RATES OF INTEREST INCOME AND EXPENSES AND ANALYSIS OF CHANGES IN INTEREST INCOME AND EXPENSES

A. AVERAGE BALANCES AND INTEREST RATES - ASSETS

	For the three months ended June 30, 2023			For the three months ended June 30, 2022		
	Average balance[1]	Interest income	Rate of income	Average balance[1]	Interest income	Rate of income
		NIS million	%		NIS million	%
Assets bearing interest						
Credit to the public[2][5]						
- In Israel	**107,546**	**1,763**	**6.56**	100,358	996	3.97
Total	**107,546**	**1,763**	**6.56**	100,358	996	3.97
Credit to the Government						
- In Israel	**891**	**7**	**3.14**	851	12	5.64
Total	**891**	**7**	**3.14**	851	12	5.64
Deposits with banks						
- In Israel	**2,784**	**26**	**3.74**	2,589	1	0.15
Total	**2,784**	**26**	**3.74**	2,589	1	0.15
Deposits with The Bank of Israel						
- In Israel	**45,479**	**519**	**4.56**	41,462	49	0.47
Total	**45,479**	**519**	**4.56**	41,462	49	0.47
Securities borrowed or repurchased						
- In Israel	**62**	**1**	**6.45**	336	1	1.19
Total	**62**	**1**	**6.45**	336	1	1.19
Held to maturity or available for sale bonds[3]						
- In Israel	**20,752**	**203**	**3.91**	14,583	44	1.21
Total	**20,752**	**203**	**3.91**	14,583	44	1.21
Trading bonds						
- In Israel	**436**	**4**	**3.67**	218	1	1.83
Total	**436**	**4**	**3.67**	218	1	1.83
Total assets bearing interest	**177,950**	**2,523**	**5.67**	160,397	1,104	2.75
Debtors regarding credit cards non-bearing interest	**3,227**			2,741		
Other assets non-bearing interest[4]	**20,920**			20,135		
Total assets	**202,097**			183,273		

APPENDIX 1 - RATES OF INTEREST INCOME AND EXPENSES AND ANALYSIS OF CHANGES IN INTEREST INCOME AND EXPENSES (CONT'D)

B. AVERAGE BALANCES AND INTEREST RATES - LIABILITIES AND CAPITAL

	For the three months ended June 30, 2023			For the three months ended June 30, 2022		
	Average balance (1)	Interest expense	Rate of expense	Average balance (1)	Interest expense	Rate of expense
		NIS million	%		NIS million	%
Liabilities bearing interest						
Deposits from the public						
- In Israel						
Demand	**19,728**	**146**	**2.96**	28,002	13	0.19
Fixed-term	**96,486**	**972**	**4.03**	52,718	151	1.15
Total	**116,214**	**1,118**	**3.85**	80,720	164	0.81
Deposits from the Government						
- In Israel	**288**	**4**	**5.56**	85	1	4.71
Total	**288**	**4**	**5.56**	85	1	4.71
Deposits from banks						
- In Israel	**642**	**7**	**4.36**	1,103	1	0.36
Total	**642**	**7**	**4.36**	1,103	1	0.36
Deposits with Bank of Israel						
- In Israel	**3,661**	**-**	**-**	4,195	-	-
Total	**3,661**	**-**	**-**	4,195	-	-
Bonds and subordinated capital notes						
- In Israel	**4,798**	**76**	**6.34**	3,696	78	8.44
Total	**4,798**	**76**	**6.34**	3,696	78	8.44
Other liabilities						
- In Israel	**29**	**-**	**-**	124	1	3.23
Total	**29**	**-**	**-**	124	1	3.23
Total liabilities bearing interest	**125,632**	**1,205**	**3.84**	89,923	245	1.09
Deposits from the public non-bearing interest	**56,317**			76,835		
Creditors in respect of credit cards non-bearing interest	**1,695**			1,847		
Other liabilities non-bearing interest (6)	**6,784**			4,288		
Total liabilities	**190,428**			172,893		
Total capital resources	**11,669**			10,380		
Total liabilities and capital resources	**202,097**			183,273		
Interest spread			**1.83**			1.66
Net return on assets bearing interest (7)						
- In Israel	**177,950**	**1,318**	**2.96**	160,397	859	2.14
Total	**177,950**	**1,318**	**2.96**	160,397	859	2.14

APPENDIX 1 -
RATES OF INTEREST INCOME AND EXPENSES AND ANALYSIS OF CHANGES IN INTEREST INCOME AND EXPENSES (CONT'D)

A. AVERAGE BALANCES AND INTEREST RATES - ASSETS

	For the six months ended June 30, 2023			For the six months ended June 30, 2022		
	Average balance(1)	Interest income	Rate of income	Average balance(1)	Interest income	Rate of income
		NIS million	%		NIS million	%
Assets bearing interest						
Credit to the public(2)(5)						
- In Israel	**107,212**	**3,359**	**6.27**	97,403	1,824	3.75
Total	**107,212**	**3,359**	**6.27**	97,403	1,824	3.75
Credit to the Government						
- In Israel	**867**	**13**	**3.00**	826	19	4.60
Total	**867**	**13**	**3.00**	826	19	4.60
Deposits with banks						
- In Israel	**2,743**	**46**	**3.35**	3,013	1	0.07
Total	**2,743**	**46**	**3.35**	3,013	1	0.07
Deposits with Bank of Israel						
- In Israel	**44,469**	**939**	**4.22**	43,187	60	0.28
Total	**44,469**	**939**	**4.22**	43,187	60	0.28
Securities borrowed or repurchased						
- In Israel	**50**	**1**	**4.00**	455	1	0.44
Total	**50**	**1**	**4.00**	455	1	0.44
Held to maturity or available for sale bonds(3)						
- In Israel	**18,789**	**334**	**3.56**	14,074	68	0.97
Total	**18,789**	**334**	**3.56**	14,074	68	0.97
Trading bonds						
- In Israel	**318**	**7**	**4.40**	239	2	1.67
Total	**318**	**7**	**4.40**	239	2	1.67
Total assets bearing interest	**174,448**	**4,699**	**5.39**	159,197	1,975	2.48
Debtors regarding credit cards non-bearing interest	**3,213**			2,870		
Other assets non-bearing interest(4)	**21,728**			20,325		
Total assets	**199,389**			182,392		

APPENDIX 1 - RATES OF INTEREST INCOME AND EXPENSES AND ANALYSIS OF CHANGES IN INTEREST INCOME AND EXPENSES (CONT'D)

B. AVERAGE BALANCES AND INTEREST RATES - LIABILITIES AND CAPITAL

	For the six months ended June 30, 2023			For the six months ended June 30, 2022		
	Average balance (1)	Interest expense	Rate of expense	Average balance (1)	Interest expense	Rate of expense
		NIS million	%		NIS million	%
Liabilities bearing interest						
Deposits from the public						
- In Israel						
Demand	**20,324**	**270**	**2.66**	29,530	14	0.09
Fixed-term	**90,444**	**1,676**	**3.71**	49,985	234	0.94
Total	**110,768**	**1,946**	**3.51**	79,515	248	0.62
Deposits from the Government						
- In Israel	**255**	**6**	**4.71**	126	1	1.59
Total	**255**	**6**	**4.71**	126	1	1.59
Deposits from banks						
- In Israel	**771**	**14**	**3.63**	984	1	0.20
Total	**771**	**14**	**3.63**	984	1	0.20
Deposits with Bank of Israel						
- In Israel	**3,929**	**1**	**0.05**	4,195	1	0.05
Total	**3,929**	**1**	**0.05**	4,195	1	0.05
Bonds						
- In Israel	**4,778**	**139**	**5.82**	3,526	120	6.81
Total	**4,778**	**139**	**5.82**	3,526	120	6.81
Other liabilities						
- In Israel	**23**	**-**	**-**	197	1	1.02
Total	**23**	**-**	**-**	197	1	1.02
Total liabilities bearing interest	**120,524**	**2,106**	**3.50**	88,543	372	0.84
Deposits from the public non-bearing interest	**58,522**			76,456		
Creditors in respect of credit cards non-bearing interest	**1,707**			1,624		
Other liabilities non-bearing interest (6)	**7,022**			5,387		
Total liabilities	**187,775**			172,010		
Total capital resources	**11,614**			10,382		
Total liabilities and capital resources	**199,389**			182,392		
Interest spread			**1.89**			1.64
Net return on assets bearing interest (7)						
- In Israel	**174,448**	**2,593**	**2.97**	159,197	1,603	2.01
Total	**174,448**	**2,593**	**2.97**	159,197	1,603	2.01

APPENDIX 1 - RATES OF INTEREST INCOME AND EXPENSES AND ANALYSIS OF CHANGES IN INTEREST INCOME AND EXPENSES (CONT'D)

C. AVERAGE BALANCES AND INCOME RATES - ADDITIONAL INFORMATION ON INTEREST BEARING ASSETS AND LIABILITIES ATTRIBUTED TO ACTIVITY IN ISRAEL

	For the three months ended June 30, 2023			For the three months ended June 30, 2022		
	Average balance(1)	Income (expense) interest	Income (expense) ratio	Average balance (1)	Income (expense) interest	Income (expense) ratio
		NIS million	%		NIS million	%
Non-linked Israeli currency						
Total assets bearing interest	**143,995**	**2,012**	**5.59**	135,270	748	2.21
Total liabilities bearing interest	**96,540**	**(825)**	**(3.42)**	72,290	(58)	(0.32)
Interest spread			**2.17**			1.89
Israeli currency linked to the CPI						
Total assets bearing interest	**15,274**	**286**	**7.49**	12,026	308	10.24
Total liabilities bearing interest	**8,702**	**(134)**	**(6.16)**	7,881	(165)	(8.37)
Interest spread			**1.33**			1.87
Foreign currency (including linked to f-c)						
Total assets bearing interest	**18,681**	**225**	**4.82**	13,101	48	1.46
Total liabilities bearing interest	**20,390**	**(246)**	**(4.82)**	9,752	(22)	(0.90)
Interest spread			**-**			0.56
Total activity in Israel						
Total assets bearing interest	**177,950**	**2,523**	**5.67**	160,397	1,104	2.75
Total liabilities bearing interest	**125,632**	**(1,205)**	**(3.84)**	89,923	(245)	(1.09)
Interest spread			**1.83**			1.66

	For the six months ended June 30, 2023			For the six months ended June 30, 2022		
	Average balance(1)	Income (expense) interest	Income (expense) ratio	Average balance (1)	Income (expense) interest	Income (expense) ratio
		NIS million	%		NIS million	%
Non-linked Israeli currency						
Total assets bearing interest	**142,810**	**3,792**	**5.31**	134,729	1,378	2.04
Total liabilities bearing interest	**93,149**	**(1,436)**	**(3.08)**	70,903	(83)	(0.23)
Interest spread			**2.23**			1.81
Israeli currency linked to the CPI						
Total assets bearing interest	**14,727**	**516**	**7.01**	11,778	519	8.81
Total liabilities bearing interest	**8,625**	**(243)**	**(5.64)**	7,722	(262)	(6.79)
Interest spread			**1.37**			2.02
Foreign currency (including linked to f-c)						
Total assets bearing interest	**16,911**	**391**	**4.62**	12,690	78	1.23
Total liabilities bearing interest	**18,750**	**(427)**	**(4.55)**	9,918	(27)	(0.54)
Interest spread			**0.07**			0.69
Total activity in Israel						
Total assets bearing interest	**174,448**	**4,699**	**5.39**	159,197	1,975	2.48
Total liabilities bearing interest	**120,524**	**(2,106)**	**(3.50)**	88,543	(372)	(0.84)
Interest spread			**1.89**			1.64

APPENDIX 1 -
RATES OF INTEREST INCOME AND EXPENSES AND ANALYSIS OF CHANGES IN INTEREST INCOME AND EXPENSES (CONT'D)

D. ANALYSIS OF CHANGES IN INTEREST INCOME AND EXPENSES

	For the three months ended June 30, 2023 compared with the same period last year			For the six months ended June 30, 2023 compared with the same period last year		
	Increase (decrease) due to the change			Increase (decrease) due to the change		
	Quantity	Price	Net change	Quantity	Price	Net change
			NIS million			NIS million
Interest bearing assets						
Credit to the public						
In Israel	**118**	**649**	**767**	**307**	**1,228**	**1,535**
Total	**118**	**649**	**767**	**307**	**1,228**	**1,535**
Other interest bearing assets						
In Israel	**112**	**540**	**652**	**108**	**1,081**	**1,189**
Total	**112**	**540**	**652**	**108**	**1,081**	**1,189**
Total interest income	**230**	**1,189**	**1,419**	**415**	**2,309**	**2,724**
Interest bearing liabilities						
Deposits from the public						
In Israel						
Demand	**(61)**	**194**	**133**	**(122)**	**378**	**256**
Fixed-term	**441**	**380**	**821**	**750**	**692**	**1,442**
Total	**380**	**574**	**954**	**628**	**1,070**	**1,698**
Other interest bearing liabilities						
In Israel	**2**	**4**	**6**	**12**	**24**	**36**
Total	**2**	**4**	**6**	**12**	**24**	**36**
Total interest expenses	**382**	**578**	**960**	**640**	**1,094**	**1,734**
Total interest income less interest expenses	**(152)**	**611**	**459**	**(225)**	**1,215**	**990**

(1) On the basis of monthly opening balances, excluding the non-linked Shekel segment in which calculated on daily balances.
(2) Before deduction of the average balance of provisions for credit losses including debts which are non-accruing interest income.
(3) To the average balance of available for sale bonds was added the average balance of unrealized gains from adjustments to fair value of bonds, included in other comprehensive profit in the item "adjustments to fair value of available for sale securities" for the three and six months ended on June 30, 2023 in the amount of NIS 345 million and NIS 355 million, respectively (for the three and six months ended June 30, 2022 balance of NIS 149 million and NIS 65 million, respectively, was added).
(4) Including derivative instruments, other non-bearing interest assets and after deduction of provision for credit losses.
(5) Fees in the amount of NIS 46 million and NIS 48 million were included in interest income for the three months ended June 30, 2023 and June 30, 2022, respectively, and amount of NIS 95 million and NIS 105 million were included in interest income for the six months ended June 30, 2023 and June 30, 2022, respectively.
(6) Including derivative instruments.
(7) Net return- net interest income to total interest bearing assets, in annual terms.
(8) Change attributed to quantity was calculated by multiplying the price in the reported period by the change in the quantity in the compared periods.
Change attributed to price was calculated by multiplying the quantity in the previous period by the change in the price in the compared periods.