FIRST INTERNATIONAL BANK OF ISRAEL

Financial Statements as of September 30, 2023

On October 7, a murderous and cruel terror attack was launched against the State of Israel, during which more than one thousand civilians were massacred and many soldiers and members of the security forces were killed in their heroic efforts to protect the States of Israel and its residents. Following this attack, the IDF has started the "Swards of Iron" War. Our hearts are with the families which had experienced the terror.

We participate in the deep sorrow of families of those murdered and of the fallen members of the security forces.

We wish the injured speedy recovery and pray for the health and speedy homecoming of all those kidnapped.

We support the IDF soldiers and members of the security forces, who are fighting mightily and bravely and hope for their safe return.

United we win.

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

The meeting of the Board of Directors held on November 28, 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 September 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 Ma'alot 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 October 31, 2023, S&P Ma'alot updated the rating outlook for banks in Israel, including the Bank and with the exception of the two major banks, from "stable" to "negative", on background of the increasing geopolitical risks, and in continuation to a similar move for the rating of credit of the State of Israel. S&P Ma'alot also ratified the issuer rating of the Bank at a rank of AAAil.

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 October 24, 2023, Moody's announced the placing of the credit rating of the five large banks in Israel, including the Bank, on "examination for the lowering of the rating", and this in continuation of a similar move regarding the credit rating of the State of Israel.

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 of the Bank 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, geopolitical changes, regulatory changes, accounting changes, as well as other changes that might lead to the nonrealization of the assessments. As to this matter, see the disclaimer in the chapter of the effect of the “Swards of Iron” war, below.

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 nine months ended September 30, 2023	For the nine months ended September 30, 2022	For the year ended December 31, 2022
			in %
Execution indices			
Return on equity attributed to shareholders of the Bank(1)	**20.5**	15.1	16.6
Return on average assets(1)	**1.10**	0.82	0.89
Ratio of equity capital tier 1	**10.84**	10.17	10.42
Leverage ratio	**5.30**	5.10	5.19
Liquidity coverage ratio	**142**	127	127
Net stable funding ratio	**138**	134	133
Ratio of total income to average assets(1)	**3.3**	2.7	2.9
Ratio of interest income, net to average assets (1)	**2.5**	1.9	2.0
Ratio of fees to average assets (1)	**0.7**	0.8	0.8
Efficiency ratio	**43.6**	53.3	50.9
Credit quality indices			
Ratio of provision for credit losses to credit to the public	**1.25**	1.01	1.02
Ratio of total provision for credit losses (2) to credit to the public	**1.37**	1.10	1.12
Ratio of non-accruing debts or in arrears of 90 days or more to credit to the public	**0.49**	0.47	0.48
Ratio of provision for credit losses to total non-accruing credit to the public	**263.8**	223.9	219.7
Ratio of net write-offs to average total credit to the public (1)	**-**	0.03	0.03
Ratio of expenses for credit losses to average total credit to the public (1)	**0.38**	0.09	0.11

Principal data from the statement of income	For the nine months ended September 30, 2023	For the nine months ended September 30, 2022
		NIS million
Net profit attributed to shareholders of the Bank	**1,673**	1,131
Interest Income, net	**3,820**	2,613
Expenses from credit losses	**336**	74
Total non-Interest income	**1,216**	1,194
Of which: Fees	**1,131**	1,125
Total operating and other expenses	**2,197**	2,028
Of which: Salaries and related expenses	**1,353**	1,231
Primary net profit per share of NIS 0.05 par value (NIS)	**16.67**	11.27

Principal data from the balance sheet	30.9.23	30.9.22	31.12.22
			NIS million
Total assets	**210,673**	194,987	195,955
of which: Cash and deposits with banks	**61,659**	56,012	57,130
Securities	**22,043**	15,331	16,010
Credit to the public, net	**118,577**	114,539	115,961
Total liabilities	**198,542**	184,290	184,920
of which: Deposits from the public	**181,274**	164,902	168,269
Deposits from banks	**3,824**	4,998	4,821
Bonds and subordinated capital notes	**4,751**	5,030	4,749
Capital attributed to the shareholders of the Bank	**11,583**	10,237	10,559

Additional data	30.9.23	30.9.22	31.12.22
Share price (0.01 NIS)	**16,360**	14,500	13,900
Dividend per share (0.01 NIS)	**706**	708	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 system in Israel, and of the Bank as a part thereof, are affected directly by the economic situation in Israel and globally. Deterioration in economic conditions (including changes in interest rates, in currency exchange rates, in inflation and more), being affected also by the political and defense conditions, may bring about damage to the income of the Bank Group, to growth in scope of troubled debts and to an adverse effect upon the results of the Group.

The level of the macro-economic risk grew in 2023, on background of high inflation rates, effects of the rise in interest in Israel and globally, changes in exchange rates and the weakening of the shekel against leading currencies, volatility in the capital market, and more.

In addition, on background of the outbreak of the "Swards of Iron" War in October, the level of macro-economic risk is continuing to rise, mostly due to the uncertainty as to the scope of the War, its length of time, including the length of active service of reservists, and the threat of the War spreading to other arenas, which may have a material effect on the macro-economic environment, and in consequence thereof, on the banking system in general and on the Bank, forming a part thereof, in particular. The effect of the War may cloud the activity of significant economic sectors, such as real estate, hotels, food and catering services, result in material growth in the rate of unemployment, deterioration in the standard of living in Israel and changes in consumption habits, which might be reflected, inter alia, in reduction in the volume of credit card operations, volatility in the capital market and in exchange rates and more. The said implications may lead to an adverse effect on the business operations of the Bank, on the condition of borrowers and on the income of the Bank Group. It may increase the volume of troubled debts and as a result thereof, lead to an adverse effect on profitability, capital and on the results of the Group.

In addition, uncertainty exists in the markets concerning the possible effects of the War and the possible downgrading of the credit rating of the State of Israel.

In October 2023, on background of the War and the growing geopolitical risks, S&P, the global rating agency, announced the downgrading of the rating outlook of the State of Israel, followed by a similar announcement regarding banks in Israel, including the Bank, and with the exception of the two large banks. Moody's, the global rating agency, also announced the placing of the credit rating of the State of Israel on a "downgrading examination" status, on background of the War, followed by a similar announcement regarding the five large banks in Israel, including the Bank.

For additional details, see the Chapter on principal economic developments, hereunder. For details regarding the effect of the credit rating of the State of Israel, see the Chapter on capital and capital adequacy.
In view of that stated above, the level of different risks, such as, liquidity, credit, market, money laundering, cyber, and more, might rise.
The Bank follows closely the developments, the macro-economic condition and the impact upon the Bank. Inter alia, the Bank examines their impact upon customers, due to the War, upon volatility in the markets and the effect on the NOSTRO investments and liquidity, the operation of the dealing rooms, cyber subjects, compliance and money laundering, and more. In addition, discussions are being held regarding the current updating of the impact of the situation on the Bank and its customers, including the issuing of different guidelines to various functions at the Bank and conducting scenarios and stress tests.

Regulatory risk

The risk originates in the growing regulatory requirements in recent years in Israel and the world over. Regulatory changes and the implementation of regulatory reforms increase uncertainty and competition in the financial system and create risk to the capital and income of the Group, including by way of preventing or restricting business activities. Such changes also require the Bank to make preparations for the implementation and integration of the regulatory requirements, which involve considerable costs and investments, such as investments in automation. Likewise, noncompliance with the provisions of the Laws and Regulations applying to the Bank and to the Group expose them to sanctions, including monetary sanctions, to claims by customers, including class actions, to criminal liability imposed upon the Bank and its Officers, as well as injury to the public image of the Bank. The regulatory risk is composed of legal risk, compliance risk and strategy risk.
The compliance policy of the Bank establishes, inter alia, the compliance values promoted by the Bank, serves as a guideline for the operation of all functions at the Bank in the management of compliance risk in general, and in complying with all the regulatory provisions in particular, outlines the principles and fundamentals, and establishes authority and areas of responsibility of the different functions at the Bank and the Group for the purpose of devising an adequate infrastructure for the implementation of the duties applying to the Bank and the Group with respect to compliance and establishing them in procedures and processes.
The regulatory-legal aspects are supervised and managed by the legal consulting layout, as part of the legal risk management, as approved by Management and the Board of Directors. The policy regularizes the way for identifying, mapping and minimizing the legal risk, including by way of current follow-up of developments in legislation, regulation and rulings, and providing current legal counseling and support, inter alia, on the basis of such developments.
As regards the strategic aspect, the strategic plan and the work plan relate to the possible implications stated above, taking into account the said changes.
In view of the War, the unprecedented damage caused to a wide section of the population and the mass call-up of reservists, as well as considerable concern regarding deterioration in the economic situation, the work done these days by the regulatory authorities and by the State, is focused on alleviating and finding solutions to the occurring difficulties and challenges.
In the months preceding the War, alongside many reforms and regulatory initiatives that had been and are being promoted in recent years, in relation to the financial sector generally and to the banking business in particular, and in the shadow of fast and significant rise in Bank of Israel interest rate, a trend was recorded of introducing regulatory and legislative initiatives, which are still at their preliminary stage, and which are intended or may, inter alia, affect and intervene, directly or indirectly, in the prices of banking products and services and in the rates of interest in practice in the banking system, both as regards the credit to the public side and as regards the deposits by the public side.
It should be mentioned in this connection, that the Competition Authority has announced the beginning of discussions with Bank of Israel regarding the declaration of the five large banking groups as a "concentration group", with reference to the measures to be considered, if and when such declaration materializes, and primary proposals regarding the development of the money market. Mentioned, inter alia, are announcements and examination of moves, each of which separately, and definitely some of them together, may directly affect the activity of the banking system and its results of operation, as well as the regulatory relations required from banks, and this, inter alia, in view of the possible effect that a significant and quick change may have on the conduct

of the economy, and in view of the fact that no similar experience exists in Israel or abroad, with respect to most of these moves, and their possible implications.

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

For details regarding material regulatory initiatives having a possible impact on the activities of the Bank during the reported period, as well as those enacted-on background of the War, see “Legislation and regulatory initiatives” in the chapter on “Corporate Governance”.

Effect of the "Swards of Iron" War

On October 7, 2023, a terror and cruel massacre attack broke out, with the penetration of thousands of terrorists from the terror organizations in the Gaza strip into settlements surrounding the Gaza Strip and the south of Israel, and under cover of a heavy barrage of missile towards areas of the State of Israel. In view of the said events, the Minister of Defense and the Minister of National Security announced a special situation for the rear of the country and a state of emergency for the whole country, as well as announcing the beginning of the "Swards of Iron" War. This period is marked by a high extent of uncertainty with respect to the development of the War, its scope and economic implications. For details, see the Chapter "Principal economic developments", hereunder.

With the outbreak of the War, and in order to facilitate the confrontation by Bank customers as to the difficulties of the War and its implications, the Bank has adopted a series of significant alleviations, within the framework of the Provisional Instruction published by the Supervisor of Banks (as detailed further on), and also by granting additional alleviations, including extending the benefits to different populations, which included the defense forces and regular servicemen.

On background of the War, Bank of Israel has published Proper Conduct of Banking Business Directive No. 251 – Modifications of Proper Conduct of Banking Business Directives for the purpose of confronting the "Swards of Iron" War (Provisional instruction), within the framework of which, various alleviations formed by the Supervisor of Banks have been granted, in order to assist the banking system and its customers in confronting the challenges of the situation. For details regarding this Directive and additional regulatory instructions, see "Legislation and regulatory initiatives" in the Chapter "Corporate governance". Furthermore, on October 15, 2023, the Supervisor of Banks issued a crosswise assistance outline for customers, formed in participation with the banking system (hereinafter – "the basic outline"), which includes alleviations in matters of credit and commission to customers of the "first circle" (those residing and operating within a range of 30 km from the Gaza Strip, persons evacuated from their homes by an official function, reservists called-up under Order 8, next of kin of war victims, of kidnapped persons and of the missing). Such customers may apply for the deferral of payments in respect of mortgages, consumer and commercial credit, for a period of three months, free of interest in respect of the deferred amounts, and all in amounts and under certain circumstances. Likewise, "first circle" customers comprising households, except for the population of reservists on active service and those called-up under Order 8, would be free of interest on debit balances on current accounts of up to NIS 10,000, for a period of three months, on condition that prior to the publication of the outline, their account showed a debit balance. In addition, "first circle" customers, who are individuals and small businesses, would be entitled to exemption from certain commissions for a period of three months. In respect of other customers, the outline allows the deferral of payments respecting mortgages and consumer and commercial credit for a period of three months, free of commissions, in certain amounts and conditions, with the cost of deferral being computed in accordance with the contractual interest rate. The terms stated in the said outline are minimum terms, and each bank may expand the outline in favor of its customers and at their request.

On November 8, 2023, Bank of Israel announced the expansion of the outline by including in customers of the "first circle" the population residing in settlements of northern Israel or those having a business in such settlements, which had been evacuated by an official function as of November 7, 2023, and which reside in one of the settlements listed in schedules published on the website of Bank of Israel.

The Bank applies the outline as well as all guidelines of Bank of Israel with respect to the preparations for the offering of banking services during the War period, while maintaining the principle of fairness to customers and the monitoring of the financial condition of borrowers.

In addition to the said basic outline, the Bank has adopted a line of additional steps in order to assist its customers. Customers residing in the area surrounding the Gaza Strip (within a range of 7 km from the border) have been granted benefits, including with respect to mortgage payments for six months, comprising complete exemption from mortgage payments for three months, and an interest free standstill in mortgage payments for the period of the deferral, for three additional months. Also offered are interest and linkage free loans of up to NIS 20 thousand for a period of two years. Benefits regarding mortgages have also been granted to regular servicemen in accordance with the basic outline, as stated. Also established is a fund designated for regular servicemen granting them interest free loans, and business customers have been granted the benefit of deferring repayment of loans.

The assessment of the amount of the said total benefits, at this stage, depends on the scope of exercised benefits, and might reach NIS 120 million, when fully exercised (comprising 7% of earnings for the nine months ended September 30, 2023). Such costs would be charged to profit and loss as incurred upon exercise of the benefits by customers, starting with the fourth quarter of the year. For additional information regarding deferral of loan repayment, see the Chapter "Risk review – credit risk", hereunder.

Management and the Board of Directors of the Bank maintain current follow-up of all matters and risks pertaining to the War, its implications and financial impact on the Bank, including the impact on customers of the Bank, volatility in the markets, and of credit risk, liquidity, the NOSTRO investments, operation of the dealing rooms, and more. For additional details, see the Chapter "Risk review – credit risk, market risk and liquidity risk", hereunder.

It is noted that in matters of compliance risk, money laundering and finance of terror, the Compliance Department of the Bank conducts controls, with a focus on identification of operations reflecting "red lights" concerning suspicious activity in matters of compliance, anti-money laundering and finance of terror. Furthermore, in the matter of cyber risk, the War has led to an increase in attack attempts on organizations in Israel; including "distributed denial-of-service" (DDoS) attacks, as well as increase in fraud attempts combined by social engineering. Exposure to materialization of a cyber event increases, inter alia, as a result of growing use by customers of digital channels and the continuing remote work by employees and suppliers. The Bank, currently, adopts measures for the minimization of risk, including remote access solutions, increased monitoring and improvement of protection mechanisms and increasing employee awareness, in accordance with developments in threat.

Within the framework of maintaining business continuity, the Bank has adopted a line of measures, inter alia, holding of emergency designated meetings, transferring employees to remote work, operation of mobile branches, and more. The Bank studies the situation on a current basis and introduces modifications to operations. As of date of publication of the financial statements, no material damage has been caused to the operations of the Bank.

The results of operation of the Bank Group for the period ended September 30, 2023, have been affected, inter alia, by the growth in credit loss expenses in the third quarter of the year, stemming from the collective allowance for credit losses, explained by the macro-economic effects of the War. For additional details, see the Chapter "Developments in income and expenses – credit loss expenses", hereunder. Likewise, see the Chapter "Accounting policy and accounting assessment of critical matters" hereunder.

Upon the outbreak of the War the Bank took action to assist in the war effort. It has significantly increased the donations budget to the tune of millions of shekels, and has established a designated Forum for the forming of an outline, according to which, the Bank acts in assisting by means of donations, in the support of residents of the surrounding Gaza area and of the fighting forces. In this framework, the Bank has allocated a significant budget for the support and accompaniment of the Nir Oz Kibbutz in its rehabilitation process, and this, alongside additional significant contributions to the defense forces, to additional settlements in the area, to residents of the area, to hospitals, and more. Concurrently, employees of the Bank take an active part in various voluntary projects supporting the war effort. For additional details, see the item "Involvement and contribution to the community" in the Chapter "Corporate governance".

As stated, it is yet not possible to assess the full impact of the War upon the Bank, due to uncertainty regarding the duration of the War, its scope, the spreading thereof to additional arenas, if at all, as well as uncertainty regarding the derivative effect on economic activity, on trends in the capital markets and the different financial measures that might be adopted by the Government, by Bank of Israel and by additional Regulators.

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 new 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 Ban k gives importance to the coping with the climate crisis and the financial risks derived from it, and is acting to monitor those risk s 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 activit y 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 nine months of 2023, as well as the economic effects stemming from the belligerency situation in which the State of Israel is found, as from October 7, 2023, following the terror attack and the cruel massacre during the penetration of thousands of terrorists from the terror organizations in the Gaza Strip into the settlements surrounding the Strip and in Southern Israel, under cover of a heavy barrage of missiles directed towards areas of the State of Israel. In view of the said events, the Minister of Defense and the Minister of National Security announced a special situation in the rear of the country and an emergency event in the whole of the country, and thus started the "Swards of Iron" War.

A widespread call-up of reservists has been declared, settlements in the warfare zone and in other threatened areas have been evacuated, workplaces have been shut down and certain employers put employees on unpaid leave. Already at the beginning of the War, stock prices dropped steeply on the Tel Aviv Stock Exchange, oil and fuel prices rose and the shekel was devaluated against other currencies.

Since the beginning of the warfare, banks provide significant alleviations in the burden of credit and commissions, as well as assistance for populations and businesses that had been hit economically by the "Swards of Iron" War, mostly in accordance with the outline by the Supervisor of Banks, designed in cooperation with the banking system.

Growth

The Research Division of Bank of Israel updated its macro-economic forecast on October 23, 2023, in the midst of the "Swards of Iron" War, estimating that the GDP would grow in 2023 at the rate of 2.3% and in 2024 at a rate of 2.8% (in comparison to 3% in each of these years, according to the earlier forecast of July). The downward updating of growth for these years, reflects estimates by the Research Department of Bank of Israel regarding the anticipated adverse effect of the War on the level of private consumption, due to reduction in demand and limitations on supply, disruptions in production and in the chain of supply. Such limitations stem from the absence of employees called for active service, as well as from the with a stable damage caused to the physical capital and to the ability to work in certain fields in warfare areas and in threatened areas.

Credit risk of the economy

The S&P global rating agency ratified on October 25, 2023, the credit rating of the State of Israel regarding the foreign currency debt, at the level of "AA-". Notwithstanding this, on background of the "Swards of Iron" War, S&P announced a change in the rating outlook from "stable" to "negative", and that it may also reduce the credit rating in the event that the military conflict would spread materially, increasing the defense and geopolitical risks challenging the State of Israel. Similarly, S&P Ma'alot announced a change in the rating outlook for the Bank and for additional banks in Israel, from "stable" to "negative".

"Moody's" the global rating agency ratified on October 19, 2023, the credit rating of the State of Israel at the level of "A1". Notwithstanding this, and on background of the "Swards of Iron" War, Moody's announced a change in the rating outlook from "stable" to "downgrading follow-up". Moody's notes that while the credit profile of Israel had proved in the past its resilience in the face of terror attacks and military conflicts, the severeness of the present military conflict raises the relatively high exposure of Israel to geopolitical risks, and increases probability for a material and continuous effect on the credit rating. In a similar way, Moody's announced a change in the rating outlook of the five large banks in Israel from "stable" to "downgrading follow-up".

"Fitch" the global rating agency ratified on October 17, 2023, the credit rating of the State of Israel at a level of "A1". Notwithstanding this, and on background of the "Swards of Iron" War, Fitch announced the downgrading of the rating outlook from "stable" to "negative follow-up". This, due to the risk of the fighting spreading to other fronts. Similarly, Fitch announced the downgrading of the rating outlook for the four large banks from "stable" to "negative follow-up". It is noted that the Bank is not being rated by Fitch.

The macro-economic forecast by the Research Division of Bank of Israel, published on October 23, 2023, noted that war scenarios had been tested several times within the framework of the unified macro-economic stress test for the banking system, and that such tests show that the banking system is expected to maintain its solidness and stability.

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 October 2023, the budget deficit for the twelve months ended in September 2023, amounted to NIS 27.4 billion (approx. -1.5%). A cumulative budgetary deficit of NIS 4.1 billion, existed in the first nine months of the year (in contrast to a cumulative budgetary surplus of NIS 33.3 billion, in the corresponding period last year).
State revenues, for the first nine months of 2023, amounted to NIS 339.3 billion, a decline of 4.4% (NIS 15.5 billion) compared to the corresponding period last year. The volume of Government expenditure amounted to NIS 343.4 billion, an increase at the rate of 6.8% (NIS 21.9 billion) as compared to the corresponding period last year.
In the forecast of October 2023, published in the midst of the "Swards of Iron" War, 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 rise to 62% in 2023, and to decrease to 68% in 2024 an increase of 2% and 6%, respectively, as compared to the last forecast of July). The Government deficit in the years 2023 and 2024 is expected to reach 2.3% of the GDP and 3.5% of the GDP, respectively (an increase of 1% and 2%, respectively, as compared to the last forecast of July).

Inflation

The interest announcement published by Bank of Israel in October 2023, noted that inflation in Israel is lower than that of most developed countries. Notwithstanding this, uncertainty exists to a large extent, with respect to developments in inflation in the coming period. The Committee estimates that the present monetary policy supports the return of the inflation rate to its targeted range, however, the devaluation of the shekel constitutes a significant risk to the rate of inflation, and developments in the currency exchange rate in the coming months will have an impact on it. The Consumer Price Index (CPA) rose in October 2023 by 0.5%, accordingly, the annual inflation rate slowed down to 3.7%.
Inflationary expectations and forecasts for the coming twelve months remain relatively stable and are found within the targeted range, though in the vicinity of its upper limit. In accordance with an update by the Research Department of Bank of Israel of October 2023, based on primary information compiled since the beginning of the "Swards of Iron" War, and considering the especially high level of uncertainty as to the development of the War and its economic implications, the anticipated rates of inflation for the years 2023 and 2024 amount to 3.5% and 2.5%, respectively. In accordance with the forecast, the rate of inflation for the coming four quarters (ending in the third quarter of 2024) is expected to amount to 2.9%.

Residential Market

In the latest interest announcement published in October 2023, Bank of Israel noted that the scope of operations in the residential market continues to slow down, and that in July and August of the year, the Apartment Price Index declined by 0.4%, while prices of new apartments declined by 0.6%. Furthermore, due to the War, the scope of operations in the residential market continues to slow down, and difficulties are experienced in the construction field, due to the general closure of the Judea and Samaria areas preventing entry from these areas into Israel of construction workers, the fleeing of thousands of foreign workers afraid of the War, and the decision of many local authorities to stop construction work in their area, due to protection and security considerations. In the longer term, an increase in demand is envisaged, inter alia, for the reconstruction of buildings and infrastructure damaged during the War.

Labor market

According to the manpower surveys published by the CBS in October 2023, decline was recorded in September in the rate of wide range unemployment (among fifteen years of age and over) to a level of 4.2% (192 thousand of unemployed), as compared to a level

of 4.5% (203 thousand of unemployed) in June. 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.
According to forecasts by the Research Division of Bank of Israel of October 2023, the rate of the wide range unemployment (among 25 years to 64 years of age) is anticipated to amount to 3.2% in 2023, and to 3.6% in 2024 (a rate lower by 0.5% than that of the previous forecast).

Bank of Israel interest rate

In the interest announcement published on October 23, 2023, in the midst of the "Swards of Iron" War, Bank of Israel decided to leave the interest rate unchanged as from May of this year, at a level of 4.75%, following ten consecutive interest hikes. According to assessments of Bank of Israel Research Division, of October 2023, Bank of Israel interest rate is expected to settle at a level of 4.00% or 4.25% on an average, in the third quarter of 2024.

Exchange rate

During the first nine months of 2023, the rate of exchange of the US dollar as against the shekel rose by 9%. 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 nine months of the year by 8%.
Due to the economic impact of the War, and for the purpose of stabilizing the markets, Bank of Israel announced of October 9, 2023, a program for the sale of foreign currency in an amount of up to US$ 30 billion, and for entering into SWAP transactions on the foreign currency market in an amount of up to US$15 billion. Within the framework of this program, Bank of Israel sold in October 2023, an amount of US$8.2 billion.
Since the beginning of the "Swards of Iron" War, an increase in volatility of the exchange rate of the US dollar against the shekel is being noticed. In the first three weeks of the fighting, the shekel weakened with the dollar crossing the four shekel line. However, since then, the dollar exchange rate is in a downward trend and on November 19, 2023, amounted to NIS 3.728.

The global environment

In the course of the first nine months 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, high inflation and continuation of the monetary contraction trend.
The global Purchase Managers' Index for September 2023, published by JP Morgan Bank, increased slightly to a level of 49.1 points, from a level of 49.0 points in the previous month. During the past thirteen months, this Index stayed at a level of below 50.0 points.
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 number of the developed countries.
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 September 2023, the Fed left the interest rate unchanged.
In the Eurozone, the ECB raised the interest in September 2023, by 0.25% to a level of 4.50%, the tenth consecutive hike since the beginning of 2022, and the highest interest rate since 2008.
In Britain, the central bank left the interest rate unchanged in September at a level of 5.25%, the highest in Britain since 2008. The annual inflation remained high, though showing a clear trend of moderation. In September, the annualized rate of inflation amounted to 6.7% (in contrast to 7.9% in June and to 10.5% in December 2022).
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 continue to increase to a level of 6.6% and 6.9%, respectively, of the GDP.

Capital market

The "Swards of Iron" War continues to cloud the performance of the local Stock exchange, so that on October 25, 2023, in relation to the end of the third quarter of the year, the TA 125 Index fell by 13%, the TA Technology Index fell by 10%, the TA Real Estate Index fell by 16% and the TA Oil and Gas Index fell by 18%.

The local capital market presented deficient returns in the first nine months of 2023, 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.

The local markets recorded moderate increases in prices in the first nine months of 2023, showing volatility in most of the share indices. The TA 36 and the TA 90 Indices rose by 3% and 4%, respectively, and the TA SME 60 Index rose by 2.5%. The sectorial indices were marked by a mixed trend, and the real estate indices dropped on background of reported decline in demand and concern regarding a slowdown, inter alia, on background of interest hikes. The TA Meniv Israel Index and the TA Real Estate Index fell by 8% and 5%, respectively. Standing out positively were the TA Oil and Gas Index, which rose by 47%, and indices of the technology companies, TA Hi-Tech and TA Technology, which rose by 11%. On the other hand, the leading stock indices in the US recorded rising prices, with the Nasdaq index rising by 35% and the S&P 500 index rising by 15%.

According to a survey of the Research Department of the Stock Exchange, CPI linked corporate bonds rose in the first nine months of 2023, by a rate of up to 8.5%, while short to medium term CPI linked Government bonds recorded a moderate increase of up to 3%. The nonlinked shekel segment was marked by a mixed trend, with corporate bonds rising by 1.5% on an average, while fixed interest Government shekel bonds for ten years dropped by 7%.

The Tel Bond-Dollar index, which includes foreign currency linked corporate bonds, rose by 14%, reaching an all-time record level. This, in parallel to the strengthening of the US dollar as against the shekel by 8.7%. The strengthening of the dollar stemmed from interest hikes by the FED, and from the diversion of funds by the public to trust funds investing overseas.

The average daily trade turnover with respect to bonds amounted to NIS 3.7 billion, in the first nine months of the year, higher by 7% 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.

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

In the first nine months of the year, the CPI rose by 3.2% (an annualized rate of 4.3%), 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, prior to the outbreak of the war, 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 nine months of 2023 rose by 3.7% 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 September 30, 2023				For the three months ended September 30, 2022			
Households	**270**	**387**	**34**	**691**	287	166	10	463
Private banking	**1**	**30**	**-**	**31**	-	21	-	21
Small and minute businesses	**132**	**130**	**18**	**280**	153	72	6	231
Middle market businesses	**46**	**27**	**8**	**81**	47	16	2	65
Large businesses	**112**	**30**	**30**	**172**	86	17	7	110
Institutional bodies	**2**	**48**	**3**	**53**	2	34	-	36
Financial management	**-**	**-**	**(81)**	**(81)**	-	-	84	84
Total interest income, net	**563**	**652**	**12**	**1,227**	575	326	109	1,010
Margin from operations (%)	**1.9%**	**1.5%**			2.0%	0.8%		
Bank of Israel interest (average)				**4.75%**				1.52%

	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 nine months ended September 30, 2023				For the nine months ended September 30, 2022			
Households	**828**	**1,130**	**94**	**2,052**	856	262	10	1,128
Private banking	**1**	**95**	**1**	**97**	1	36	-	37
Small and minute businesses	**416**	**404**	**50**	**870**	451	110	6	567
Middle market businesses	**142**	**81**	**23**	**246**	129	26	2	157
Large businesses	**320**	**99**	**79**	**498**	239	30	7	276
Institutional bodies	**7**	**146**	**5**	**158**	8	59	-	67
Financial management	**-**	**-**	**(101)**	**(101)**	-	-	381	381
Total interest income, net	**1,714**	**1,955**	**151**	**3,820**	1,684	523	406	2,613
Margin from operations (%)	**1.9%**	**1.5%**			2.1%	0.4%		
Bank of Israel interest (average)				**4.43%**				0.70%

(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 and calculated according to an internal model. Therefore, it should be taken into consideration, when performing a comparison between the Bank’s margins and the margins of other banking entities.

(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 7.4 billion, as at the end of the nine months ended September 2023, as compared to NIS 3.9 billion, at the end of September 2022. The rise in the CPI has contributed an amount of NIS 219 million to the income of the Bank for the first nine months of the year, as compared to NIS 190 million in the corresponding period last year.

MATERIAL DEVELOPMENTS IN REVENUES, EXPENSES AND OTHER COMPREHENSIVE INCOME

PROFIT AND PROFITABILITY

Net profit attributed to the shareholders of the Bank amounted to NIS 1,673 million in the first nine months of 2023, as compared to NIS 1,131 million in the same period last year, an increase of 47.9%.

The return of net profit to the capital attributed to the shareholders of the Bank (annualized) amounted to 20.5% in the period January-September 2023, compared with 15.1% in the same period last year and 16.6% in 2022.

Net profit attributed to the shareholders of the Bank in the third quarter of the year amounted to NIS 455 million, compared with NIS 467 million in the same period last year, a decrease of 2.6%.

The return of net profit to the capital attributed to the shareholders of the Bank (annualized) amounted to 16.0% in the third quarter of the year, compared with 18.5% in the same period last year.

Condensed statement of income

	For the three months ended September 30,			For the nine months ended September 30,		
	2023	**2022**	**change**	**2023**	**2022**	**change**
		NIS million	%		NIS million	%
Net financing earnings[1]	**1,226**	1,058	15.9	**3,898**	2,673	45.8
Expenses from credit losses	**165**	43	283.7	**336**	74	354.1
Net financing earnings after Expenses from credit losses	**1,061**	1,015	4.5	**3,562**	2,599	37.1
Fees and other income	**375**	371	1.1	**1,138**	1,134	0.4
Operating and other expenses	**733**	682	7.5	**2,197**	2,028	8.3
Profit before taxes	**703**	704	(0.1)	**2,503**	1,705	46.8
Provision for taxes on profit	**247**	249	(0.8)	**869**	597	45.6
The bank's share in profit of equity-basis investee, after taxes	**21**	27	(22.2)	**105**	64	64.1
Net profit:						
Before attribution to non-controlling interests	**477**	482	(1.0)	**1,739**	1,172	48.4
Attributed to non-controlling interests	**(22)**	(15)	46.7	**(66)**	(41)	61.0
Attributed to shareholders of the Bank	**455**	467	(2.6)	**1,673**	1,131	47.9
Net return on equity attributed to the Bank's shareholders[2]	**16.0%**	18.5%		**20.5%**	15.1%	

(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				For the nine months of	
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	2023	2022
							NIS million		NIS million
Interest income	**2,590**	**2,523**	**2,176**	1,804	1,382	1,104	871	**7,289**	3,357
Interest expenses	**1,363**	**1,205**	**901**	614	372	245	127	**3,469**	744
Net interest income	**1,227**	**1,318**	**1,275**	1,190	1,010	859	744	**3,820**	2,613
Non-interest financing income (expenses)	**(1)**	**43**	**36**	53	48	(22)	34	**78**	60
Net reported financing earnings	**1,226**	**1,361**	**1,311**	1,243	1,058	837	778	**3,898**	2,673
Elimination of non-current activities:									
Reconciliations to fair value of derivative instruments	**2**	**8**	**(7)**	22	(9)	(4)	(14)	**3**	(27)
Income (expenses) from realization and reconciliations to fair value of bonds	**(58)**	**(26)**	**(8)**	(39)	(2)	(1)	11	**(92)**	8
Earnings (losses) from investments in shares	**13**	**29**	**(6)**	(6)	(6)	(56)	4	**36**	(58)
Total non-current activities	**(43)**	**11**	**(21)**	(23)	(17)	(61)	1	**(53)**	(77)
Financing earnings from current activity[(1)]	**1,269**	**1,350**	**1,332**	1,266	1,075	898	777	**3,951**	2,750

(1) Of which in respect of changes in the CPI - an income of NIS 219 million in the first nine months of 2023, in comparison with an income of NIS 190 million in the same period last year (in the third quarter of 2023 - an income of NIS 68 million, in comparison with and income of NIS 61 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 3,951 million, in the first nine months of the year, compared with NIS 2,750 million in the corresponding period last year, an increase of 43.7%. The financing earnings in the third quarter of the year amounted to NIS 1,269 million, compared to NIS 1,075 million in the same quarter last year, an increase of 18.0%. 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 nine months ended September 30,	
	2023	2022
		in %
Income rate on asset bearing interest[(1)]	**5.48**	2.77
Expense rate on liabilities bearing interest[(1)]	**3.69**	1.07
Total interest spread	**1.79**	1.70
Ratio between net interest income and assets bearing interest balance[(1)]	**2.87**	2.16

(1) Annualized.

In the first nine months of the year, an increase of 0.71 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 336 million in the first nine months of 2023 compared with income of NIS 74 million in the same period last year, an increase of NIS 262 million, stemming mainly from the collective provision for credit losses. In the first nine months of the year expenses deriving from an increase in the collective provision, in an amount of NIS 251 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 state of war in which the State of Israel is found, raise of the interest rates, and the probability of an economic slowdown.

The individual provision for credit losses, in the first nine months of the year, amounted to an income of NIS 31 million, compared with NIS 42 million in the same period last year.

Expenses from credit losses amounted to NIS 165 million in the third quarter of 2023 compared with NIS 43 million in the same period last year, an increase of NIS 122 million, stemming from the collective provision for credit losses, due to the economic uncertainty in respect of the possible ramifications of the “Sward of Iron” war. The income from the individual provision in the third quarter of the year amounted to NIS 4 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 September 30,		For the nine months ended September 30,	
	2023	**2022**	**2023**	**2022**
		NIS million		NIS million
Individual expense in respect of credit losses	**34**	21	**72**	75
Decrease in individual expense in respect of credit losses and collection of debts written off in accounting	**(38)**	(50)	**(103)**	(117)
Individual income, net in respect of credit losses	**(4)**	(29)	**(31)**	(42)
Collective expense in respect of credit losses	**169**	72	**367**	116
Total expenses in respect of credit losses	**165**	43	**336**	74
Of which:				
Expenses in respect of commercial credit	**118**	47	**228**	68
Expenses(income) in respect of housing credit	**3**	5	**(1)**	16
Expenses(income) in respect of other private credit	**44**	(9)	**106**	(10)
Expenses in respect of credit risk to banks, governments and bonds	**-**	-	**3**	-
Ratio of individual income in respect of credit losses to average total credit to the public(1)	**(0.01%)**	(0.10%)	**(0.03%)**	(0.05%)
Ratio of collective expense in respect of credit losses to average total credit to the public(1)	**0.56%**	0.25%	**0.41%**	0.14%
Ratio of total expenses in respect of credit losses to average total credit to the public(1)	**0.55%**	0.15%	**0.38%**	0.09%

(1) Annualized.

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

Fees totaled NIS 1,131 million in the first nine months of 2023, compared with NIS 1,125 million in the same period last year.

Set out below are details of fees income:

	For the nine months ended	
	September 30, 2023	**September 30, 2022**
		NIS million
Account management	**164**	160
Credit cards	**90**	89
Transactions in the capital market	**553**	570
Conversion differentials	**162**	151
Fees from financing transactions	**77**	73
Other Fees	**85**	82
Total Fees	**1,131**	1,125

Operating and other expenses totaled NIS 2,197 million in the first nine months of 2023, compared with NIS 2,028 million in the same period last year, an increase of 8.3%.

Set out below are details of operating and other expenses:

	For the nine months ended	
	September 30, 2023	September 30, 2022
		NIS million
Salaries and related expenses	**1,353**	1,231
Maintenance and depreciation of premises and equipment	**256**	249
Amortization of intangible assets	**91**	84
Other expenses	**497**	464
Total operating and other expenses	**2,197**	2,028

Salaries and related expenses totaled NIS 1,353 million in the first nine months of 2023, compared with NIS 1,231 million in the same period last year, an increase of 9.9%. 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, in ter alia, from 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 256 million in comparison to NIS 249 million in the same period last year, an increase of 2.8%.

Expenses of amortization of intangible assets amounted to NIS 91 million in the first nine months of the year in comparison to NIS 84 million in the same period last year, an increase of 8.3%, mainly stemming from an increase in the volume of investment in software assets.

Other expenses totaled NIS 497 million in the first nine months of 2023, compared with NIS 464 million in the same period last year, an increase of 7.1%, mainly stemming from an increase in the volume of computer expenses and from the advertising and marketing expenses.

The provision for taxes on operating earnings amounted to NIS 869 million in the first nine months of 2023, compared with NIS 597 million in the same period last year. The effective tax rate as a proportion of earnings before taxes amounted to 34.7%, compared with 35.0% 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 105 million, compared with NIS 64 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 1,742 million. This amount was affected by the net profit for the period attributed to the shareholders of the Bank of NIS 1,673 million, by other comprehensive income in respect of adjustments to reconcile available-for-sale bonds to market value in an amount of NIS 46 million and by other comprehensive income in respect of employees' benefits in an amount of NIS 23 million.

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

The consolidated balance sheet as of September 30, 2023 amounted to NIS 210,673 million compared with NIS 195,955 million as of December 31, 2022, an increase of 7.5%.

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

	September 30, 2023	December 31, 2022	Change
		%	NIS million
Credit to the public, net	**118,577**	115,961	2.3
Securities	**22,043**	16,010	37.7
Cash and deposits with banks	**61,659**	57,130	7.9
Deposits from the public	**181,274**	168,269	7.7
Bonds and subordinated capital notes	**4,751**	4,749	-
Shareholders' equity	**11,583**	10,559	9.7

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

	September 30, 2023	December 31, 2022	Change
		NIS million	%
Off-balance sheet financial instruments excluding derivatives:			
Documentary credit	**144**	572	(74.8)
Guarantees and other liabilities	**10,037**	10,860	(7.6)
Unutilized credit lines for derivatives instruments	**2,615**	3,303	(20.8)
Unutilized revolving credit and other on-call credit facilities	**11,516**	11,672	(1.3)
Unutilized credit lines for credit card facilities and Facilities for the lending of securities	**10,656**	9,991	6.7
Irrevocable commitments to grant credit, not yet executed and commitments to issue guarantees	**10,023**	7,429	34.9
Total	**44,991**	43,827	2.7

Derivative financial instruments:

	September 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	**522**	**315**	**16,915**	519	301	21,741
Currency contracts	**1,171**	**935**	**85,242**	1,003	719	66,898
Contracts in respect of shares	**2,241**	**2,240**	**59,747**	1,301	1,300	55,142
Commodities and other contracts	**6**	**6**	**394**	2	2	132
Total	**3,940**	**3,496**	**162,298**	2,825	2,322	143,913

Credit to the public, net as of September 30, 2023 amounted to NIS 118,577 million compared with NIS 114,539 million as of September 30, 2022 and NIS 115,961 million as of December 31, 2022, an increase of 3.5% and 2.3%, respectively.

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

	September 30, 2023	December 31, 2022	Change		Segment's share of credit to the public as of September 30, 2023	December 31, 2022
		NIS million	NIS million	%	%	%
Local currency						
- Non-linked	**96,344**	95,804	540	0.6	**81.2**	82.6
- CPI-linked	**14,789**	14,095	694	4.9	**12.5**	12.2
Foreign currency (including f-c linked)	**6,851**	5,342	1,509	28.2	**5.8**	4.6
Non-monetary items	**593**	720	(127)	(17.6)	**0.5**	0.6
Total	**118,577**	115,961	2,616	2.3	**100.0**	100.0

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

	As of September 30, 2023	September 30, 2022	December 31, 2022	Change September 30, 2022	December 31, 2022
			NIS million		%
Large business segment	**34,464**	25,144	27,784	37.1	24.0
Medium business segment	**7,270**	7,920	8,192	(8.2)	(11.3)
Small and minute business segment	**18,814**	21,707	20,019	(13.3)	(6.0)
Household segment excluding housing loans	**22,968**	23,812	23,571	(3.5)	(2.6)
Housing loans	**35,508**	35,342	35,474	0.5	0.1
Private banking segment	**98**	111	97	(11.7)	1.0
Institutional entities	**951**	1,672	2,019	(43.1)	(52.9)
Total	**120,073**	115,708	117,156	3.8	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 164,146 million on September 30, 2023 compared with NIS 159,471 million on December 31, 2022, an increase of 2.9%.

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

Sector	September 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)	**25,196**	**15.3**	22,654	14.2	11.2
Construction and real estate	**24,668**	**15.0**	24,876	15.6	(0.8)
Industry	**11,508**	**7.0**	11,379	7.1	1.1
Commerce	**9,852**	**6.0**	9,953	6.2	(1.0)
Private customer, including housing loans	**76,914**	**46.9**	74,721	46.9	2.9
Others	**16,008**	**9.8**	15,888	10.0	0.8
Total	**164,146**	**100.0**	159,471	100.0	2.9

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):

		September 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	**771**	**378**	**1,149**	**663**
2.	Financial services	**1,105**	**-**	**1,105**	**52**
3.	Financial services	**220**	**701**	**921**	**921**
4.	Financial services	**-**	**880**	**880**	**880**
5.	Financial services	**829**	**18**	**847**	**21**
6.	Financial services	**831**	**4**	**835**	**835**

		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 September 30, 2023 totaled NIS 22,043 million compared with NIS 16,010 million at the end of 2022, an increase of 37.7%.

Set out below is the composition of the portfolio:

			Share of total securities	
	September 30, 2023	December 31, 2022	September 30, 2023	December 31, 2022
		NIS million		%
Government bonds	**20,490**	14,691	**93.0**	91.7
Banks' bonds (1)	**917**	655	**4.1**	4.1
Corporate bonds	**195**	219	**0.9**	1.4
Shares (2)	**441**	445	**2.0**	2.8
Total	**22,043**	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:

					Segment's share of total securities	
	September 30, 2023	December 31, 2022		Change	September 30, 2023	December 31, 2022
		NIS million	NIS million	%	%	%
Local currency						
- Non-linked	**7,928**	6,806	1,122	16.5	**36.0**	42.5
- CPI-linked	**2,708**	1,193	1,515	127.0	**12.3**	7.5
Foreign currency denominated & linked	**10,966**	7,566	3,400	44.9	**49.7**	47.2
Non-monetary items	**441**	445	(4)	(0.9)	**2.0**	2.8
Total	**22,043**	16,010	6,033	37.7	**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 September 30, 2023:

	Price quoted in active market	Indicative price*	Counter-party price**	Total
				NIS million
Shares and private investment funds	**224**	**46**	**171**	**441**
Local currency government bonds	**10,196**	**-**	**-**	**10,196**
Local currency corporate bonds	**349**	**91**	**-**	**440**
Foreign-currency and f-c linked bonds	**36**	**10,930**	**-**	**10,966**
Total	**10,805**	**11,067**	**171**	**22,043**
% of portfolio	**49.0**	**50.2**	**0.8**	**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:

	September 30, 2023	December 31, 2022
		NIS million
Israel (incl. Israel Government - NIS 2,512 million, 31.12.22 - NIS 3,454 million)	**2,615**	3,495
USA (incl. USA Government - NIS 7,782 million, 31.12.22 - NIS 3,683 million)	**8,032**	3,791
Canada	**160**	106
Far East, Australia and others (3 countries; 31.12.22 - 1 country)	**77**	38
Europe others (3 countries; 31.12.22 - 5 countries)	**82**	136
Total	**10,966**	7,566

It should be noted that there is no issuer (except the Israel Government and USA Government) whose bond balance exceeds 0.6% of the shareholders' equity of the Bank.

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

	September 30, 2023	December 31, 2022
		NIS million
Electricity and water	**26**	44
Construction and real estate	**21**	35
Financial services	**20**	23
Banks	**329**	295
Industry	**11**	12
Transportation	**33**	36
Total	**440**	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 10,966 million (Dollar 2,868 million) (includes bonds of USA government amounting to NIS 7,782 million and foreign currency denominated Israel Government bonds amounting to NIS 2,512 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 0.63% 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 September 30, 2023, amounted to NIS 258 million (NIS 161 million, net after tax).
As of November 14, 2023, the balance of gross losses amounted to NIS 246 million (NIS 154 million, net after tax).

Cash and deposits at banks on September 30, 2023 totaled NIS 61,659 million compared with NIS 57,130 million at the end of 2022, an increase of 7.9%.

Deposits from the public on September 30, 2023 totaled NIS 181,274 million compared with NIS 168,269 million at the end of 2022, an increase of 7.7%.

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	
	September 30, 2023	December 31, 2022		Change	September 30, 2023	December 31, 2022
		NIS million	NIS million	%	%	%
Local currency						
- Non-linked	**140,418**	130,157	10,261	7.9	**77.5**	77.4
- CPI-linked	**5,745**	5,990	(245)	(4.1)	**3.2**	3.5
Foreign currency denominated & linked	**34,518**	31,402	3,116	9.9	**19.0**	18.7
Non-monetary items	**593**	720	(127)	(17.6)	**0.3**	0.4
Total	**181,274**	168,269	13,005	7.7	**100.0**	100.0

Deposits from the public by segment of activity

			As of		Change
	September 30, 2023	September 30, 2022	December 31, 2022	September 30, 2022	December 31, 2022
			NIS million		%
Large business	**17,406**	18,901	17,753	(7.9)	(2.2)
Medium business	**6,199**	6,450	6,834	(3.9)	(9.3)
Small and minute business	**24,892**	27,194	27,325	(8.5)	(8.9)
Household	**69,725**	68,148	68,122	2.3	2.4
Private banking	**11,416**	10,092	10,430	13.1	9.5
Institutional entities	**51,636**	34,117	37,805	51.3	36.6
Total	**181,274**	164,902	168,269	9.9	7.7

Securities portfolios belonging to customers of the Bank Group

The total of the securities portfolios of customers of the Bank Group as of September 30, 2023, amounted to NIS 453 billion, as compared to NIS 392 billion at the end of 2022, an increase of 15.6%.

Bonds and subordinated capital notes amounted at September 30, 2023 to NIS 4,751 million, as compared with NIS 4,749 million at December 31, 2022.

CAPITAL AND CAPITAL ADEQUACY

The capital attributed to the shareholders of the Bank amounted on September 30, 2023 to NIS 11,583 million, as compared with NIS 10,559 million on December 31, 2022, an increase of 9.7%. The change in capital attributed to the Bank's shareholders was affected by net earnings of NIS 1,673 million, by other comprehensive profit of NIS 46 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 23 million. On the other hand, the capital decreased due to the payment of dividends amounting to NIS 708 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. In accordance with the Provisional Instruction dated April 27, 2020, the demand will not apply in respect of residential loans (both for the purpose of the purchase of residential asset and loans for any purpose), granted in the period from March 19, 2020 to September 30, 2021.

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 September 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.
- 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.

On the background of the uncertainty and the outbreak of the war, the internal capital goals as were set by the Board of Directors, at the date of the approval of the financial statements, are as follows:

- In a regular business situation - Tier I equity capital will be no less than 9.35% (an increase of 0.1%), 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. The evaluation of the risks takes into account also the intensification of the risks in light of the macroeconomic circumstances, the outbreak of the war and the possible ramifications on the Bank.

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 and take into consideration the possible effects of the war.

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 from 2018 and 2020, 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 September 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 September 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 0.26% and 0.34% in Tier 1 equity capital and the comprehensive equity capital, respectively, as of September 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 of 2022, has been dully submitted to bank of Israel. The Bank is in the process of compiling the updated ICAAP document relating also to the effect of the war.

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	
		September 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	**11,813**	10,802
	Tier 2 capital, after deductions	**3,574**	3,448
	Total capital	**15,387**	14,250
2.	**Weighted balances of risk assets**		
	Credit risk	**97,940**	94,786
	Market risk	**1,153**	789
	Operational risk	**9,908**	8,061
	Total weighted balances of risk assets	**109,001**	103,636
3.	**Ratio of capital to risk assets**		
	Raito of tier 1 equity capital to risk assets	**10.84%**	10.42%
	Comprehensive ratio of capital to risk assets	**14.12%**	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 September 30, 2023, amounted to 10.84% in comparison with 10.42% on December 31, 2022. The ratio of comprehensive capital to risk components as of September 30, 2023, amounted to 14.12%, in comparison with 13.75% on December 31, 2022.

The comprehensive capital as of September 30, 2023 amounted to NIS 15,387 million, in comparison with NIS 14,250 million on December 31, 2022.

The capital base was affected from earnings of NIS 1,673 million, by an increase in instruments issued by the Bank qualified for inclusion in the regulatory capital in the amount of NIS 77 million, from an increase in collective provision for credit losses qualified for inclusion in tier 2 capital in the amount of NIS 46 million, from other comprehensive profit in respect of presentation of available for sale bonds at fair value in the amount of NIS 46 million and other comprehensive profit in respect of employees' benefits in the amount of NIS 23 million. However, this increase was offset by dividend paid in the amount of NIS 708 million.

Risk assets as of September 30, 2023 amounted to NIS 109,001 million as compared with NIS 103,636 million on December 31, 2022, an increase of 5.2%.

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:

	September 30, 2023	December 31, 2022
		In percent
Bank Massad Ltd.		
Ratio of Tier 1 capital to risk assets	**17.04%**	15.12%
Ratio of comprehensive capital to risk assets	**18.14%**	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 September 30, 2023, amounts to 5.30%, 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.
On November 12, 2023, a letter from the Supervisor of Banks addressed to the banking system, in the matter of “Capital planning and earnings distribution policy”, was received. According to the letter, the banking entities have to re-examine their dividend policy for the upcoming period on the background of the war and the increasing uncertainty in respect of its continuity and the volume of its impact on the economy.

Taking into consideration that the dividend distribution policy relates to an annual distribution of up to 50% of net earnings for the year and taking into consideration the letter of the Supervisor, and on background of the uncertainty level prevailing in the markets in Israel due to the war, as well as the continuing level of uncertainty in the markets worldwide (among other, as mentioned in the chapter of leading and developing risks, macroeconomic risk and the effect of the Swards of iron war), the Board of Directors of the Bank decided on November 28, 2023, to approve a dividend distribution in cash to the shareholders of the Bank in a total amount of NIS 90 million (gross).
It is clarified, that no change has occurred in the dividend distribution policy of the Bank, and it remained unchanged. The Board of Directors of the Bank will continue to discuss the implementation of the dividend distribution policy of the Bank, in respect of the developments and their effect on the economy and on the Bank.

The ex-dividend date for the payment of the dividend is December 6, 2023, and the date of payment will be December 14, 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
November 28, 2023	December 14, 2023	90	0.90

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 September 30,			Segment's share of total income	
	2023	**2022**	**Change**	**30.9.23**	**30.9.22**
		NIS million	%		%
Large business	**216**	151	43.0	**13.5**	10.6
Medium business	**99**	84	17.9	**6.2**	5.9
Small and minute business	**368**	326	12.9	**23.0**	22.8
Household	**843**	614	37.3	**52.6**	43.0
Private banking	**56**	42	33.3	**3.5**	2.9
Institutional entities	**104**	85	22.4	**6.5**	5.9
Financial management	**(85)**	127	(166.9)	**(5.3)**	8.9
Total	**1,601**	1,429	12.0	**100.0**	100.0

	For the nine months ended September 30,			Segment's share of total income	
	2023	**2022**	**Change**	**30.9.23**	**30.9.22**
		NIS million	%		%
Large business	**627**	388	61.6	**12.5**	10.2
Medium business	**303**	212	42.9	**6.0**	5.6
Small and minute business	**1,148**	858	33.8	**22.8**	22.5
Household	**2,505**	1,586	57.9	**49.8**	41.6
Private banking	**168**	105	60.0	**3.3**	2.8
Institutional entities	**314**	224	40.2	**6.2**	5.9
Financial management	**(29)**	434	(106.7)	**(0.6)**	11.4
Total	**5,036**	3,807	32.3	**100.0**	100.0

b. Net profit (loss) attributed to the shareholders of the bank

	For the three months ended September 30,		For the nine months ended September 30,	
	2023	**2022**	**2023**	**2022**
		NIS million		NIS million
Large business	**78**	53	**277**	158
Medium business	**30**	32	**107**	62
Small and minute business	**89**	91	**298**	213
Household	**247**	158	**760**	306
Private banking	**20**	15	**64**	31
Institutional entities	**33**	30	**104**	66
Financial management	**(42)**	88	**63**	295
Total	**455**	467	**1,673**	1,131

* Including net interest income and non-interest income.

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 September 30, 2023				For the three months ended September 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	**280**	**81**	**172**	**533**	231	65	110	406
Non-interest income	**88**	**18**	**44**	**150**	95	19	41	155
Total income	**368**	**99**	**216**	**683**	326	84	151	561
Expenses from credit losses	**63**	**21**	**34**	**118**	20	7	19	46
Operating and other expenses	**165**	**32**	**60**	**257**	163	27	50	240
Net profit attributed to the shareholders of the Bank	**91**	**30**	**78**	**197**	91	32	53	176
Average balance of credit to the public	**18,889**	**7,579**	**33,868**	**60,276**	21,384	7,938	25,420	54,742
Balance of credit to the public at the end of the reported period	**18,814**	**7,270**	**34,464**	**60,548**	21,707	7,920	25,144	54,771
Average balance of deposits from the public	**25,615**	**6,296**	**15,943**	**47,854**	27,164	6,599	18,804	52,567
Balance of deposits from the public at the end of the reported period	**24,892**	**6,199**	**17,406**	**48,497**	27,194	6,450	18,901	52,545

	For the nine months ended September 30, 2023				For the nine months ended September 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	**870**	**246**	**498**	**1,614**	567	157	276	1,000
Non-interest income	**278**	**57**	**129**	**464**	291	55	112	458
Total income	**1,148**	**303**	**627**	**2,078**	858	212	388	1,458
Expenses from credit losses	**163**	**44**	**22**	**229**	31	34	2	67
Operating and other expenses	**517**	**92**	**175**	**784**	493	80	141	714
Net profit attributed to the shareholders of the Bank	**298**	**107**	**277**	**682**	213	62	158	433
Average balance of credit to the public	**19,655**	**7,781**	**31,746**	**59,182**	20,424	7,254	23,416	51,094
Balance of credit to the public at the end of the reported period	**18,814**	**7,270**	**34,464**	**60,548**	21,707	7,920	25,144	54,771
Average balance of deposits from the public	**25,859**	**6,428**	**15,601**	**47,888**	26,380	6,833	17,710	50,923
Balance of deposits from the public at the end of the reported period	**24,892**	**6,199**	**17,406**	**48,497**	27,194	6,450	18,901	52,545

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

Total net interest income amounted to NIS 1,614 million, compared with NIS 1,000 million in the same period last year, an increase of 61.4%, 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 464 million, compared to NIS 458 million in the corresponding period last year, an increase of 1.3%.

Expenses in respect of credit losses amounted to NIS 229 million, in comparison with an expense of NIS 67 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, among other things, due to the fighting situation the state of Israel is currently in, 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 784 million, compared to NIS 714 million in the corresponding period last year, an increase of 9.8%, deriving, mainly, from an increase in salaries and related expenses, due to an increase in the bonus provision and an increase in the current payroll, which stems, among other things, from the signing of labor agreements for the years 2023-2026.

The net profit attributed to the shareholders of the Bank amounted to NIS 682 million, in comparison with NIS 433 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 and the increase on other expenses, as above.

Average balance of credit to the public amounted to NIS 59,182 million, in comparison with NIS 51,094 million in the same period last year, an increase of 15.8%.

Credit to the public as of September 30, 2023 amounted to NIS 60,548 million, in comparison with NIS 54,771 million on September 30, 2022, an increase of 10.5%.

Average balance of deposits from the public amounted to NIS 47,888 million, in comparison with NIS 50,923 million in the same period last year, a decrease of 6.0%.

Deposits from the public as of September 30, 2023 amounted to NIS 48,497 million, in comparison with NIS 52,545 million on September 30, 2022, a decrease of 7.7%.

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 September 30, 2023			For the three months ended September 30, 2022		
	households	private banking	Total	households	private banking	Total
						NIS million
Net interest income	**691**	**31**	**722**	463	21	484
Non-interest income	**152**	**25**	**177**	151	21	172
Total income	**843**	**56**	**899**	614	42	656
Expenses (Income) from credit losses	**46**	**1**	**47**	(4)	-	(4)
Operating and other expenses	**385**	**24**	**409**	357	18	375
Net profit attributed to the shareholders of the Bank	**247**	**20**	**267**	158	15	173
Average balance of credit to the public	**57,341**	**89**	**57,430**	57,741	99	57,840
Balance of credit to the public at the end of the reported period	**58,476**	**98**	**58,574**	59,154	111	59,265
Average balance of deposits from the public	**69,257**	**11,010**	**80,267**	67,997	9,908	77,905
Balance of deposits from the public at the end of the reported period	**69,725**	**11,416**	**81,141**	68,148	10,092	78,240

	For the nine months ended September 30, 2023			For the nine months ended September 30, 2022		
	households	private banking	Total	households	private banking	Total
						NIS million
Net interest income	**2,052**	**97**	**2,149**	1,128	37	1,165
Non-interest income	**453**	**71**	**524**	458	68	526
Total income	**2,505**	**168**	**2,673**	1,586	105	1,691
Expenses from credit losses	**104**	**1**	**105**	5	1	6
Operating and other expenses	**1,144**	**68**	**1,212**	1,068	55	1,123
Net profit attributed to the shareholders of the Bank	**760**	**64**	**824**	306	31	337
Average balance of credit to the public	**57,531**	**85**	**57,616**	56,247	117	56,364
Balance of credit to the public at the end of the reported period	**58,476**	**98**	**58,574**	59,154	111	59,265
Average balance of deposits from the public	**68,659**	**10,654**	**79,313**	66,037	9,732	75,769
Balance of deposits from the public at the end of the reported period	**69,725**	**11,416**	**81,141**	68,148	10,092	78,240

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

Total net interest income amounted to NIS 2,149 million, as compared with NIS 1,165 million in the corresponding period last year, an increase of 84.5%, stemming mainly from an increase in the interest rate.

Non-interest income amounted to NIS 524 million, in comparison with NIS 526 million in the corresponding period last year, a decrease of 0.4%.

Expenses in respect of credit losses amounted to NIS 105 million, in comparison with NIS 6 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, among other things, due to the fighting situation the state of Israel is currently in, 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 1,212 million, as compared to NIS 1,123 million in the corresponding period last year, an increase of 7.9%, deriving, mainly, from an increase in salaries and related expenses, due to an increase in the bonus provision and an increase in the current payroll, which stems, among other things, from the signing of labor agreements for the years 2023-2026.

The net profit attributed to the shareholders of the Bank amounted to NIS 824 million, compared with NIS 337 million in the corresponding period last year, an increase of 144.5%. 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 57,616 million, in comparison with NIS 56,364 million in the same period last year, an increase of 2.2%.

Credit to the public as of September 30, 2023 amounted to NIS 58,574 million, in comparison with NIS 59,265 million on September 30, 2022, a decrease of 1.2%.

Average balance of deposits from the public amounted to NIS 79,313 million, in comparison with NIS 75,769 million in the same period last year, an increase of 4.7%.

Deposits from the public as of September 30, 2023 amounted to NIS 81,141 million, in comparison with NIS 78,240 million on September 30, 2022, an increase of 3.7%.

FINANCIAL MANAGEMENT SEGMENT

Total income attributed to this segment in the first nine months of the year amounted to NIS 29 million compared with NIS 434 million in the corresponding period last year.

The net earnings of the Financial Management Segment in the first nine months of the year amounted to NIS 63 million compared with NIS 295 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 571 million on September 30, 2023.

Total assets of Massad on September 30, 2023 amounted to NIS 11,380 million compared with NIS 11,268 million on December 31, 2022, an increase of 1.0%.

Shareholders' equity of Massad on September 30, 2023, totaled NIS 1,119 million compared with NIS 972 million on December 31, 2022, an increase of 15.1%.

Net earnings of Massad for the first nine months of the year totaled NIS 134.1 million compared with NIS 84.8 million in the same period last year, an increase of 58.1%. 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. On the other side, net earnings were affected from the increase in expenses from credit losses, due mainly from the uncertainty, in light of the possible implications of Swards of iron war.

The Bank's share in Massad's operating results for the first nine months of the year amounted to NIS 68.4 million compared with NIS 43.3 million in the same period last year, an increase of 58.0%.

Net return on equity (on an annualized basis) amounted to 16.8% compared with 12.4% in the corresponding period last year. The comprehensive ratio of capital to risk assets amounted to 18.14%, compared with 16.25% at the end of 2022. The Tier 1 equity capital ratio amounted to 17.04% 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 776 million on September 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 nine months of the year to NIS 118.9 million, as compared with NIS 72.7 million in the corresponding period last year, an increase of 63.5%. 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 concentration 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. On November 15, 2023, it was decided that Mrs. Lilia Kaplan will be appointed in place of Mr. Eli Cohen. The appointment will come into effect on November 30, 2023, with the beginning of Mr. Eli Cohen’s office as the CEO of the Bank.

   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.

In the interest announcement of October 2023, Bank of Israel left the interest unchanged, at a level of 4.75%.

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 and the volatility of the exchange rates, on the different activity segments and in particular, the effect on the debts repayment ability of customers of the Bank.

Effect of the "Swards of Iron" War

Upon the outbreak of the War in October, the Bank examined the possible implications of the War on customers of the Bank in the different segments of operation, following the security situation and the volatility in currency exchange rates. Increased follow-up is also being conducted with respect to customers who might be affected by the situation to a greater extent, and in respect of customers operating in economic segments that are more exposed to damage in the immediate time range, such as the real estate field, hotels, food and catering services, and the aviation, textiles and retail fields.

In addition, the Bank continues to support the needs of customers in this period, allowing, inter alia, deferral of customer loan repayment, including loans that had been granted by the different funds secured partly by State guarantees. As of November 10, 2023, the balance of the loans in respect of which repayments had been deferred, amounted to NIS 2,149 million, and total repayments actually deferred amounted to NIS 123 million.

Notwithstanding the above, in view of the high uncertainty prevailing with respect to the implications of the War regarding the financial situation of customers, and principally regarding their ability to overcome the crisis, the Bank has increased the collective allowance.

Credit quality and problematic credit risk

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

	September 30, 2023				September 30, 2022			
	Commercial	Housing	Private	Total	Commercial	Housing	Private	Total
								NIS million
Credit risk in credit granting rating[1]								
Balance sheet credit risk	**60,101**	**35,009**	**22,064**	**117,174**	55,907	34,848	22,919	113,674
Off-balance sheet credit risk	**24,081**	**2,093**	**16,302**	**42,476**	25,081	2,444	13,090	40,615
Total credit risk in credit granting rating	**84,182**	**37,102**	**38,366**	**159,650**	80,988	37,292	36,009	154,289
Credit risk not in credit granting rating:								
Non problematic	**1,261**	**263**	**591**	**2,115**	1,192	300	645	2,137
Problematic[2]	**1,199**	**236**	**271**	**1,706**	979	193	239	1,411
Of which:								
Problematic accruing interest	**885**	**77**	**177**	**1,139**	696	54	139	889
Problematic not-accruing interest	**314**	**159**	**94**	**567**	283	139	100	522
Total balance sheet credit risk	**2,460**	**499**	**862**	**3,821**	2,171	493	884	3,548
Off-balance sheet credit risk	**590**	**-**	**85**	**675**	502	-	98	600
Total credit risk not in credit granting rating	**3,050**	**499**	**947**	**4,496**	2,673	493	982	4,148
Of which: accruing debts in arrears of 90 days or more	**11**	**-**	**14**	**25**	6	-	12	18
Total overall credit risk of the public	**87,232**	**37,601**	**39,313**	**164,146**	83,661	37,785	36,991	158,437
Non-performing assets								
Debts not accruing interest income	**314**	**159**	**94**	**567**	283	139	100	522

	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 September 30, 2023			For the three months ended September 30, 2022		
	Commercial	Private	Total	Commercial	Private	Total
						NIS million
Balance of non-accruing debts at beginning of period	**307**	**257**	**564**	353	254	607
Classified as non-accruing during the period	**43**	**61**	**104**	33	62	95
Removed from non-accruing classification	**(14)**	**(55)**	**(69)**	(1)	(42)	(43)
Accounting write-offs of non-accruing debts	**(5)**	**(9)**	**(14)**	(22)	(8)	(30)
Collection of non-accruing debts	**(17)**	**(1)**	**(18)**	(80)	(27)	(107)
Balance of non-accruing debts at end of period	**314**	**253**	**567**	283	239	522
Of which: movement in problematic restructured debts						
Balance of restructured debts at beginning of the period	**73**	**73**	**146**	61	79	140
Restructure made during the period	**8**	**15**	**23**	21	14	35
Debts reversed into accruing classification following consequent restructure	**(12)**	**(11)**	**(23)**	-	(6)	(6)
Accounting write-offs of restructured debts	**(2)**	**(4)**	**(6)**	(2)	(3)	(5)
Collection of restructured debts	**(3)**	**-**	**(3)**	(14)	(6)	(20)
Balance of problematic restructured debts at end of period	**64**	**73**	**137**	66	78	144
Changes in provision for credit losses in respect of non-accruing debts						
Balance of provision for credit losses at the beginning of the period	**80**	**36**	**116**	101	34	135
Increase in provisions	**25**	**7**	**32**	12	8	20
Collection and write-offs	**(8)**	**(5)**	**(13)**	(38)	(6)	(44)
Balance of provision for credit losses at the end of the period	**97**	**38**	**135**	75	36	111

	For the nine months ended September 30, 2023			For the nine months ended September 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	**163**	**171**	**334**	130	100	230	186	117	303
Removed from non-accruing classification	**(16)**	**(100)**	**(116)**	(8)	(50)	(58)	(12)	(55)	(67)
Accounting write-offs of non-accruing debts	**(21)**	**(22)**	**(43)**	(70)	(17)	(87)	(77)	(25)	(102)
Collection of non-accruing debts	**(115)**	**(37)**	**(152)**	(113)	(43)	(156)	(138)	(45)	(183)
Balance of non-accruing debts at end of period	**314**	**253**	**567**	283	239	522	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	**39**	**47**	**86**	38	37	75	49	53	102
Debts reversed into accruing classification following consequent restructure	**(16)**	**(20)**	**(36)**	(7)	(13)	(20)	(9)	(12)	(21)
Accounting write-offs of restructured debts	**(7)**	**(18)**	**(25)**	(7)	(12)	(19)	(12)	(15)	(27)
Collection of restructured debts	**(18)**	**(12)**	**(30)**	(25)	(22)	(47)	(29)	(38)	(67)
Balance of problematic restructured debts at end of period	**64**	**73**	**137**	66	78	144	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	**56**	**24**	**80**	42	17	59	60	21	81
Collection and write-offs	**(38)**	**(20)**	**(58)**	(88)	(14)	(102)	(102)	(20)	(122)
Balance of provision for credit losses at the end of the period	**97**	**38**	**135**	75	36	111	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 nine months ended September 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	**0.51%**	**0.45%**	**0.41%**	**0.47%**	0.45%	0.46%
Ratio of non-accruing credit or in arrears of 90 days or more to credit to the public	**0.53%**	**0.45%**	**0.47%**	**0.49%**	0.47%	0.48%
Ratio of problematic credit to credit to the public	**1.94%**	**0.66%**	**1.18%**	**1.42%**	1.22%	1.15%
Ratio of credit not at credit execution rating to credit to the public	**3.99%**	**1.41%**	**3.76%**	**3.18%**	3.07%	3.09%
Analysis of expenses in respect of credit losses for the reporting period						
Ratio of expenses in respect of credit losses to the average balance of credit to the public*	**0.50%**	**-**	**0.64%**	**0.38%**	0.09%	0.11%
Ratio of net accounting write-offs as to the average balance of credit to the public*	**(0.03%)**	**-**	**0.08%**	**-**	0.03%	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	**1.53%**	**0.41%**	**1.77%**	**1.25%**	1.01%	1.02%
Ratio of provision for credit losses to the balance of non-accruing credit to the public	**301.0%**	**91.8%**	**430.9%**	**263.8%**	223.9%	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	**290.8%**	**91.8%**	**375.0%**	**252.7%**	216.5%	211.5%
Ratio of provision for credit losses to net accounting write-offs*	**(50.6)**	**-**	**23.4**	**(1,122.0)**	70.8	41.2

* Annualized.

TOTAL CREDIT RISK ACCORDING TO ECONOMIC SECTORS

(NIS million)

	September 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	11,417	10,720	377	135	16	(2)	192
Construction and Real estate - construction [5]	17,015	16,563	189	31	13	(7)	186
Construction and Real estate - real estate activities	7,639	7,391	68	37	62	(4)	128
Commerce	9,803	9,117	498	102	83	(2)	267
Financial services	24,927	24,755	7	5	(8)	(4)	31
Other business services	15,864	15,113	225	51	60	5	249
Total commercial	86,665	83,659	1,364	361	226	(14)	1,053
Private individuals - housing loans	37,601	37,102	236	159	(1)	-	150
Private individuals - others	39,313	38,366	277	94	106	13	437
Total public - activity in Israel	163,579	159,127	1,877	614	331	(1)	1,640
Banks in Israel and Israeli government	14,698	14,698	-	-	3	-	5
Total activity in Israel	178,277	173,825	1,877	614	334	(1)	1,645
In respect of borrowers abroad							
Total public - activity abroad	567	523	10	-	2	-	6
Banks and foreign governments abroad	10,873	10,873	-	-	-	-	-
Total activity abroad	11,440	11,396	10	-	2	-	6
Total	189,717	185,221	1,887	614	336	(1)	1,651

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 123,604, 21,602, 155, 758 and 43,598 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 5 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)

	September 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	12,083	11,542	301	76	23	31	168
Construction and Real estate - construction (5)	16,201	15,864	159	91	53	-	176
Construction and Real estate - real estate activities	7,918	7,687	70	43	27	-	84
Commerce	8,834	8,424	224	61	4	(4)	160
Financial services	22,089	21,937	9	4	10	(8)	31
Other business services	15,619	14,631	368	72	(46)	5	181
Total commercial	82,744	80,085	1,131	347	71	24	800
Private individuals - housing loans	37,785	37,292	193	139	16	(2)	143
Private individuals - others	36,991	36,009	250	103	(10)	-	320
Total public - activity in Israel	157,520	153,386	1,574	589	77	22	1,263
Banks in Israel and Israeli government	13,785	13,785	-	-	-	-	2
Total activity in Israel	171,305	167,171	1,574	589	77	22	1,265
In respect of borrowers abroad							
Total public - activity abroad	917	903	4	4	(3)	-	7
Banks and foreign governments abroad	6,723	6,723	-	-	-	-	-
Total activity abroad	7,640	7,626	4	4	(3)	-	7
Total	178,945	174,797	1,578	593	74	22	1,272

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 120,644, 14,856, 630, 1,305 and 41,510 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 127 million and non-utilized credit facilities amounting to NIS 18 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 September 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-	**193**	**3**	**196**	321	2	323
A+ to A-	**2,901**	**36**	**2,937**	2,483	35	2,518
BBB+ to BBB-	**44**	**-**	**44**	128	2	130
BB- to B-	**-**	**1**	**1**	-	1	1
Unrated	**3**	**-**	**3**	13	-	13
Total credit exposure to foreign financial institutions	(6)**3,141**	**40**	**3,181**	2,945	40	2,985

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 1,262 million, bonds in the amount of NIS 219 million and fair value of derivative financial instruments in the amount of NIS 2 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 289 million on September 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 nine 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 (99%) is attributed to leading financial institutions in OECD countries, which are graded AAA to A-, and 6% 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 539 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 92% are rated A- or higher.

The average duration of the portfolio is 1.9 years.

In addition, balance-sheet credit risk includes NIS 2.6 billion of deposits placed with foreign banks, mainly for a short period of a day to a week.

As of September 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 2,308 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)

	September 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	**9,412**	**49**	**9,461**	4,654	40	4,694
Other	**1,963**	**354**	**2,317**	2,450	317	2,767
Total exposure to foreign countries	**11,375**	**403**	**11,778**	7,104	357	7,461
Off which: Total exposure to PIGS countries (Portugal, Italy, Greece and Spain)	**28**	**2**	**30**	31	2	33
Off which: Total exposure to LDC countries	**162**	**44**	**206**	146	41	187
Off which: Total exposure to countries with liquidity problems	(4)**14**	**2**	**16**	(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 nine months ended September 30		
	2023	2022	Change
		NIS million	%
Housing loans extensions			
Loans from bank funds	**2,702**	6,092	(55.6)
Loans from treasury funds	**9**	13	(30.8)
Grants from treasury funds	**5**	11	(54.5)
Total new loans	**2,716**	6,116	(55.6)
Refinanced loans from bank funds	**277**	441	(37.2)
Total **extensions**	**2,993**	6,557	(54.4)

	As at September 30,		
	2023	2022	Change
		NIS million	%
Balance of housing loans, net			
Loans from bank funds	**35,502**	35,329	0.5
Loans from treasury funds*	**227**	245	(7.3)
Grants from treasury funds*	**78**	72	8.3
Total balance of housing loans	**35,807**	35,646	0.5

* 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 September 30, 2023 included 68% of credit granted at an LTV of up to 60% similar to September 30, 2022.

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

Housing loan extensions from the Bank's sources in the first nine months of 2023 included 63% 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 September 30, 2023 included 89% of credit granted at a debt-income ratio of up to 35% compared to 90% in September 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 nine months of 2023 included 81% 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 September 30, 2023 includes 59% of credit that was granted at floating-rate interest and amounts to NIS 21,197 million.
Housing loan extensions from the Bank's sources in the first nine months of 2023 include NIS 1,065 million of credit granted at floating-rate interest of up to five years constituting 39% of extensions. An amount of NIS 472 million is floating-rate credit for five years, constituting 17% of extensions.

Long-term loans

The portfolio of housing loans from the Bank's sources as of September 30, 2023 includes 73% of credit whose redemption period as of the report date is up to 25 years and amounts to NIS 25,938 million.
Housing loan extensions from the Bank's sources in the first nine months of 2023 include 45% of credit whose redemption period as of the report date is up to 25 years and amounts to NIS 1,213 million.

Set out below are data on the development of the housing loan portfolio at the Bank by linkage segments (excluding credit fro m 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
30.9.23	**10,118**	**29.3**	**14,877**	**43.1**	**3,922**	**11.3**	**5,624**	**16.3**	**5**	**-**	**34,546**	**956**	**35,502**
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)

	Nine months 2023	Nine months 2022	2022	2021
Total housing loan extensions (NIS million)	**2,702**	6,092	7,124	8,005
Rate of change in housing loan extensions compared with previous year	**(55.6%)**	6.0%	(11.0%)	35.3%
Rate of expense (income) on credit losses relative to mortgages at the Bank's risk	**-**	0.07%	0.08%	(0.02%)
Cumulative rate of provision for credit losses relative to mortgages at the Bank's risk	**0.44%**	0.41%	0.43%	0.50%

Effect of the "Swards of Iron" War on residential credit

On background of the War, and in order to assist Bank customers, the Bank has formed an outline that includes alleviations regarding credit and commissions applying to particular customers, including deferral of mortgage payments in addition to exemption from payments. For details, see the effect of the "Swards of Iron" War, above.
Since the outbreak of the War, the volume of residential loans extended by the Bank has declined. The volume of residential l oans extended in October 2023, declined by 36%, as compared with the average volume of loans extended in the first nine month of 2023.

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.

Effect of the "Swards of Iron" War on credit to private individuals

On background of the War, and in order to assist Bank customers, the Bank has formed an outline that includes alleviations regarding credit and commissions applying to particular customers, including deferral of loan payments, as well as the extension of interest and linkage free loans up to an amount of NIS 20 thousand, for a period of two years. Furthermore, the Bank has established a fund designated for regular servicemen providing them with interest free loans. For details, see the effect of the "Swards of Iron" War, above.

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

				Change	
	September 30 2023	**September 30 2022**	**December 31 2022**	**September 30 2022**	**December 31 2022**
			NIS million		%
Current account and utilized balances of credit cards	**5,814**	5,825	5,747	(0.2)	1.2
Other loans	**17,111**	17,971	17,786	(4.8)	(3.8)
Total balance credit risk	**22,925**	23,796	23,533	(3.7)	(2.6)
Unutilized current account credit lines	**4,968**	4,811	4,791	3.3	3.7
Unutilized credit lines in credit cards	**8,395**	7,679	7,954	9.3	5.5
Other off-balance credit risks	**3,005**	672	710	347.2	323.2
Total off-balance credit risk	**16,368**	13,162	13,455	24.4	21.6
Total credit risk	**39,293**	36,958	36,988	6.3	6.2
Average volume of credit, including overdrafts, credit cards and loans	**22,168**	22,757	22,297	(2.6)	(0.6)

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

				Change	
	September 30 2023	**September 30 2022**	**December 31 2022**	**September 30 2022**	**December 31 2022**
			NIS million		%
Non-accruing credit risks	**94**	103	98	(8.7)	(4.1)
Accruing problematic credit risk	**183**	147	157	24.5	16.6
Non-problematic credit risk	**39,016**	36,708	36,733	6.3	6.2
Total credit risk	**39,293**	36,958	36,988	6.3	6.2
Of which: accruing debts in arrears of 90 days or more	**14**	12	13	16.7	7.7
Balance of restructured debts out of the problematic credit	**95**	79	89	20.3	6.7
Expense (income) rate of credit losses out of total credit to the public*	**0.62%**	(0.06%)	0.07%		

* Annualized

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

				September 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	**196**	**33**	**229**	**207**
Up to 10	**2,920**	**348**	**3,268**	**2,456**
From 10 to 20	**4,848**	**1,259**	**6,107**	**3,903**
Over 20	**7,862**	**5,459**	**13,321**	**9,802**
Total	**15,826**	**7,099**	**22,925**	**16,368**

				September 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	265	31	296	206
Up to 10	3,349	467	3,816	2,082
From 10 to 20	4,930	1,489	6,419	3,437
Over 20	7,221	6,044	13,265	7,437
Total	15,765	8,031	23,796	13,162

				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
	September 30, 2023	**September 30, 2022**	**December 31, 2022**
Period to redemption			NIS million
Up to one year	**6,351**	6,310	6,304
From one to three years	**3,127**	3,245	3,204
From three to five years	**4,542**	4,986	4,935
From five to seven years	**2,536**	2,954	2,817
Over seven years	**6,369**	6,301	6,273
Total	**22,925**	23,796	23,533

Distribution by size of credit to the borrower*

	September 30, 2023			September 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	**195**	**532**	**727**	212	446	658	211	454	665
From 10 to 20	**416**	**1,044**	**1,460**	440	855	1,295	429	876	1,305
From 20 to 40	**1,161**	**2,509**	**3,670**	1,193	2,011	3,204	1,157	2,060	3,217
From 40 to 80	**2,893**	**4,348**	**7,241**	2,945	3,408	6,353	2,911	3,505	6,416
From 80 to 150	**5,458**	**4,191**	**9,649**	5,843	3,338	9,181	5,747	3,402	9,149
From 150 to 300	**7,012**	**2,679**	**9,691**	7,243	2,241	9,484	7,194	2,261	9,455
Over 300	**5,790**	**1,065**	**6,855**	5,920	863	6,783	5,884	897	6,781
Total	**22,925**	**16,368**	**39,293**	23,796	13,162	36,958	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

	September 30, 2023	September 30, 2022	December 31, 2022
			Balance sheet credit risk
Type of credit			NIS million
Current account	**1,562**	1,548	1,639
Credit card	**4,252**	4,277	4,108
Credit carrying variable interest	**16,390**	17,293	17,082
Credit carrying fixed interest	**721**	678	704
Total	**22,925**	23,796	23,533

Collateral

	September 30, 2023			September 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*	**4,481**	**119**	**4,600**	4,647	404	5,051	4,628	432	5,060
* Of which:									
Non-liquid collateral	**4,103**	**89**	**4,192**	4,224	375	4,599	4,214	402	4,616
Liquid collateral	**378**	**30**	**408**	423	29	452	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.

Effect of the "Swards of Iron" War

Upon the outbreak of the War in October, the real estate field was directly affected, when, in the first two weeks of the War, construction sites around the country were closed down. Later on, sites have been partially opened in accordance with decisions of each local authority. In addition, construction sites experienced shortage of labor, whether due to the non-entry of Palestinian building workers from the Judea, Samaria and the Gaza Strip areas, or due to the fact that a part of the foreign building workers have returned to their home countries.

The Bank conducts a current follow-up over all building projects financed by the Bank, and maintains current contact with all entrepreneurs, with a focus on the Southern areas.

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

		September 30,	December 31,
	2023	**2022**	**2022**
			NIS million
Overall credit risk(1)			
Projects not yet completed			
Of which: Open land	**7,348**	7,320	7,591
Property under construction	**5,492**	4,640	5,366
Completed building projects	**5,977**	5,822	5,958
Other(2)	**5,837**	6,337	5,946
Total	**24,654**	24,119	24,861

(1) Of which: credit secured by residential property in the amount of NIS 11,325 million (stated credit NIS 8,236 million and off-balance sheet credit NIS 3,089 million). Credit secured by industrial property in the amount of NIS 1,151 million (stated credit NIS 998 million and off-balance sheet credit NIS 153 million), and credit secured by commercial property in the amount of 6,315 million (stated credit NIS 5,515 million and off-balance sheet credit NIS 800 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 September 30, 2023, amounted to 2.8%, 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 September 30, 2023, amounted to 1.0%, 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 September 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 448 million, compared to NIS 557 million on September 30, 2022 and NIS 547 million at the end of 2022.

SIGNIFICANT EXPOSURES TO BORROWER GROUPS

As of September 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.

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.

Effect of the "Swards of Iron" War

With the outbreak of the War in October, and on background of concerns regarding the downgrading of the credit rating of the State of Israel, uncertainty has increased regarding the macro-economic forecasts in Israel, in particular with respect to the anticipated rate of inflation and the interest rate. On this background, the capital markets have reacted with declining quotations and an increase in returns on bonds. Likewise, volatility of currency exchange rates has increased, with no material impact on the Bank.

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):

	September 30, 2023			September 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)	**10,662**	**379**	**11,041**	8,828	119	8,947	9,062	152	9,214
Of which: banking portfolio	**10,095**	**346**	**10,441**	8,959	(293)	8,666	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:

	September 30, 2023			September 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%	**(115)**	**8**	**(107)**	39	4	43	76	13	89
Of which: banking portfolio	**(118)**	**11**	**(107)**	38	12	50	72	9	81
Parallel decrease of 1%	**155**	**(5)**	**150**	(23)	(1)	(24)	(57)	(8)	(65)
Of which: banking portfolio	**157**	**(7)**	**150**	(24)	(12)	(36)	(55)	(4)	(59)
Non-parallel changes									
Steeping[2]	**(264)**	**29**	**(235)**	(183)	10	(173)	(188)	24	(164)
Flattening[3]	**264**	**(17)**	**247**	201	(15)	186	222	(18)	204
Interest increases in short term	**181**	**(2)**	**179**	192	(11)	181	226	(12)	214
Interest decreases in short term	**(163)**	**15**	**(148)**	(189)	9	(180)	(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]

	September 30, 2023			September 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%	**200**	**-**	**200**	356	1	357	200	2	202
Of which: banking portfolio	**197**	**-**	**197**	355	-	355	199	-	199
Parallel decrease of 1%	**(407)**	**-**	**(407)**	(610)	(1)	(611)	(575)	(2)	(577)
Of which: banking portfolio	**(405)**	**-**	**(405)**	(610)	-	(610)	(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.

With the outbreak of the War in October 2023, volatility in the NIS interest curves was observed, however, close to the date of publication of the financial statements, the data included in this chapter, are not materially different from the data as of September 30, 2023.

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 September 30,	As of December 31,	As of September 30,	As of December 31,
	2023	2022	2023	2022
Non-linked local currency	**1,987**	3,432	**16**	31
CPI-linked local currency	**7,367**	4,999	**61**	45
Foreign currency and f-c linked	**61**	(79)	**1**	(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 September 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	**(3)**	**(1)**
10% decrease	**(6)**	**(4)**
5% increase	**10**	**-**
10% increase	**28**	**3**

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.

The outbreak of the War in October 2023, increased the uncertainty in the financial markets, a material devaluation in the exchange rate of the NIS was recorded, which caused the Bank of Israel to intervene in the exchange rate. The Bank does not have a significant exposure to the change in exchange rates. Close to the date of publication of the financial statements, the data in this chapter, are not materially different from the data as of September 30, 2023.

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 September 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	**(152)**
3% increase	**152**

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 September 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	**2,675**	**-**	**2,675**	3,522	-	3,522
Other transactions:						
Interest rate contracts	**276**	**13,964**	**14,240**	794	17,425	18,219
Foreign currency contracts	**21,350**	**63,892**	**85,242**	18,404	48,494	66,898
Contracts on shares, share indexes, commodities and other contracts	**1**	**60,140**	**60,141**	85	55,189	55,274
Total derivative financial instruments	**24,302**	**137,996**	**162,298**	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.

Effect of the "Swards of Iron" War

The outbreak of the War in October, led to deterioration in the capital market in Israel, to a significant devaluation in the exchange rate of the shekel and to a sharp increase in returns and margins. In reaction to that, Bank of Israel has announced a program for the sale of US dollars and for the supply of liquidity to the SWAP market, in order to mitigate the fluctuations in the exchange rate. In addition, Bank of Israel also enables institutional bodies to enter into shekel RIPO transactions with it, in order to reduce flush sales on the bond market. These actions have mitigated the changes in the capital market, in exchange rate and in bond prices, though volatility is still high. The Bank maintains high liquidity balances in foreign currency and in shekel, over and above the regulatory and internal specifications, in comparison with the balances held under regular business conditions. The Bank continues to conduct a close follow-up over liquidity ratios together with control and monitoring operations.

Liquidity coverage ratio

The liquidity coverage ratio of the Group for the three months ended September 30, 2023 amounted to 142%, 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 funding 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 funding 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:

	September 30	December 31
	2023	**2022**
		percent
Net stable funding ratio (consolidated)	**138%**	133%
Minimal net stable fundung 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 83.1 billion on September 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 61.7 billion, and NIS 21.4 billion were invested in securities, principally Israel government bonds.

The ratio of deposits from the public to credit to the public on September 30, 2023 amounted to 152.9% compared with 145.1% on December 31, 2022.

At September 30, 2023, deposits from the public, bonds and subordinated notes totaled NIS 186.0 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 September 30, 2023	As of December 31, 2022
		NIS million
1	**4,703**	5,319
2	**4,435**	4,021
3	**3,765**	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 nine months of 2023 compared with the table published in the annual financial statements for 2022, except for:

- Model risk- In the third quarter of the year, the risk level was raised from “low” to “low- medium”, in light of the continuance of development of models, which are in the core business of the Bank and the reliance on the results of these models in decisions-making, and on the background of the War.
- 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

Assessment and evaluation of critical accounting policy matters, have been made based on best knowledge and judgment of the professional factors preparing the financial statements, and are properly applied in the financial statements of the Bank.
A review of the material fields in which, in the opinion of Management of the Bank, critical accounting policy exists, is detailed in the Board of Directors and Management Report for the year 2022, and it remains unchanged, except for the following:

PROVISION FOR CREDIT LOSSES

Since January 1, 2022, the Bank applies the accounting principles accepted by US banks in the matter of measurement of credit losses stemming from financial instruments, as detailed in Item 326 of the Codification (ASC 326) – financial instruments credit losses.
According to the new rules, the purpose of the provision for credit losses is to assess the credit losses anticipated over the life of the credit. The process of determining the provision is based on methods that had been developed with the aim of assessing anticipated losses, taking into account historical data as well as reasonable and supportable forward looking forecasts. This assessment contains also qualitative adjustments, including subjective forecasts and evaluations by Management, which involve uncertainty, and changes in assessments or estimates that may have a material impact on the provision for credit losses.
Furthermore, in each quarter, the Bank conducts an examination of the classification adequacy and reasonableness of the collective provision, which also includes aspects of judgment, assessments and evaluations regarding the level of risk inherent in the credit portfolio of the Bank.
The provision in respect of nonaccrual debts of the commercial credit segment, the collection of which depends on collateral, is computed by the cash flow discounting method or on the basis of the value of the collateral. This provision is based upon assessment of the expected receipts for the repayment of the debt from all relevant repayment sources, including the business operations of the debtor, the value of collateral provided by the debtor and the realization value of guarantees provided by the debtor or by third parties. This method requires use of judgment and assessments, which Management of the Bank believes to be reasonable at date of valuation. However, due to the nature of things, no certainty exists that the amounts that would be collected in actual fact would be identical to the assessment made.
The provision for anticipated credit losses regarding residential loans, loans to private individuals and commercial credit the contractual balance of which is below NIS one million, or commercial credit the contractual balance of which is over NIS one million but which does not comprise nonaccrual credit, is composed of a quantitative layer and qualitative adjustments, and is computed separately for each class of financial assets having similar risk characteristics. As regards commercial credit, the main method used by the Bank is the method based upon historical rates of net accounting write-offs (WARM), while with respect to credit to private individuals and residential credit, the Bank applies the method of default/loss probability in case of default (PD/LGD).
For the purpose of determining the qualitative adjustments included in the provision for anticipated credit losses, the Bank takes into account the nature if the financial assets as well as indicators relating to the specific credit portfolio of the Bank, such as: changes in volume of credit, changes in volume of troubled debts, quality of controls, concentration of credit, and more. In determining the qualitative adjustments, the Bank relates also to the state of the economy and the economic environment based on existing macro-economic data and on macro-economic forecasts for a period considered reasonable and supportable. Within the framework of the qualitative adjustments, the Bank examines whether additional uncertainties exist that are not sufficiently reflected in the outcome, and where required, increases the provision for anticipated credit losses. These assessments reflect uncertainty, and by nature, may change from time to time.

In accordance with guidelines of the Supervisor of Banks, in determining the provision as of September 30, 2023, the Bank has increased the provisions for credit losses, in view of the existing economic uncertainty, due to changes in the macro-economic environment, deriving from the war situation in which the State of Israel is found, the rise in interest rates and the rise in the rate of inflation.

As stated, in determining the provision for credit losses, the Bank relates to a wide array of data, in part being internal data of the Bank and in part being general data, inter alia, macro-economic indicators. From the aspect of the macro-economic indicators, the Bank, in its assumptions as of September 30, 2023, based itself upon economic forecasts. Following the outbreak of the War, such forecasts have been updated in accordance with updated forecasts for the following four quarters, which include, inter alia, decline in the GDP, decline in private consumption, reduction in the TA 125 Index and a rise in the rate of unemployment. It is noted that the macro-economic values, as stated, form part of a set of parameters, assessments and subjective evaluations used in determining the provision for credit losses, and that changes in these assessments and subjective evaluations may, to a large extent, divert the collective provision for credit losses.
In the wake of the War, a mapping process has been conducted, in participation with the business functions and the Risk Management Division, of the different segments of operation that might be impacted by the security situation, with a view of identifying customers which might be affected by the situation in a way that would have an effect upon their financial stability and repayment ability. Customer accounts in the real estate, hotel, food and catering services and aviation, textile and retail businesses, such as: clothing, electric, household goods and furniture manufacturing sectors have been examined. Also examined were accounts of companies engaged in non-bank credit. In addition, due to the volatility in foreign currency exchange rates, accounts of customers indicating exposure to currency exchange rates (especially importers) have been examined. Following the above, a follow-up list of debts, as stated, has been compiled, which served as a basis for an additional provision for anticipated credit losses.

In addition, in order to test the sensitivity of the provision for credit losses to assumptions and evaluations that are different than those noted in the economic forecast, as stated, and which had been used in determining the provision for loan losses at September 30, 2023, the Bank had tested additional scenarios, a pessimistic scenario and an optimistic scenario. The work assumptions by the Bank applied in the pessimistic scenario are: continuation of the state of war, aggravation of the negative growth in the GDP and in private consumption growth and continuation of the negative growth also in the first quarter of 2024. Furthermore, the Bank had intensified the forecast for the upward trend in the rate of unemployment for the next four consecutive quarters. In the optimistic scenario, different mitigations had been applied to the work assumptions regarding the said parameters. The said sensitivity analysis, the results of which are based on subjective evaluations, indicate that computation of the provision for credit losses as of September 30, 2023, based on the pessimistic forecast, would have resulted in an increase of NIS 70 million, while computation of the collective provision based on the optimistic forecast, would have led to a reduction of NIS 45 million in the collective provision. It is emphasized, that the pessimistic scenario does not constitute a stress test.
It is emphasized, that the credit loss expense depends on a wide array of factors to which uncertainty applies, when on the one hand, a slower recovery pace of the economy may lead to a higher provision, while on the other hand, existence of mitigating factors, such as a faster pace of economic recovery as well as internal factors at the Bank, such as the quality of the credit underwriting process and the quality of collateral and of the control mechanisms, may result in a reduction in the level of expense.

Assessment of the provision for credit losses requires that Management uses estimates and evaluations that are, generally, based on economic forecasts, evaluations of market developments and estimates of their effect on credit risk and the future realization of credit losses. Use of assessments and evaluations requires application of judgment leading the Management of the Bank to believe that these are reasonable at date of publication of the financial statements. Nevertheless, and of the nature of things, no certainty exists that credit losses that may evolve in the future with respect to the existing credit portfolio, would be identical to the determined assessments and evaluations.
Estimates made by the Bank in the matter of the provision for credit losses are considered forward looking information, as defined by the Securities Act, 1968. These are based, inter alia, on information and publications by third parties and on estimates in the hands of the Bank at date of publication of the financial statements. These estimates are uncertain and actual credit losses might be materially different than the estimates made.

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 September 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 September 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, November 28, 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 September 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, November 28, 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 September 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, November 28, 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 September 30, 2023 and the related condensed consolidated interim statements of income, comprehensive income, changes in equity and cash flows for the three- and nine-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.)

November 28, 2023

CONSOLIDATED STATEMENT OF INCOME

(NIS million)

	NOTE	For the three months ended September 30 2023	2022	For the nine months ended September 30 2023	2022	For the year Ended December 31 2022
		(unaudited)	(unaudited)	(unaudited)	(unaudited)	(audited)
Interest Income	2	**2,590**	1,382	**7,289**	3,357	5,161
Interest Expenses	2	**1,363**	372	**3,469**	744	1,358
Interest Income, net		**1,227**	1,010	**3,820**	2,613	3,803
Expenses from credit losses	6,12	**165**	43	**336**	74	123
Net Interest Income after expenses from credit losses		**1,062**	967	**3,484**	2,539	3,680
Non- Interest Income						
Non-Interest Financing income (expenses)	3	**(1)**	48	**78**	60	113
Fees		**375**	370	**1,131**	1,125	1,489
Other income		**-**	1	**7**	9	9
Total non- Interest income		**374**	419	**1,216**	1,194	1,611
Operating and other expenses						
Salaries and related expenses		**438**	416	**1,353**	1,231	1,680
Maintenance and depreciation of premises and equipment		**89**	86	**256**	249	332
Amortizations and impairment of intangible assets		**31**	29	**91**	84	113
Other expenses		**175**	151	**497**	464	630
Total operating and other expenses		**733**	682	**2,197**	2,028	2,755
Profit before taxes		**703**	704	**2,503**	1,705	2,536
Provision for taxes on profit		**247**	249	**869**	597	884
Profit after taxes		**456**	455	**1,634**	1,108	1,652
The bank's share in profit of equity-basis investee, after taxes		**21**	27	**105**	64	74
Net profit:						
Before attribution to non-controlling interests		**477**	482	**1,739**	1,172	1,726
Attributed to non-controlling interests		**(22)**	(15)	**(66)**	(41)	(59)
Attributed to shareholders of the Bank		**455**	467	**1,673**	1,131	1,667

					NIS
Primary profit per share attributed to the shareholders of the Bank					
Net profit per share of NIS 0.05 par value	**4.53**	4.65	**16.67**	11.27	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, November 28, 2023

STATEMENT OF COMPREHENSIVE INCOME[1]

(NIS million)

	For the three months ended September 30		For the nine months ended September 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	**477**	482	**1,739**	1,172	1,726
Net profit attributed to non-controlling interests	**(22)**	(15)	**(66)**	(41)	(59)
Net profit attributed to the shareholders of the Bank	**455**	467	**1,673**	1,131	1,667
Other comprehensive income (loss) before taxes:					
Adjustments of available for sale bonds to fair value, net	**52**	(95)	**78**	(472)	(441)
Adjustments of liabilities in respect of employee benefits[2]	**34**	42	**37**	238	235
Other comprehensive income (loss) before taxes	**86**	(53)	**115**	(234)	(206)
Related tax effect	**(29)**	18	**(40)**	80	71
Other comprehensive income (loss) before attribution to non-controlling interests, after taxes	**57**	(35)	**75**	(154)	(135)
Less other comprehensive income (loss) attributed to non-controlling interests	**1**	(2)	**6**	(11)	(13)
Other comprehensive income (loss) attributed to the shareholders of the Bank, after taxes	**56**	(33)	**69**	(143)	(122)
Comprehensive income before attribution to non-controlling interests	**534**	447	**1,814**	1,018	1,591
Comprehensive income attributed to non-controlling interests	**(23)**	(13)	**(72)**	(30)	(46)
Comprehensive income attributed to the shareholders of the Bank	**511**	434	**1,742**	988	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 pensio n 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)

		September 30,		December 31,
		2023	2022	2022
	NOTE	(unaudited)	(unaudited)	(audited)
Assets				
Cash and deposits with banks		**61,659**	56,012	57,130
Securities[(4)]	5	**22,043**	15,331	16,010
Securities which were borrowed		**155**	630	12
Credit to the public	6,12	**120,073**	115,708	117,156
Provision for Credit losses	6,12	**(1,496)**	(1,169)	(1,195)
Credit to the public, net		**118,577**	114,539	115,961
Credit to the government		**1,015**	862	866
Investment in investee company		**776**	679	687
Premises and equipment		**871**	894	902
Intangible assets		**305**	297	317
Assets in respect of derivative instruments	10	**3,940**	3,800	2,825
Other assets[(2)]		**1,332**	1,943	1,245
Total assets		**210,673**	194,987	195,955
Liabilities and Shareholders' Equity				
Deposits from the public	7	**181,274**	164,902	168,269
Deposits from banks		**3,824**	4,998	4,821
Deposits from the Government		**665**	891	237
Bonds and subordinated capital notes		**4,751**	5,030	4,749
Liabilities in respect of derivative instruments	10	**3,496**	3,303	2,322
Other liabilities[(1)(3)]		**4,532**	5,166	4,522
Total liabilities		**198,542**	184,290	184,920
Capital attributed to the shareholders of the Bank		**11,583**	10,237	10,559
Non-controlling interests		**548**	460	476
Total equity		**12,131**	10,697	11,035
Total liabilities and shareholders' equity		**210,673**	194,987	195,955

(1) Of which: provision for credit losses in respect of off-balance sheet credit instruments in the amount of NIS 150 million and NIS 101 million and NIS 117 million at 30.9.23, 30.9.22 and 31.12.22, respectively.
(2) Of which: other assets measured at fair value in the amount of NIS 13 million and NIS 738 million and NIS 26 million at 30.9.23, 30.9.22 and 31.12.22, respectively.
(3) Of which: other liabilities measured at fair value in the amount of NIS 26 million and NIS 808 million and NIS 26 million at 30.9.23, 30.9.22 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 September 30, 2023 (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 June 30, 2023	**927**	**(290)**	**10,655**	**11,292**	**525**	**11,817**
Net profit for the period	**-**	**-**	**455**	**455**	**22**	**477**
Dividend	**-**	**-**	**(220)**	**(220)**	**-**	**(220)**
Other comprehensive income, after tax effect	**-**	**56**	**-**	**56**	**1**	**57**
Balance as at September 30, 2023	**927**	**(234)**	**10,890**	**11,583**	**548**	**12,131**

	For the three months ended September 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 of June 30, 2022	927	(291)	9,337	9,973	447	10,420
Net profit for the period	-	-	467	467	15	482
Dividend	-	-	(170)	(170)	-	(170)
Other comprehensive loss, after tax effect	-	(33)	-	(33)	(2)	(35)
Balance as at September 30, 2022	927	(324)	9,634	10,237	460	10,697

	For the nine months ended September 30, 2023 (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 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	**-**	**-**	**1,673**	**1,673**	**66**	**1,739**
Dividend	**-**	**-**	**(708)**	**(708)**	**-**	**(708)**
Other comprehensive income, after tax effect	**-**	**69**	**-**	**69**	**6**	**75**
Balance as at September 30, 2023	**927**	**(234)**	**10,890**	**11,583**	**548**	**12,131**

	For the nine months ended September 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	-	-	1,131	1,131	41	1,172
Dividend	-	-	(710)	(710)	-	(710)
Other comprehensive loss, after tax effect	-	(143)	-	(143)	(11)	(154)
Balance as at September 30, 2022	927	(324)	9,634	10,237	460	10,697

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 September 30		For the nine months ended September 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	**477**	482	**1,739**	1,172	1,726
Adjustments necessary to present cash flows from operating activity:					
The Bank's share in profit of investee company	**(21)**	(27)	**(105)**	(64)	(74)
Depreciation of premises and equipment	**17**	17	**49**	49	65
Amortization of intangible assets	**31**	29	**91**	84	113
Gain (loss) on sale of premises and equipment	**1**	-	**(5)**	(8)	(8)
Expenses from credit losses	**165**	43	**336**	74	123
Loss from sale of available for sale bonds and not for trading shares and impairment of available for sale bonds	**55**	8	**89**	12	46
Realized and non-realized loss (gain) from adjustment to fair value of trading securities	**(1)**	(1)	**4**	(3)	(1)
Non-realized loss (gain) from adjustment to fair value of not for trading shares	**(3)**	4	**(15)**	68	79
Deferred taxes, net	**(49)**	(20)	**(115)**	(93)	(60)
Defined benefit of pension and severance pay plans	**15**	16	**43**	47	61
Adjustments of exchange rate differences	**411**	18	**1,015**	1,348	1,408
Dividend received from investee company	**-**	22	**21**	118	118
Net change in current assets:					
Trading securities	**(46)**	87	**(402)**	171	207
Other assets	**36**	(376)	**(11)**	(400)	309
Assets in respect of derivative instruments	**(341)**	(825)	**(1,148)**	(1,801)	(826)
Net change in current liabilities:					
Other liabilities	**(110)**	719	**(16)**	394	(271)
Liabilities in respect of derivative instruments	**312**	891	**1,174**	1,265	284
Accumulation differences included in investing and financing activities	**(199)**	46	**(260)**	183	131
Net cash from operating activity	**750**	1,133	**2,484**	2,616	3,430
Cash flows from (for) investing activity					
Change in Deposits with banks	**(681)**	(528)	**(99)**	(1,226)	(331)
Change in Securities borrowed	**(51)**	(341)	**(143)**	215	833
Change in Credit to the public	**127**	(995)	**(656)**	(8,902)	(11,872)
Change in Credit to the government	**(54)**	76	**(149)**	(48)	(52)
Purchase of available for sale bonds and not for trading shares	**(3,745)**	(1,064)	**(20,655)**	(4,950)	(6,481)
Proceeds from redemption of bonds held to maturity	**20**	32	**292**	306	359
Proceeds from sale of available for sale bonds and not for trading shares	**393**	359	**2,390**	1,593	1,834
Redemption of available for sale bonds	**4,557**	24	**13,107**	821	1,464
Acquisition of premises and equipment	**(9)**	(6)	**(32)**	(16)	(41)
Proceeds of sale of premises, equipment and other assets	**-**	-	**19**	12	12
Investment in intangible assets	**(27)**	(26)	**(79)**	(81)	(130)
Net cash from (for) investing activity	**530**	(2,469)	**(6,005)**	(12,276)	(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 September 30,		For the nine months ended September 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	**1,663**	232	**9,368**	7,221	10,386
Change in Deposits from banks	**(341)**	(379)	**(1,078)**	(236)	(416)
Change in Deposits from the government	**(4)**	(13)	**276**	(1,082)	(192)
Proceeds from issue of bonds and subordinate debt notes	**-**	800	**-**	1,669	1,669
Redemption of bonds and subordinate debt notes	**(2)**	(2)	**(145)**	(139)	(465)
Dividend paid to shareholders	**(220)**	(170)	**(708)**	(710)	(945)
Net cash from financing activity	**1,096**	468	**7,713**	6,723	10,037
Increase (decrease) in cash	**2,376**	(868)	**4,192**	(2,937)	(938)
Cash balances at beginning of period	**57,428**	54,229	**55,423**	55,992	55,992
Effect of changes in exchange rates on cash balances	**49**	48	**238**	354	369
Cash balances at end of period	**59,853**	53,409	**59,853**	53,409	55,423
Interest and taxes paid and/or received:					
Interest received	**2,352**	1,227	**6,563**	2,998	4,674
Interest paid	**(1,071)**	(219)	**(2,615)**	(426)	(907)
Dividends received	**10**	2	**27**	15	21
Income tax paid	**(403)**	(284)	**(1,159)**	(605)	(813)
Income tax received	**-**	7	**61**	46	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 September 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.

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 November 28, 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 October 19, 2023, the Supervisor of Banks published a circular updating the public reporting instructions with respect to the 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 with respect to provisions for credit losses (hereinafter - "the update"), which had been published by the US Financial Accounting Standards Board (the "FASB").

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 stated in the circular will take effect as from January 1, 2024. Upon their initial application, banks should act in accordance with the transitional instructions contained in the accounting rules accepted by US banks.

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 September 30		For the nine months ended September 30	
		2023	**2022**	**2023**	**2022**
			(unaudited)		(unaudited)
A.	**Interest income** (1)				
	From credit to the public	**1,734**	1,145	**5,093**	2,969
	From credit to the Government	**4**	7	**17**	26
	From deposits with banks	**30**	6	**76**	7
	From deposits with Bank of Israel and from cash	**604**	164	**1,543**	224
	From securities which were borrowed	**1**	2	**2**	3
	From bonds	**217**	58	**558**	128
	Total interest income	**2,590**	1,382	**7,289**	3,357
B.	**Interest expenses**				
	On deposits from the public	**1,303**	309	**3,249**	557
	On deposits from the Government	**3**	1	**9**	2
	On deposits from banks	**8**	3	**22**	4
	On deposits with Bank of Israel	**-**	1	**1**	2
	On bonds and subordinated capital notes	**48**	58	**187**	178
	On other liabilities	**1**	-	**1**	1
	Total interest expenses	**1,363**	372	**3,469**	744
	Total interest income, net	**1,227**	1,010	**3,820**	2,613
C.	**Details on net effect of hedging derivative instruments on interest income and expenses**				
	Interest income (expenses)(2)	**23**	1	**69**	(19)
D.	**Details of interest income from bonds on cumulative basis**				
	Held to maturity	**20**	15	**69**	42
	Available for sale	**193**	43	**478**	84
	Held for trading	**4**	-	**11**	2
	Total included in interest income	**217**	58	**558**	128

(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 September 30		For the nine months ended September 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	**439**	49	**1,090**	1,395
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]	**(24)**	(1)	**(61)**	(1)
Impairment of bonds available for sale[2]	**(35)**	(2)	**(35)**	(2)
Total from investment in bonds	**(59)**	(3)	**(90)**	4
3. Net exchange differences	**(411)**	(18)	**(1,015)**	(1,348)
4. From investment in shares				
Gains from sale of shares not for trading	**4**	3	**4**	4
Losses from sale of shares not for trading	**-**	(8)	**(3)**	(20)
Dividend from shares not for trading	**6**	3	**22**	27
Unrealized gains (losses)[3]	**3**	(4)	**15**	(68)
Total from investment in shares	**13**	(6)	**38**	(57)
Total non-interest financing income (losses) in respect of non-trading activities	**(18)**	22	**23**	(6)

(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 September 30		For the nine months ended September 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	**16**	25	**59**	63
Net realized and unrealized income (losses) from adjustments to fair value of bonds held for trading[1]	**1**	1	**(2)**	4
Net realized and unrealized losses from adjustments to fair value of shares held for trading[2]	**-**	-	**(2)**	(1)
Total non-interest financing income from trading activities[4]	**17**	26	**55**	66
Total non-interest financing income	**(1)**	48	**78**	60
Details on non-interest financing income (expenses) in respect of trading activities, by risk exposure				
Interest rate exposure	**4**	7	**16**	8
Exposure to shares	**2**	1	**3**	4
Foreign currency exposure	**11**	18	**36**	54
Total	**17**	26	**55**	66

(1) Of which: losses in respect of trading bonds on hand at balance sheet date in the amount of NIS 1 million for the nine months ended September 30,2023 (for the three and nine months ended September 30,2022 - income in the amount of NIS 1 million).

(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 September 30, 2023
Balance as of June 30, 2023 (unaudited)	**(206)**	**(107)**	**(313)**	**(23)**	**(290)**
Net change during the period	**35**	**22**	**57**	**1**	**56**
Balance as of September 30, 2023 (unaudited)	**(171)**	**(85)**	**(256)**	**(22)**	**(234)**
					For the three months ended September 30, 2022
Balance as of June 30, 2022 (unaudited)	(180)	(135)	(315)	(24)	(291)
Net change during the period	(62)	27	(35)	(2)	(33)
Balance as of September 30, 2022 (unaudited)	(242)	(108)	(350)	(26)	(324)
					For the nine months ended September 30, 2023
Balance as of December 31, 2022 (audited)	**(222)**	**(109)**	**(331)**	**(28)**	**(303)**
Net change during the period	**51**	**24**	**75**	**6**	**69**
Balance as of September 30, 2023 (unaudited)	**(171)**	**(85)**	**(256)**	**(22)**	**(234)**
					For the nine months ended September 30, 2022
Balance as of December 31, 2021 (audited)	68	(264)	(196)	(15)	(181)
Net change during the period	(310)	156	(154)	(11)	(143)
Balance as of September 30, 2022 (unaudited)	(242)	(108)	(350)	(26)	(324)
					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 September 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 losses from adjustments to fair value	**(18)**	**7**	**(11)**	(192)	66	(126)
Losses in respect of available for sale bonds reclassified to income statement [1]	**70**	**(24)**	**46**	97	(33)	64
Net change during the period	**52**	**(17)**	**35**	(95)	33	(62)
Employee benefits:						
Net actuarial gain for the period	**33**	**(12)**	**21**	39	(13)	26
Net losses reclassified to the statement of profit and loss [2]	**1**	**-**	**1**	3	(2)	1
Net change during the period	**34**	**(12)**	**22**	42	(15)	27
Changes in the components of cumulative other comprehensive income (loss) attributed to non-controlling interests						
Total change during the period	**2**	**(1)**	**1**	(4)	2	(2)
Changes in the components of cumulative other comprehensive income (loss) attributed to the Bank's shareholders						
Total change during the period	**84**	**(28)**	**56**	(49)	16	(33)

	For the nine months ended September 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	**22**	**(8)**	**14**	(759)	260	(499)
Losses in respect of available for sale bonds reclassified to income statement [1]	**56**	**(19)**	**37**	287	(98)	189
Net change during the period	**78**	**(27)**	**51**	(472)	162	(310)
Employee benefits:						
Net actuarial gain for the period	**31**	**(11)**	**20**	221	(75)	146
Net losses reclassified to the statement of profit and loss [2]	**6**	**(2)**	**4**	17	(7)	10
Net change during the period	**37**	**(13)**	**24**	238	(82)	156
Changes in the components of cumulative other comprehensive income (loss) attributed to non-controlling interests						
Total change during the period	**10**	**(4)**	**6**	(17)	6	(11)
Changes in the components of cumulative other comprehensive income (loss) attributed to the Bank's shareholders						
Total change during the period	**105**	**(36)**	**69**	(217)	74	(143)

(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)

	September 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	3,324	3,324	-	-	207	3,117
Of financial institutions in Israel	82	82	-	-	5	77
Of others in Israel	(5)81	81	-	3	-	84
Total debentures held to maturity	3,487	3,487	-	3	212	3,278

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	8,959	9,154	-	7	202	8,959
Of foreign governments	7,782	7,810	-	-	28	7,782
Of financial institutions in Israel	333	355	-	-	22	333
Of foreign financial institutions	539	549	-	-	10	539
Of others in Israel	37	39	-	-	2	37
Of foreign others	40	41	-	-	1	40
Total bonds available for sale	17,690	17,948	-	(2)7	(2)265	17,690

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	441	362	-	(3)81	(3)2	441
Of which: shares, the fair value of which is not ready determinable	217	212	-	(3)5	(3)-	217
Total not for trading securities	21,618	21,797	-	91	479	21,409

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	425	426	-	-	1	425
Total securities	22,043	22,223	-	91	480	21,834

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)

	September 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	2,975	2,975	-	-	148	2,827
Of financial institutions in Israel	92	92	-	-	4	88
Of others in Israel	(5)114	114	-	7	-	121
Total debentures held to maturity	3,181	3,181	-	7	152	3,036

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	8,035	8,325	-	33	323	8,035
Of foreign governments	2,861	2,904	-	-	43	2,861
Of financial institutions in Israel	244	261	-	-	17	244
Of foreign financial institutions	(6)326	340	-	-	14	326
Of others in Israel	118	121	-	1	4	118
Of foreign others	28	28	-	-	-	28
Total bonds available for sale	11,612	11,979	-	(2)34	(2)401	11,612

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	475	407	-	(3)77	(3)9	475
Of which: shares, the fair value of which is not ready determinable	214	201	-	(3)13	(3)-	214
Total not for trading securities	15,268	15,567	-	118	562	15,123

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	63	63	-	-	-	63
Total securities	15,331	15,630	-	118	562	15,186

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 3 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

	September 30, 2023 (unaudited)							
	Less than 12 months(1)				12 months and above(2)			
	Fair Value	Unrealized losses 0-20%(3)	Unrealized losses 20-40%(4)	Unrealized losses Total	Fair Value	Unrealized losses 0-20%(3)	Unrealized losses 20-40%(4)	Unrealized losses Total
Bonds held for redemption(5)								
Of Israeli Government	**682**	**32**	**-**	**32**	**2,462**	**152**	**23**	**175**
Of Israeli financial institutions	**-**	**-**	**-**	**-**	**57**	**5**	**-**	**5**
Total bonds held for redemption	**682**	**32**	**-**	**32**	**2,519**	**157**	**23**	**180**
Available for-sale bonds								
Of Israeli government	**5,225**	**27**	**-**	**27**	**2,823**	**175**	**-**	**175**
Of foreign governments	**6,378**	**21**	**-**	**21**	**1,424**	**7**	**-**	**7**
Of Israeli financial institutions	**157**	**7**	**-**	**7**	**177**	**15**	**-**	**15**
Of foreign financial institutions	**319**	**3**	**-**	**3**	**170**	**7**	**-**	**7**
Of others in Israel	**-**	**-**	**-**	**-**	**37**	**2**	**-**	**2**
Of foreign others	**-**	**-**	**-**	**-**	**25**	**1**	**-**	**1**
Total bonds available for sale	**12,079**	**58**	**-**	**58**	**4,656**	**207**	**-**	**207**

	September 30, 2022 (unaudited)							
	Less than 12 months(1)				12 months and above(2)			
	Fair Value	Unrealized losses 0-20%(3)	Unrealized losses 20-40%(4)	Unrealized losses Total	Fair Value	Unrealized losses 0-20%(3)	Unrealized losses 20-40%(4)	Unrealized losses Total
Bonds held for redemption(5)								
Of Israeli Government	2,484	112	-	112	299	18	18	36
Of Israeli financial institutions	65	4	-	4	-	-	-	-
Total bonds held for redemption	2,549	116	-	116	299	18	18	36
Available for-sale bonds								
Of Israeli government	5,559	201	-	201	1,642	122	-	122
Of foreign governments	2,595	41	-	41	266	2	-	2
Of Israeli financial institutions	234	17	-	17	-	-	-	-
Of foreign financial institutions	199	6	-	6	65	8	-	8
Of others in Israel	54	4	-	4	-	-	-	-
Total bonds available for sale	8,641	269	-	269	1,973	132	-	132

NOTE 5 - SECURITIES (CON'T)

(NIS million)

	December 31, 2022 (audited)							
	Less than 12 months(1)				12 months and above(2)			
	Fair Value	Unrealized losses 0-20%(3)	20-40%(4)	Total	Fair Value	Unrealized losses 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 3,413 million (30.9.22 – NIS 3,000 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

	September 30, 2023 (unaudited)					
	Credit to the public					
	Commercial	Housing	Other private	Total	Banks Governments and bonds	Total
Recorded balance:						
Debts examined on an individual basis	**55,005**	**-**	**299**	**55,304**	**24,708**	**80,012**
Debts examined on a collective basis	**6,635**	**35,508**	**22,626**	**64,769**	**-**	**64,769**
Total	**61,640**	**35,508**	**22,925**	**120,073**	**24,708**	**144,781**
Of which:						
Non-accruing debts	**314**	**159**	**94**	**567**	**-**	**567**
Debts in arrears of 90 days or more	**11**	**-**	**14**	**25**	**-**	**25**
Other problematic debts	**868**	**77**	**163**	**1,108**	**-**	**1,108**
Total problematic debts	**1,193**	**236**	**271**	**1,700**	**-**	**1,700**
Provision for credit losses:						
In respect of debts examined on an individual basis	**835**	**-**	**7**	**842**	**5**	**847**
In respect of debts examined on a collective basis	**110**	**146**	**398**	**654**	**-**	**654**
Total	**945**	**146**	**405**	**1,496**	**5**	**1,501**
Of which: non-accruing debts	**97**	**9**	**29**	**135**	**-**	**135**
Of which: other problematic debts	**130**	**4**	**25**	**159**	**-**	**159**

	September 30, 2022 (unaudited)					
	Credit to the public					
	Commercial	Housing	Other private	Total	Banks Governments and bonds	Total
Recorded balance:						
Debts examined on an individual basis	49,873	-	542	50,415	19,729	70,144
Debts examined on a collective basis	6,697	35,342	23,254	65,293	-	65,293
Total	56,570	35,342	23,796	115,708	19,729	135,437
Of which:						
Non-accruing debts	283	139	100	522	-	522
Debts in arrears of 90 days or more	6	-	12	18	-	18
Other problematic debts	687	54	128	869	-	869
Total problematic debts	976	193	240	1,409	-	1,409
Provision for credit losses:						
In respect of debts examined on an individual basis	636	-	43	679	2	681
In respect of debts examined on a collective basis	84	139	267	490	-	490
Total	720	139	310	1,169	2	1,171
Of which: non-accruing debts	75	7	29	111	-	111
Of which: other problematic debts	97	1	24	122	-	122

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 Governments and bonds	Total
	Commercial	Housing	Other private	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 b orrowed.

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 September 30, 2023 (unaudited)					
	Credit to the public				Banks Governments and bonds	Total
	Commercial	Housing	Other private	Total		
Change in provision for credit losses - Debts						
Provision for credit losses at beginning of the period (1)	**933**	**148**	**398**	**1,479**	**5**	**1,484**
Expenses in respect of credit losses	**118**	**3**	**44**	**165**	**-**	**165**
- Accounting write-offs	**(18)**	**(3)**	**(35)**	**(56)**	**-**	**(56)**
- Collection of debts written off accounting wise in previous years	**26**	**2**	**30**	**58**	**-**	**58**
Net accounting write-offs	**8**	**(1)**	**(5)**	**2**	**-**	**2**
Provision for credit losses at end of the period(2)	**1,059**	**150**	**437**	**1,646**	**5**	**1,651**
Of which: (1) In respect of off-balance sheet credit instruments	**102**	**6**	**29**	**137**	**-**	**137**
(2) In respect of off-balance sheet credit instruments	**114**	**4**	**32**	**150**	**-**	**150**

	For the three months ended September 30, 2022 (unaudited)					
	Credit to the public				Banks Governments and bonds	Total
	Commercial	Housing	Other private	Total		
Change in provision for credit losses - Debts						
Provision for credit losses at beginning of the period (1)	764	138	328	1,230	2	1,232
Expenses (income) in respect of credit losses	47	5	(9)	43	-	43
- Accounting write-offs	(36)	-	(21)	(57)	-	(57)
- Collection of debts written off accounting wise in previous years	32	-	22	54	-	54
Net accounting write-offs	(4)	-	1	(3)	-	(3)
Provision for credit losses at end of the period(2)	807	143	320	1,270	2	1,272
Of which: (1) In respect of off-balance sheet credit instruments	92	6	11	109	-	109
(2) In respect of off-balance sheet credit instruments	87	4	10	101	-	101

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 nine months ended September 30, 2023 (unaudited)					
	Credit to the public				Banks Governments and bonds	Total
	Commercial	Housing	Other private	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	**228**	**(1)**	**106**	**333**	**3**	**336**
- Accounting write-offs	**(60)**	**(6)**	**(86)**	**(152)**	**-**	**(152)**
- Collection of debts written off accounting wise in previous years	**74**	**6**	**73**	**153**	**-**	**153**
Net accounting write-offs	**14**	**-**	**(13)**	**1**	**-**	**1**
Provision for credit losses at end of the period(2)	**1,059**	**150**	**437**	**1,646**	**5**	**1,651**
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	**114**	**4**	**32**	**150**	**-**	**150**

	For the nine months ended September 30, 2022 (unaudited)					
	Credit to the public				Banks Governments and bonds	Total
	Commercial	Housing	Other private	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	68	16	(10)	74	-	74
- Accounting write-offs	(94)	-	(67)	(161)	-	(161)
- Collection of debts written off accounting wise in previous years	70	2	67	139	-	139
Net accounting write-offs	(24)	2	-	(22)	-	(22)
Provision for credit losses at end of the period(2)	807	143	320	1,270	2	1,272
Of which: (1) In respect of off-balance sheet credit instruments	68	-	11	79	-	79
(2) In respect of off-balance sheet credit instruments	87	4	10	101	-	101

* 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

	September 30,		December 31,
	2023	2022	2022
		(unaudited)	(audited)
Demand			
- Non- bearing interest	**43,041**	60,766	55,668
- Bearing interest	**19,057**	28,036	25,869
Total demand	**62,098**	88,802	81,537
Fixed-term	**119,176**	76,100	86,732
Total deposits in Israel*	**181,274**	164,902	168,269
* Of which:			
Deposits of private individuals	**81,141**	78,240	78,552
Deposits of institutional entities	**51,636**	34,117	37,805
Deposits of corporates and others	**48,497**	52,545	51,912

B. Deposits of the public by size

	September 30,		December 31,
	2023	2022	2022
Maximum amount of deposit		(unaudited)	(audited)
Up to 1	**58,220**	58,348	57,871
From 1 to 10	**40,207**	39,247	39,447
From 10 to 100	**19,598**	19,829	20,632
From 100 to 500	**8,990**	11,823	10,857
Over 500	**54,259**	35,655	39,462
Total	**181,274**	164,902	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, and on August 16, 2023, the Bank together with the clerks representative committee and the Federation of Labor, respectively, signed collective labor agreements 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:

	September 30,		December 31,
	2023	2022	2022
		(unaudited)	(audited)
Pension and severance pay			
Amount of liability	**838**	830	833
Fair value of assets of the scheme	**(262)**	(264)	(258)
Excess liabilities over assets of the scheme	**576**	566	575
Excess liabilities of the scheme included in the item "other liabilities"	**576**	566	575
Long-service awards - amount of liability	**15**	15	15
Benefit regarding unused sick leave - amount of liability	**26**	26	27
Other post-employment benefits	**10**	9	9
Other post-retirement benefits	**188**	193	198
Vacation pay	**70**	80	74
Other	**319**	199	276
Total			
Excess liabilities regarding employee benefits over assets of the scheme included in the item "other liabilities"	**1,204**	1,088	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 September 30,		For the nine months ended September 30,		For the year ended December 31,	For the three months ended September 30,		For the nine months ended September 30,		For the year ended December 31,
	2023	2022	2023	2022	2022	2023	2022	2023	2022	2022
	(unaudited)		(unaudited)		(audited)	(unaudited)		(unaudited)		(audited)
A. Change in liability regarding anticipated benefits										
Liability regarding anticipated benefit at beginning of period	**849**	859	**833**	987	987	**199**	196	**198**	236	236
Cost of service	**7**	6	**19**	19	26	**1**	1	**3**	4	5
Cost of interest	**10**	9	**28**	21	30	**3**	2	**7**	6	8
Actuarial profit**	**(16)**	(36)	**(12)**	(167)	(171)	**(13)**	(4)	**(17)**	(49)	(47)
Benefits paid	**(12)**	(8)	**(30)**	(30)	(39)	**(2)**	(2)	**(3)**	(4)	(4)
Liability regarding anticipated benefit at end of period	**838**	830	**838**	830	833	**188**	193	**188**	193	198
Liability regarding cumulative benefit at end of period	**700**	700	**700**	700	702	186	191	**186**	191	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	**259**	272	**258**	297	297	**-**	-	**-**	-	-
Actual return on assets of the scheme	**6**	(2)	**8**	(8)	(7)	**-**	-	**-**	-	-
Deposits in the scheme by the Bank	**3**	2	**7**	7	9	**-**	-	**-**	-	-
Benefits paid	**(6)**	(8)	**(11)**	(32)	(41)	**-**	-	**-**	-	-
Fair value of assets of the scheme at end of period	**262**	264	**262**	264	258	**-**	-	**-**	-	-
Financing situation- net liability recognized at the end of period*	**576**	566	**576**	566	575	**188**	193	**188**	193	198

* Included in the item "other liabilities".

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

	Severance pay and pension schemes			Other post-retirement benefits		
	September 30,		December 31,	September 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"	**576**	566	575	**188**	193	198
Net liability recognized at end of period	**576**	566	575	**188**	193	198
D. Amounts recognized in other cumulative comprehensive loss, before the tax effect						
Actuarial loss, net	**99**	121	117	**14**	32	33
Closing balance in other cumulative comprehensive loss	**99**	121	117	**14**	32	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 September 30,		For the nine months ended September 30,		For the year ended December 31,	For the three months ended September 30,		For the nine months ended September 30,		For the year ended December 31,
	2023	2022	**2023**	2022	2022	**2023**	2022	**2023**	2022	2022
	(unaudited)		(unaudited)		(audited)	(unaudited)		(unaudited)		(audited)
A. Cost components of net benefit recognized in profit and loss										
Cost of service	**7**	6	**19**	19	26	**1**	1	**3**	4	5
Cost of interest	**10**	9	**28**	21	30	**3**	2	**7**	6	8
Anticipated return on assets of the scheme	**(3)**	(2)	**(7)**	(5)	(8)	**-**	-	**-**	-	-
Amortization of non-recognized amounts:										
Net actuarial loss	**2**	3	**6**	11	13	**-**	-	**2**	2	3
Dismissal	**(1)**	-	**(1)**	3	3	**-**	-	**-**	-	-
Capitalization of software costs	**-**	-	**(2)**	(2)	(3)	**-**	-	**-**	-	-
Total cost of benefits, net	**15**	16	**43**	47	61	**4**	3	**12**	12	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 profit for the period	**(19)**	(32)	**(13)**	(154)	(156)	**(13)**	(4)	**(17)**	(49)	(47)
Amortization of actuarial loss	**(2)**	(3)	**(6)**	(11)	(13)	**-**	-	**(2)**	(2)	(3)
Dismissal	**1**	-	**1**	(3)	(3)	**-**	-	**-**	-	-
Total recognized in other comprehensive profit	**(20)**	(35)	**(18)**	(168)	(172)	**(13)**	(4)	**(19)**	(51)	(50)
Total net cost of benefit	**15**	16	**43**	47	61	**4**	3	**12**	12	16
Total net cost of benefit for the period recognized in other comprehensive (profit) loss	**(5)**	(19)	**25**	(121)	(111)	**(9)**	(1)	**(7)**	(39)	(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		
	September 30,		December 31,	September 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	**4.9**	4.4	4.4	**5.1**	4.7	4.5

	Severance pay and pension schemes			Other post-retirement benefits		
	For the nine months ended September 30,		For the year ended December 31,	For the nine months ended September 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**	2.2-3.8	2.2-4.4	**4.5-4.8**	3.0-4.3	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		
	September 30,		December 31,	September 30,		December 31,
	2023	2022	2022	2023	2022	2022
		(unaudited)	(audited)		(unaudited)	(audited)
			(NIS million)			(NIS million)
Discounting rate	**(47)**	(53)	(49)	**(29)**	(30)	(32)

				One percentage point decline		
	Severance pay and pension schemes			Other post-retirement benefits		
	September 30,		December 31,	September 30,		December 31,
	2023	2022	2022	2023	2022	2022
		(unaudited)	(audited)		(unaudited)	(audited)
			(NIS million)			(NIS million)
Discounting rate	**56**	63	60	**38**	41	42

NOTE 7A - EMPLOTYEE RIGHTS (CON'T)

(NIS million)

C. Cash flows

Deposits

	Severance pay and pension schemes					
	Forecast	Actual deposits				
		For the three months ended September 30,		For the nine months ended September 30,		For the year ended December 31,
	*2023	2023	2022	2023	2022	2022
	(unaudited)		(unaudited)		(unaudited)	(audited)
						(NIS million)
Deposits	9	**3**	2	**7**	7	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. CAPITAL ADEQUACY ACCORDING TO THE GUIDELINES OF THE SUPERVISOR OF BANKS

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. It is noted, that according to the Provisional Instruction dated April 27, 2020, the demand will not apply on residential loans that were granted during the period from March 19, 2020, and until September 30, 2021.

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.

On the background of the uncertainty of the macro-economic situation and the outbreak of the war, the internal capital goals, as determined by the Board of Directors, at date of the approval of the financial statements, are as follows:

- In the ordinary course of business - Tier I equity capital ratio of not lower than 9.35% 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):

	September 30, 2023	September 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	**11,813**	10,476	10,802
Tier 2 capital after deductions	**3,574**	3,396	3,448
Total comprehensive capital	**15,387**	13,872	14,250
2. Weighted balances of risk assets			
Credit risk	(2)**97,940**	(2)94,602	(2)94,786
Market risk	**1,153**	760	789
Operational risk	**9,908**	7,639	8,061
Total weighted balances of risk assets	**109,001**	103,001	103,636
			percent
3. Ratio of capital to risk assets			
Ratio of tier 1 capital to risk assets	**10.84%**	10.17%	10.42%
Comprehensive ratio of capital to risk assets	**14.12%**	13.47%	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%

			percent
B. Significant Subsidiaries			
Bank Massad Ltd.			
Ratio of tier 1 capital to risk assets	**17.04%**	14.95%	15.12%
Comprehensive ratio of capital to risk assets	**18.14%**	16.08%	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.

(2) An amount of NIS 47 million were deducted from the average balances of risk assets in respect of adjustments regarding the efficiency measures (30.9.22 – NIS 77 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)

	September 30, 2023	September 30, 2022	December 31, 2022
	(unaudited)	(unaudited)	(audited)
A. Equity capital tier 1			
Capital attributed to shareholders	**11,583**	10,237	10,559
Differences between capital attributed to shareholders and equity capital tier 1			
Minority interests	**274**	259	265
Total equity capital tier 1 before regulatory adjustments and deductions	**11,857**	10,496	10,824
Regulatory adjustments and deductions:			
Intangible assets	**(95)**	(97)	(96)
Regulatory adjustments and other deductions- equity capital tier 1	**(4)**	(8)	(5)
Total regulatory adjustments and deductions before adjustments in respect of efficiency measures and expected credit losses - equity capital tier 1	**(99)**	(105)	(101)
Total adjustments in respect of efficiency measures - Tier 1 equity capital(1)	**32**	57	51
Total adjustments in respect of expected credit losses - Tier 1 equity capital(2)	**23**	28	28
Total equity capital tier 1 after regulatory adjustments and deductions	**11,813**	10,476	10,802
B. Tier 2 capital			
Tier 2 capital: instruments before deductions	**2,373**	2,275	2,296
Tier 2 capital: provisions before deductions	**1,201**	1,121	1,152
Total tier 2 capital before deductions	**3,574**	3,396	3,448
Deductions:			
Total deductions- tier 2 capital	**-**	-	-
Total tier 2 capital	**3,574**	3,396	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

	September 30, 2023	September 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	**10.80%**	10.00%	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)	**-**	0.08%	0.06%
Ratio of tier 1 equity capital to risk assets	**10.84%**	10.17%	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 years 2018 and 2020, 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 September 30, 2023 to be lower by 0.03% on Tier 1 equity capital.

(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 September 30, 2023, the implementation would have resulted in an additional decrease of 0.01% in the capital adequacy ratios.

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

(7a.) 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.

Following is an analysis of the impact of such changes on the Tier I equity capital of the Bank as of September 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.	**1.52**	**2.27**

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

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.

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.

	September 30, 2023 (unaudited)	September 30, 2022 (unaudited)	December 31, 2022 (audited)
			NIS million
A. Consolidated			
Tier 1 capital*	**11,813**	10,476	10,802
Total exposures	**223,064**	205,407	207,943
			percent
Leverage ratio	**5.30%**	5.10%	5.19%
B. Significant Subsidiary			
Massad Bank Ltd.			
Leverage ratio	**9.28%**	7.85%	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		
		September 30, 2023	September 30, 2022	December 31 2022
		(unaudited)	(unaudited)	(audited)
				percent
A.	**Consolidated***			
	Liquidity coverage ratio	**142%**	127%	127%
B.	**The bank***			
	Liquidity coverage ratio	**142%**	126%	127%
C.	**Significant Subsidiary***			
	Massad Bank Ltd.			
	Liquidity coverage ratio	**458%**	282%	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 September 30, 2023	For December 31, 2022
		(unaudited)	(audited)
			percent
1.	**Consolidated**		
	Net stable funding ratio	**138%**	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 September 30,		For the nine months ended September 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**	170	**708**	710	945

On November 12, 2023, a letter from the Supervisor of Banks addressed to the banking system, in the matter of "Capital planning and earnings distribution policy", was received. According to the letter, the banking entities have to re-examine their dividend policy for the upcoming period on the background of the war and the increasing uncertainty in respect of its continuity and the volume of its impact on the economy.

Taking into consideration that the dividend distribution policy relates to an annual distribution of up to 50% of net earnings for the year and taking into consideration the letter of the Supervisor, and on background of the uncertainty level prevailing in the markets in Israel due to the war, as well as the continuing level of uncertainty in the markets worldwide (among other, as mentioned in the chapter of leading and developing risks, macroeconomic risk and the effect of the Swards of iron war), the Board of Directors of the Bank decided on November 28, 2023, to approve a dividend distribution in cash to the shareholders of the Bank in a total amount of NIS 90 million (gross).

It is clarified, that no change has occurred in the dividend distribution policy of the Bank, and it remained unchanged. The Board of Directors of the Bank will continue to discuss the implementation of the dividend distribution policy of the Bank, in respect of the developments and their effect on the economy and on the Bank.

The ex-dividend date for the payment of the dividend is December 6, 2023, and the date of payment will be December 14, 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

		September 30,	September 30,	December 31
		2023	2022	2022
		(unaudited)	(unaudited)	(audited)
A.	Improvements to premises and acquisition of new premises, equipment and software	**9**	10	13
	Commitments to invest in private investment funds	**118**	160	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 claimed 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 noted 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 September 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 61 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 July 9, 2023, a motion for approval of a compromise arrangement between the Claimant, ICC and Isracard was filed with the Court.

Following the signing of the compromise agreement between the Claimant, ICC and Isracard, Max It Finances Ltd., has also reached an arrangement with the Claimants. In view of the terms of the arrangement between the Claimants and MAX, ICC and Isracard wished to amend accordingly the compromise agreement, and the parties had to file an amended motion for approval of the compromise agreement. The parties have submitted an agreed motion, according to which the date for submission of the amended compromise agreement will be at the end of two weeks from the end of the emergency situation.

(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. No date has yet been fixed for the hearing of the appeal.

(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. In accordance with the recommendation of the Court, the parties had started 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 February 21, 2024.

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 267 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 243 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. This pledge allows the Bank to reduce the balance of other collateral provided to Bank of Israel from time to time, to secure the credit. As of September 30, 2023, the residential loans serving as collateral amount to NIS 3,344 million. 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.

   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

	September 30, 2023 (unaudited)			September 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	**269**	**2,696**	**2,965**	593	3,135	3,728	780	3,135	3,915
Options written	**-**	**55**	**55**	-	411	411	-	258	258
Options purchased	**-**	**55**	**55**	-	411	411	-	258	258
SWAPS[1]	**2,682**	**11,158**	**13,840**	3,473	13,379	16,852	3,536	13,774	17,310
Total[2]	**2,951**	**13,964**	**16,915**	4,066	17,336	21,402	4,316	17,425	21,741
Of which: Hedging derivatives[3]	**2,675**	**-**	**2,675**	3,440	-	3,440	3,522	-	3,522
Foreign currency contracts									
Forward and Futures Contracts[4]	**21,317**	**49,036**	**70,353**	20,618	41,556	62,174	18,364	34,259	52,623
Options written	**-**	**7,316**	**7,316**	-	6,263	6,263	-	6,985	6,985
Options purchased	**-**	**7,540**	**7,540**	-	6,530	6,530	-	7,250	7,250
SWAPS	**33**	**-**	**33**	47	-	47	40	-	40
Total	**21,350**	**63,892**	**85,242**	20,665	54,349	75,014	18,404	48,494	66,898
Contracts on shares									
Forward and Futures Contracts	**-**	**30,572**	**30,572**	42	26,259	26,301	84	30,803	30,887
Options written	**-**	**14,587**	**14,587**	-	10,634	10,634	-	12,127	12,127
Options purchased[5]	**1**	**14,587**	**14,588**	1	10,634	10,635	1	12,127	12,128
Total	**1**	**59,746**	**59,747**	43	47,527	47,570	85	55,057	55,142
Commodities and other contracts									
Forward and Futures Contracts	**-**	**176**	**176**	-	104	104	-	132	132
Options written	**-**	**109**	**109**	-	-	-	-	-	-
Options purchased	**-**	**109**	**109**	-	-	-	-	-	-
Total	**-**	**394**	**394**	-	104	104	-	132	132
Total face value	**24,302**	**137,996**	**162,298**	24,774	119,316	144,090	22,805	121,108	143,913

(1) Of which: SWAPS the Bank is paying fixed interest in an amount of NIS 8,548 million (30.9.22 - NIS 9,843 million, 31.12.22 - NIS 10,764 million).
(2) Of which: NIS-CPI swap contracts in an amount of NIS 453 million (30.9.22 - NIS 984 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 1,295 million (30.9.22 - NIS 2,334 million, 31.12.22 - NIS 1,741 million).
(5) Of which: Traded on the Stock Exchange in an amount of NIS 14,587 million (30.9.22 - NIS 10,634 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

	September 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	**202**	**320**	**522**	**20**	**295**	**315**
Of which: Hedging derivatives	**202**	**-**	**202**	**-**	**-**	**-**
Foreign currency contracts	**121**	**1,050**	**1,171**	**35**	**900**	**935**
Contracts on shares	**1**	**2,240**	**2,241**	**-**	**2,240**	**2,240**
Commodities and other contracts	**-**	**6**	**6**	**-**	**6**	**6**
Total assets/liabilities in respect of derivatives gross	**324**	**3,616**	**3,940**	**55**	**3,441**	**3,496**
Amounts offset in the balance sheet	**-**	**-**	**-**	**-**	**-**	**-**
Balance sheet balance	**324**	**3,616**	**3,940**	**55**	**3,441**	**3,496**
Of which: not subject to net settlement arrangement or similar arrangements	**-**	**-**	**-**	**-**	**-**	**-**

	September 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	223	308	531	17	317	334
Of which: Hedging derivatives	218	-	218	-	-	-
Foreign currency contracts	125	1,413	1,538	52	1,186	1,238
Contracts on shares	1	1,729	1,730	-	1,730	1,730
Commodities and other contracts	-	1	1	-	1	1
Total assets/liabilities in respect of derivatives gross(1)	349	3,451	3,800	69	3,234	3,303
Amounts offset in the balance sheet	-	-	-	-	-	-
Balance sheet balance	349	3,451	3,800	69	3,234	3,303
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 September 30,	For the three months ended September 30,	For the nine months ended September 30,	For the nine months ended September 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	**(11)**	(99)	**1**	(299)	(299)
- Hedging derivatives	**34**	99	**68**	279	293

	September 30, 2023 (unaudited)		September 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	**2,542**	**(189)**	3,374	(208)	3,494	(223)

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

(NIS million)

	For the three months ended September 30, 2023 (unaudited)	For the three months ended September 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	**30**	39	127
Foreign currency contracts	**424**	33	1,481
Contracts on shares	**1**	2	8

	For the nine months ended September 30, 2023 (unaudited)	For the nine months ended September 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	**95**	69
Foreign currency contracts	**1,050**	1,383
Contracts on shares	**4**	6

(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

	September 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	**1,428**	**623**	**455**	**-**	**949**	**485**	**3,940**
Gross amounts not offset in the balance sheet:							
Credit risk mitigation in respect of financial instruments	**-**	**(473)**	**(102)**	**-**	**(182)**	**(62)**	**(819)**
Credit risk mitigation in respect of cash collateral received	**-**	**(93)**	**(200)**	**-**	**(467)**	**(3)**	**(763)**
Net amount of assets in respect of derivative instruments- reflecting proforma, if the entity performed setoff of assets and liabilities	**1,428**	**57**	**153**	**-**	**300**	**420**	**2,358**
Adjustment of net balance sheet balance to balance sheet credit risk	**(1,428)**	**(24)**	**(147)**	**-**	**-**	**(1)**	**(1,600)**
Balance sheet credit risk in respect of derivatives instruments	**-**	**33**	**6**	**-**	**300**	**419**	**758**
Net off balance sheet credit risk in respect of derivative instruments(1)	**1**	**367**	**40**	**-**	**2,420**	**591**	**3,419**
Total credit risk in respect of derivative instruments	**1**	**400**	**46**	**-**	**2,720**	**1,010**	**4,177**
Balance sheet balance of liabilities in respect of derivative instruments	**60**	**1,206**	**286**	**-**	**1,716**	**228**	**3,496**
Gross amounts not offset in the balance sheet:							
Financial instruments	**-**	**(473)**	**(102)**	**-**	**(182)**	**(62)**	**(819)**
Cash collateral which was attached by a lien	**-**	**(193)**	**(6)**	**-**	**(149)**	**(1)**	**(349)**
Net amount of liabilities in respect of derivative instruments	**60**	**540**	**178**	**-**	**1,385**	**165**	**2,328**

	September 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	113	845	353	-	2,081	408	3,800
Gross amounts not offset in the balance sheet:							
Credit risk mitigation in respect of financial instruments	-	(586)	(81)	-	(77)	(66)	(810)
Credit risk mitigation in respect of cash collateral received	-	(154)	-	-	(1,342)	(1)	(1,497)
Net amount of assets in respect of derivative instruments	113	105	272	-	662	341	1,493
Off balance sheet credit risk in respect of derivative instruments(1)	(109)	(23)	(51)	-	-	(5)	(188)
Off balance sheet mitigation	4	82	221	-	662	336	1,305
Net off balance sheet credit risk in respect of derivative instruments	6	227	183	2	2,101	502	3,021
Total credit risk in respect of derivative instruments	10	309	404	2	2,763	838	4,326
Balance sheet balance of liabilities in respect of derivative instruments	91	1,387	1,139	101	237	348	3,303
Gross amounts not offset in the balance sheet:							
Financial instruments	-	(586)	(81)	-	(77)	(66)	(810)
Cash collateral which was attached by a lien	-	(133)	(6)	(83)	(86)	(13)	(321)
Net amount of liabilities in respect of derivative instruments	91	668	1,052	18	74	269	2,172

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**	**Institution al 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(1)	-	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) 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

	September 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	**-**	**203**	**250**	**-**	**453**
- Other	**3,949**	**3,167**	**6,922**	**2,424**	**16,462**
Foreign currency contracts	**64,555**	**19,579**	**1,108**	**-**	**85,242**
Contracts of shares	**52,663**	**6,866**	**218**	**-**	**59,747**
Commodities and other contracts	**385**	**9**	**-**	**-**	**394**
Total	**121,552**	**29,824**	**8,498**	**2,424**	**162,298**

	September 30, 2022 (unaudited)				
	Up to 3 months	from 3 months to 1 year	From 1 to 5 years	Over 5 years	Total
Total	105,730	25,316	9,890	3,154	144,090

	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 September 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	867	438	7	1	341	128	388	6	859	2,590
Interest expense from external	414	-	-	94	170	54	176	507	(52)	1,363
Net interest income										
- From external	453	438	7	(93)	171	74	212	(501)	911	1,227
- Inter - segment	238	(308)	(4)	124	109	7	(40)	554	(992)	-
Total net interest income (expenses)	691	130	3	31	280	81	172	53	(81)	1,227
Non-interest income (expenses)	152	2	25	25	88	18	44	51	(4)	374
Total income (expenses)	843	132	28	56	368	99	216	104	(85)	1,601
Expenses from credit losses	46	3	-	1	63	21	34	-	-	165
Operating and other expenses	385	42	12	24	165	32	60	54	13	733
Operating profit (loss) before taxes	412	87	16	31	140	46	122	50	(98)	703
Provision for taxes on operating profit	144	31	6	11	50	16	43	17	(34)	247
Operating profit (loss) after taxes	268	56	10	20	90	30	79	33	(64)	456
Bank's share in operating profit of investee company after tax effect	-	-	-	-	-	-	-	-	21	21
Net profit (loss):										
Before attribution to non-controlling interests	268	56	10	20	90	30	79	33	(43)	477
Attributed to non-controlling interests	(21)	-	(1)	-	(1)	-	(1)	-	1	(22)
Net profit (loss) attributed to shareholders of the Bank	247	56	9	20	89	30	78	33	(42)	455
Average balance of assets[1]	57,341	35,454	3,308	89	18,829	7,579	33,868	764	90,581	209,051
of which: Investee Company[1]	-	-	-	-	-	-	-	-	762	762
of which: Average balance of credit to the public[1]	57,341	35,454	3,308	89	18,829	7,579	33,868	764	-	118,470
Balance of credit to the public	58,476	[4]35,508	4,198	98	18,814	7,270	34,464	951	-	120,073
Balance of non-accruing debts	253	159	-	-	194	99	21	-	-	567
Balance in arrears over 90 days	14	-	-	-	11	-	-	-	-	25
Average balance of liabilities[1]	69,964	467	80	11,020	26,015	6,502	16,806	50,588	16,489	197,384
of which: Average balance of deposits from the public[1]	69,257	-	-	11,010	25,615	6,296	15,943	50,517	-	178,638
Balance of deposits from the public	69,725	-	-	11,416	24,892	6,199	17,406	51,636	-	181,274
Average balance of risk assets[1][2]	39,360	18,380	3,078	425	18,305	8,791	30,521	1,673	9,123	108,198
Balance of risk assets[2]	40,427	18,403	3,722	424	18,229	8,873	31,170	1,775	8,103	109,001
Average balance of assets under management[1][3]	40,978	-	-	29,691	22,720	4,734	13,005	336,821	-	447,949
Segmentation of net interest income:										
- Earnings from credit - granting activity	270	111	3	1	132	46	112	2	-	563
- Earnings from deposits - taking activity	387	-	-	30	130	27	30	48	-	652
- Other	34	19	-	-	18	8	30	3	(81)	12
Total net interest income (expenses)	691	130	3	31	280	81	172	53	(81)	1,227

(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 busin ess segment amount to NIS 2,003 million.

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

(NIS million)

B. OPERATIONAL SUPERVISION SEGMENT INFORMATION (CON'T)

For the three months ended September 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	701	364	5	-	273	87	197	3	121	1,382
Interest expense from external	112	-	-	21	47	15	114	75	(12)	372
Net interest income										
- From external	589	364	5	(21)	226	72	83	(72)	133	1,010
- Inter - segment	(126)	(241)	(2)	42	5	(7)	27	108	(49)	-
Total net interest income	463	123	3	21	231	65	110	36	84	1,010
Non-interest income	151	4	26	21	95	19	41	49	43	419
Total income	614	127	29	42	326	84	151	85	127	1,429
Expenses (income) from credit losses	(4)	5	-	-	20	7	19	1	-	43
Operating and other expenses	357	48	3	18	163	27	50	37	30	682
Operating profit before taxes	261	74	26	24	143	50	82	47	97	704
Provision for taxes on operating profit	93	27	9	8	50	17	29	17	35	249
Operating profit after taxes	168	47	17	16	93	33	53	30	62	455
Bank's share in operating profit of investee company after tax effect	-	-	-	-	-	-	-	-	27	27
Net profit:										
Before attribution to non-controlling interests	168	47	17	16	93	33	53	30	89	482
Attributed to non-controlling interests	(10)	-	(1)	(1)	(2)	(1)	-	-	(1)	(15)
Net profit attributed to shareholders of the Bank	158	47	16	15	91	32	53	30	88	467
Average balance of assets(1)	57,741	35,243	3,201	99	21,384	7,938	25,420	1,482	75,613	189,677
of which: Investee Company(1)	-	-	-	-	-	-	-	-	717	717
of which: Average balance of credit to the public(1)	57,741	35,243	3,201	99	21,384	7,938	25,420	1,482	-	114,064
Balance of credit to the public	59,154	(4)35,342	4,229	111	21,707	7,920	25,144	1,672	-	115,708
Balance of non-accruing debts	239	139	-	-	192	46	45	-	-	522
Balance in arrears over 90 days	12	-	-	-	6	-	-	-	-	18
Average balance of liabilities(1)	68,325	394	60	9,917	27,466	6,752	19,444	31,959	15,605	179,468
of which: Average balance of deposits from the public(1)	67,997	-	-	9,908	27,164	6,599	18,804	31,931	-	162,403
Balance of deposits from the public	68,148	-	-	10,092	27,194	6,450	18,901	34,117	-	164,902
Average balance of risk assets(1)(2)	38,288	18,449	3,536	362	20,544	9,291	24,355	1,120	6,888	100,848
Balance of risk assets(2)	37,934	18,461	4,165	311	20,460	9,196	24,756	1,345	8,999	103,001
Average balance of assets under management(1)(3)	38,105	-	-	25,726	20,482	4,303	16,449	302,032	-	407,097
Segmentation of net interest income:										
- Earnings from credit - granting activity	287	117	3	-	153	47	86	2	-	575
- Earnings from deposits - taking activity	166	-	-	21	72	16	17	34	-	326
- Other	10	6	-	-	6	2	7	-	84	109
Total net interest income	463	123	3	21	231	65	110	36	84	1,010

(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 busin ess segment amount to NIS 1,414 million.

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

(NIS million)

B. OPERATIONAL SUPERVISION SEGMENT INFORMATION (CON'T)

	For the nine months ended September 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	2,559	1,358	18	2	1,013	377	1,110	17	2,211	7,289
Interest expense from external	1,106	-	-	262	457	144	538	1,077	(115)	3,469
Net interest income										
- From external	1,453	1,358	18	(260)	556	233	572	(1,060)	2,326	3,820
- Inter - segment	599	(967)	(8)	357	314	13	(74)	1,218	(2,427)	-
Total net interest income (expenses)	2,052	391	10	97	870	246	498	158	(101)	3,820
Non-interest income	453	10	71	71	278	57	129	156	72	1,216
Total income (expenses)	2,505	401	81	168	1,148	303	627	314	(29)	5,036
Expenses (income) from credit losses	104	(1)	-	1	163	44	22	(1)	3	336
Operating and other expenses	1,144	115	33	68	517	92	175	156	45	2,197
Operating profit (loss) before taxes	1,257	287	48	99	468	167	430	159	(77)	2,503
Provision for taxes on operating profit	436	100	17	34	163	58	150	55	(27)	869
Operating profit (loss) after taxes	821	187	31	65	305	109	280	104	(50)	1,634
Bank's share in operating profit of investee company after tax effect	-	-	-	-	-	-	-	-	105	105
Net profit:										
Before attribution to non-controlling interests	821	187	31	65	305	109	280	104	55	1,739
Attributed to non-controlling interests	(61)	-	(3)	(1)	(7)	(2)	(3)	-	8	(66)
Net profit attributed to shareholders of the Bank	760	187	28	64	298	107	277	104	63	1,673
Average balance of assets(1)	57,531	35,448	3,216	85	19,655	7,781	31,746	1,298	84,277	202,373
of which: Investee Company(1)	-	-	-	-	-	-	-	-	736	736
of which: Average balance of credit to the public(1)	57,531	35,448	3,216	85	19,655	7,781	31,746	1,298	-	118,096
Balance of credit to the public	58,476	(4)35,508	4,198	98	18,814	7,270	34,464	951	-	120,073
Balance of non-accruing debts	253	159	-	-	194	99	21	-	-	567
Balance in arrears over 90 days	14	-	-	-	11	-	-	-	-	25
Average balance of liabilities(1)	69,434	463	80	10,664	26,297	6,642	16,576	45,248	16,117	190,978
of which: Average balance of deposits from the public(1)	68,659	-	-	10,654	25,859	6,428	15,601	45,205	-	172,406
Balance of deposits from the public	69,725	-	-	11,416	24,892	6,199	17,406	51,636	-	181,274
Average balance of risk assets(1)(2)	39,310	18,408	2,990	419	19,021	9,017	29,385	1,675	7,763	106,590
Balance of risk assets(2)	40,427	18,403	3,722	424	18,229	8,873	31,170	1,775	8,103	109,001
Average balance of assets under management(1)(3)	39,316	-	-	27,623	21,230	4,594	13,153	320,097	-	426,013
Segmentation of net interest income:										
- Earnings from credit - granting activity	828	340	10	1	416	142	320	7	-	1,714
- Earnings from deposits - taking activity	1,130	-	-	95	404	81	99	146	-	1,955
- Other	94	51	-	1	50	23	79	5	(101)	151
Total net interest income	2,052	391	10	97	870	246	498	158	(101)	3,820

(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 busin ess segment amount to NIS 2,003 million.

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

(NIS million)

B. OPERATIONAL SUPERVISION SEGMENT INFORMATION (CON'T)

	For the nine months ended September 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	1,699	1,040	14	1	619	182	447	8	401	3,357
Interest expense from external	225	-	-	37	85	24	251	125	(3)	744
Net interest income										
- From external	1,474	1,040	14	(36)	534	158	196	(117)	404	2,613
- Inter - segment	(346)	(688)	(5)	73	33	(1)	80	184	(23)	-
Total net interest income	1,128	352	9	37	567	157	276	67	381	2,613
Non-interest income	458	10	72	68	291	55	112	157	53	1,194
Total income	1,586	362	81	105	858	212	388	224	434	3,807
Expenses from credit losses	5	16	-	1	31	34	2	1	-	74
Operating and other expenses	1,068	147	30	55	493	80	141	122	69	2,028
Operating profit before taxes	513	199	51	49	334	98	245	101	365	1,705
Provision for taxes on operating profit	180	71	18	17	117	34	86	35	128	597
Operating profit after taxes	333	128	33	32	217	64	159	66	237	1,108
Bank's share in operating profit of investee company after tax effect	-	-	-	-	-	-	-	-	64	64
Net profit:										
Before attribution to non-controlling interests	333	128	33	32	217	64	159	66	301	1,172
Attributed to non-controlling interests	(27)	-	(2)	(1)	(4)	(2)	(1)	-	(6)	(41)
Net profit attributed to shareholders of the Bank	306	128	31	31	213	62	158	66	295	1,131
Average balance of assets(1)	56,247	34,153	3,051	117	20,424	7,254	23,416	1,564	75,755	184,777
of which: Investee Company(1)	-	-	-	-	-	-	-	-	711	711
of which: Average balance of credit to the public(1)	56,247	34,153	3,051	117	20,424	7,254	23,416	1,564	-	109,022
Balance of credit to the public	59,154	(4)35,342	4,229	111	21,707	7,920	25,144	1,672	-	115,708
Balance of non-accruing debts	239	139	-	-	192	46	45	-	-	522
Balance in arrears over 90 days	12	-	-	-	6	-	-	-	-	18
Average balance of liabilities(1)	66,415	284	44	9,737	26,648	6,950	18,408	31,449	14,889	174,496
of which: Average balance of deposits from the public(1)	66,037	-	-	9,732	26,380	6,833	17,710	31,423	-	158,115
Balance of deposits from the public	68,148	-	-	10,092	27,194	6,450	18,901	34,117	-	164,902
Average balance of risk assets(1)(2)	37,008	17,951	3,438	328	19,530	8,415	23,083	1,642	6,536	96,542
Balance of risk assets(2)	37,934	18,461	4,165	311	20,460	9,196	24,756	1,345	8,999	103,001
Average balance of assets under management(1)(3)	38,651	-	-	25,380	20,542	4,183	16,613	315,560	-	420,929
Segmentation of net interest income:										
- Earnings from credit - granting activity	856	346	9	1	451	129	239	8	-	1,684
- Earnings from deposits - taking activity	262	-	-	36	110	26	30	59	-	523
- Other	10	6	-	-	6	2	7	-	381	406
Total net interest income	1,128	352	9	37	567	157	276	67	381	2,613

(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 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 busin ess 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**	**322**	**201**	**215**	**226**	**107**	**58**
Non-interest income	**2**	**57**	**115**	**54**	**73**	**20**	**13**
Total income (expenses0	**133**	**379**	**316**	**269**	**299**	**127**	**71**
Expenses (income) in respect of credit losses	**3**	**21**	**25**	**53**	**39**	**34**	**(1)**
Operating and other expenses	**42**	**195**	**146**	**117**	**92**	**47**	**11**
Operating profit (loss) before taxes	**88**	**163**	**145**	**99**	**168**	**46**	**61**
Provision for taxes on operating profit	**30**	**57**	**51**	**35**	**59**	**17**	**22**
Operating profit (loss) after taxes	**58**	**106**	**94**	**64**	**109**	**29**	**39**
Bank's share in operating profit of investee company after taxes	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Net profit (loss)							
Before attribution to non-controlling interests	**58**	**106**	**94**	**64**	**109**	**29**	**39**
Attributed to non-controlling interests	-	-	-	-	-	-	-
Attributed to shareholders of the Bank	**58**	**106**	**94**	**64**	**109**	**29**	**39**
Average balance of assets[(1)]	**35,200**	**14,835**	**4,270**	**10,071**	**41,079**	**10,459**	**1,023**
Balance of credit to the public at the end of the reported period	**35,245**	**15,401**	**4,542**	**11,349**	**41,212**	**10,528**	**1,113**
Balance of deposits from the public at the end of the reported period	**-**	**32,597**	**44,457**	**20,817**	**32,606**	**7,726**	**42,095**

	Banking Division				Corporate Division		
	Housing loans	**Households**	**Private banking**	**Other**	**Corporate customers**	**Commercial customers**	**Other**
Net interest income	124	205	116	162	169	91	40
Non-interest income	4	56	110	58	73	22	8
Total income	128	261	226	220	242	113	48
Expenses (income) in respect of credit losses	7	(7)	3	44	2	32	-
Operating and other expenses	49	184	130	115	93	43	10
Operating profit before taxes	72	84	93	61	147	38	38
Provision for taxes on operating profit	25	29	33	22	53	13	13
Operating profit after taxes	47	55	60	39	94	25	25
Bank's share in operating profit of investee company after taxes	-	-	-	-	-	-	-
Net profit							
Before attribution to non-controlling interests	47	55	60	39	94	25	25
Attributed to non-controlling interests	-	-	-	-	-	-	-
Attributed to shareholders of the Bank	47	55	60	39	94	25	25
Average balance of assets[(1)]	34,977	15,602	4,623	11,311	34,512	11,602	1,210
Balance of credit to the public at the end of the reported period	35,079	16,288	4,939	12,891	34,292	11,690	1,345
Balance of deposits from the public at the end of the reported period	-	32,418	41,951	22,356	30,608	8,503	30,289

(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 September 30, 2023 (unaudited)					
				Adjustments		
	Customer Asset Division	Financial management	Subsidiary companies	Total	Of which: operation in the capital market products	Total
	608	**(81)**	**115**	**(675)**	**(608)**	**1,227**
	240	**1**	**18**	**(219)**	**(191)**	**374**
	848	**(80)**	**133**	**(894)**	**(799)**	**1,601**
	3	**-**	**12**	**(24)**	**(3)**	**165**
	253	**11**	**52**	**(233)**	**(198)**	**733**
	592	**(91)**	**69**	**(637)**	**(598)**	**703**
	207	**(32)**	**24**	**(223)**	**(210)**	**247**
	385	**(59)**	**45**	**(414)**	**(388)**	**456**
	-	**21**	**-**	**-**	**-**	**21**
	385	**(38)**	**45**	**(414)**	**(388)**	**477**
	-	**-**	**(22)**	**-**	**-**	**(22)**
	385	**(38)**	**23**	**(414)**	**(388)**	**455**
	12,858	**88,987**	**8,737**	**(18,468)**	**(12,858)**	**209,051**
	12,947	**-**	**6,257**	**(18,521)**	**(12,947)**	**120,073**
	174,460	**-**	**9,283**	**(182,767)**	**(174,460)**	**181,274**

	For the three months ended September 30, 2022 (unaudited)					
				Adjustments		
	Customer Asset Division	Financial management	Subsidiary companies	Total	Of which: operation in the capital market products	Total
	315	81	81	(374)	(315)	1,010
	234	45	24	(215)	(187)	419
	549	126	105	(589)	(502)	1,429
	5	-	1	(44)	(5)	43
	210	30	53	(235)	(175)	682
	334	96	51	(310)	(322)	704
	118	34	18	(109)	(114)	249
	216	62	33	(201)	(208)	455
	-	27	-	-	-	27
	216	89	33	(201)	(208)	482
	-	-	(15)	-	-	(15)
	216	89	18	(201)	(208)	467
	10,680	72,876	9,473	(17,189)	(10,680)	189,677
	11,926	-	6,059	(18,801)	(11,926)	115,708
	158,377	-	9,436	(169,036)	(158,377)	164,902

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	**394**	**953**	**611**	**658**	**675**	**328**	**176**
Non-interest income	**10**	**164**	**341**	**165**	**231**	**64**	**34**
Total income (expenses)	**404**	**1,117**	**952**	**823**	**906**	**392**	**210**
Expenses in respect of credit losses	**-**	**82**	**47**	**117**	**28**	**82**	**1**
Operating and other expenses	**123**	**574**	**430**	**358**	**283**	**138**	**34**
Operating profit (loss) before taxes	**281**	**461**	**475**	**348**	**595**	**172**	**175**
Provision for taxes on operating profit	**97**	**160**	**165**	**121**	**207**	**60**	**61**
Operating profit (loss) after taxes	**184**	**301**	**310**	**227**	**388**	**112**	**114**
Bank's share in operating profit of investee company after taxes	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Net profit							
Before attribution to non-controlling interests	**184**	**301**	**310**	**227**	**388**	**112**	**114**
Attributed to non-controlling interests	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Attributed to shareholders of the Bank	**184**	**301**	**310**	**227**	**388**	**112**	**114**
Average balance of assets(1)	**35,200**	**15,065**	**4,348**	**10,381**	**39,831**	**10,975**	**1,017**
Balance of credit to the public at the end of the reported period	**35,245**	**15,401**	**4,542**	**11,349**	**41,212**	**10,528**	**1,113**
Balance of deposits from the public at the end of the reported period	**-**	**32,597**	**44,457**	**20,817**	**32,606**	**7,726**	**42,095**

	Banking Division				Corporate Division		
	Housing loans	Households	Private banking	Other	Corporate customers	Commercial customers	Other
Net interest income	356	489	218	391	418	234	76
Non-interest income	10	165	345	173	216	66	30
Total income	366	654	563	564	634	300	106
Expenses (income) in respect of credit losses	18	(3)	6	48	(1)	53	-
Operating and other expenses	153	530	385	337	263	132	26
Operating profit before taxes	195	127	172	179	372	115	80
Provision for taxes on operating profit	68	44	60	63	131	40	28
Operating profit after taxes	127	83	112	116	241	75	52
Bank's share in operating profit of investee company after taxes	-	-	-	-	-	-	-
Net profit							
Before attribution to non-controlling interests	127	83	112	116	241	75	52
Attributed to non-controlling interests	-	-	-	-	-	-	-
Attributed to shareholders of the Bank	127	83	112	116	241	75	52
Average balance of assets(1)	33,891	15,434	4,527	11,203	31,374	11,194	1,268
Balance of credit to the public at the end of the reported period	35,079	16,288	4,939	12,891	34,292	11,690	1,345
Balance of deposits from the public at the end of the reported period	-	32,418	41,951	22,356	30,608	8,503	30,289

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

	For the nine months ended September 30, 2023 (unaudited)					
				Adjustments		
	Customer Asset Division	Financial management	Subsidiary companies	Total	Of which: operation in the capital market products	Total
	1,828	**(102)**	**331**	**(2,032)**	**(1,828)**	**3,820**
	720	**90**	**53**	**(656)**	**(574)**	**1,216**
	2,548	**(12)**	**384**	**(2,688)**	**(2,402)**	**5,036**
	1	**3**	**14**	**(39)**	**(1)**	**336**
	757	**43**	**163**	**(706)**	**(604)**	**2,197**
	1,790	**(58)**	**207**	**(1,943)**	**(1,797)**	**2,503**
	621	**(20)**	**72**	**(675)**	**(624)**	**869**
	1,169	**(38)**	**135**	**(1,268)**	**(1,173)**	**1,634**
	-	**105**	**-**	**-**	**-**	**105**
	1,169	**67**	**135**	**(1,268)**	**(1,173)**	**1,739**
	-	**-**	**(66)**	**-**	**-**	**(66)**
	1,169	**67**	**69**	**(1,268)**	**(1,173)**	**1,673**
	12,468	**82,161**	**9,137**	**(18,210)**	**(12,468)**	**202,373**
	12,947	**-**	**6,257**	**(18,521)**	**(12,947)**	**120,073**
	174,460	**-**	**9,283**	**(182,767)**	**(174,460)**	**181,274**

	For the nine months ended September 30, 2022 (unaudited)					
				Adjustments		
	Customer Asset Division	Financial management	Subsidiary companies	Total	Of which: operation in the capital market products	Total
	525	362	214	(670)	(525)	2,613
	726	52	73	(662)	(578)	1,194
	1,251	414	287	(1,332)	(1,103)	3,807
	2	-	(1)	(48)	(2)	74
	625	68	156	(647)	(511)	2,028
	624	346	132	(637)	(590)	1,705
	219	121	46	(223)	(207)	597
	405	225	86	(414)	(383)	1,108
	-	64	-	-	-	64
	405	289	86	(414)	(383)	1,172
	-	-	(41)	-	-	(41)
	405	289	45	(414)	(383)	1,131
	10,088	73,100	9,173	(16,475)	(10,088)	184,777
	11,926	-	6,059	(18,801)	(11,926)	115,708
	158,377	-	9,436	(169,036)	(158,377)	164,902

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 September 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)	**933**	**148**	**398**	**1,479**	**5**	**1,484**
Expenses in respect of credit losses	**118**	**3**	**44**	**165**	**-**	**165**
- Accounting write-offs	**(18)**	**(3)**	**(35)**	**(56)**	**-**	**(56)**
- Collection of debts written off in accounting in previous years	**26**	**2**	**30**	**58**	**-**	**58**
Net accounting write-offs	**8**	**(1)**	**(5)**	**2**	**-**	**2**
Provision for credit losses at end of the period(2)	**1,059**	**150**	**437**	**1,646**	**5**	**1,651**
Of which: (1) In respect of off-balance sheet credit instruments	**102**	**6**	**29**	**137**	**-**	**137**
(2) In respect of off-balance sheet credit instruments	**114**	**4**	**32**	**150**	**-**	**150**

	For the three months ended September 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)	764	138	328	1,230	2	1,232
Expenses (income) in respect of credit losses	47	5	(9)	43	-	43
- Accounting write-offs	(36)	-	(21)	(57)	-	(57)
- Collection of debts written off in accounting in previous years	32	-	22	54	-	54
Net accounting write-offs	(4)	-	1	(3)	-	(3)
Provision for credit losses at end of the period(2)	807	143	320	1,270	2	1,272
Of which: (1) In respect of off-balance sheet credit instruments	92	6	11	109	-	109
(2) In respect of off-balance sheet credit instruments	87	4	10	101	-	101

(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*, 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 nine months ended September 30, 2023 (unaudited)					
	Credit to the public					
	Commercial	Housing	Other private	Total	Banks, Governments and Bonds	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	**228**	**(1)**	**106**	**333**	**3**	**336**
- Accounting write-offs	**(60)**	**(6)**	**(86)**	**(152)**	**-**	**(152)**
- Collection of debts written off in accounting in previous years	**74**	**6**	**73**	**153**	**-**	**153**
Net accounting write-offs	**14**	**-**	**(13)**	**1**	**-**	**1**
Provision for credit losses at end of the period(2)	**1,059**	**150**	**437**	**1,646**	**5**	**1,651**
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	**114**	**4**	**32**	**150**	**-**	**150**

	For the nine months ended September 30, 2022 (unaudited)					
	Credit to the public					
	Commercial	Housing	Other private	Total	Banks, Governments and Bonds	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	68	16	(10)	74	-	74
- Accounting write-offs	(94)	-	(67)	(161)	-	(161)
- Collection of debts written off in accounting in previous years	70	2	67	139	-	139
Net accounting write-offs	(24)	2	-	(22)	-	(22)
Provision for credit losses at end of the period(2)	807	143	320	1,270	2	1,272
Of which: (1) In respect of off-balance sheet credit instruments	68	-	11	79	-	79
(2) In respect of off-balance sheet credit instruments	87	4	10	101	-	101

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

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

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

(NIS million)

A. DEBTS*, 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)

	September 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	**55,005**	**-**	**299**	**55,304**	**24,708**	**80,012**
Examined on a collective basis	**6,635**	**35,508**	**22,626**	**64,769**	**-**	**64,769**
Total debts	**61,640**	**35,508**	**22,925**	**120,073**	**24,708**	**144,781**
Provision for credit losses in respect of debts						
Examined on an individual basis	**835**	**-**	**7**	**842**	**5**	**847**
Examined on a collective basis	**110**	**146**	**398**	**654**	**-**	**654**
Total provision for credit losses	**945**	**146**	**405**	**1,496**	**5**	**1,501**

	September 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	49,873	-	542	50,415	19,729	70,144
Examined on a collective basis	6,697	35,342	23,254	65,293	-	65,293
Total debts	56,570	35,342	23,796	115,708	19,729	135,437
Provision for credit losses in respect of debts						
Examined on an individual basis	636	-	43	679	2	681
Examined on a collective basis	84	139	267	490	-	490
Total provision for credit losses	720	139	310	1,169	2	1,171

	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

	September 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	**10,086**	**71**	**20**	**10,177**	**1**	**2**
Construction and real estate - real estate activities	**6,875**	**25**	**34**	**6,934**	**-**	**1**
Financial services	**15,311**	**2**	**5**	**15,318**	**1**	**3**
Commercial - other	**27,773**	**771**	**255**	**28,799**	**9**	**23**
Total commercial	**60,045**	**869**	**314**	**61,228**	**11**	**29**
Private individuals - housing loans	**35,272**	**77**	**159**	**35,508**	**-**	**217**
Private individuals - others	**22,654**	**177**	**94**	**22,925**	**14**	**41**
Total activity in Israel	**117,971**	**1,123**	**567**	**119,661**	**25**	**287**
Borrower activity abroad						
Public - commercial						
Construction and real estate	**12**	**-**	**-**	**12**	**-**	**-**
Other commercial	**390**	**10**	**-**	**400**	**-**	**10**
Total commercial	**402**	**10**	**-**	**412**	**-**	**10**
Private individuals	**-**	**-**	**-**	**-**	**-**	**-**
Total activity abroad	**402**	**10**	**-**	**412**	**-**	**10**
Total credit to the public	**118,373**	**1,133**	**567**	**120,073**	**25**	**297**

(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 105 million (30.9.22 - NIS 93 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)

	September 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	9,517	36	69	9,622	-	20
Construction and real estate - real estate activities	7,132	24	30	7,186	-	-
Financial services	11,625	5	4	11,634	1	2
Commercial - other	26,891	629	176	27,696	5	29
Total commercial	55,165	694	279	56,138	6	51
Private individuals - housing loans	35,149	54	139	35,342	-	174
Private individuals - others	23,557	139	100	23,796	12	36
Total activity in Israel	113,871	887	518	115,276	18	261
Borrower activity abroad						
Public - commercial						
Construction and real estate	12	-	-	12	-	-
Other commercial	416	-	4	420	-	2
Total commercial	428	-	4	432	-	2
Private individuals	-	-	-	-	-	-
Total activity abroad	428	-	4	432	-	2
Total credit to the public	114,299	887	522	115,708	18	263

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

	September 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	3,972	5,451	2,574	1,291	454	1,264	2,105	17,111
Credit having a credit granting rating	3,824	5,411	2,476	1,273	435	1,243	1,967	16,629
Credit not having credit granting rating and is not problematic	139	33	73	6	14	5	62	332
Accruing problematic credit	6	4	14	8	1	7	56	96
Non-accruing credit	3	3	11	4	4	9	20	54
Other commercial	16,523	5,318	2,762	2,174	1,303	2,293	13,744	44,117
Credit having a credit granting rating	16,398	5,134	2,482	1,990	1,231	2,109	12,955	42,299
Credit not having credit granting rating and is not problematic	37	68	106	86	24	77	387	785
Accruing problematic credit	82	94	161	51	39	68	278	773
Non-accruing credit	6	22	13	47	9	39	124	260
Private individuals - residential loans	1,925	5,674	7,012	4,932	3,198	12,767	-	35,508
LTV of up to 60%	1,215	3,526	4,502	3,253	2,245	9,657	-	24,398
LTV of over 60% and up to 75%	692	2,117	2,442	1,625	911	2,691	-	10,478
LTV of over 75%	18	31	68	54	42	419	-	632
Credit not in default, having a credit granting rating	1,911	5,637	6,952	4,878	3,161	12,461	-	35,000
Credit not in default, not having a credit granting rating	10	6	13	8	12	85	-	134
In arrears for 30 to 89 days	4	25	34	30	15	113	-	221
In arrears for over 90 days	-	6	13	16	10	108	-	153
Non-accruing credit	-	6	13	18	10	112	-	159
Private individuals - others	6,669	3,475	2,548	1,832	1,347	5,069	1,985	22,925
Credit not in default, having a credit granting rating	6,574	3,380	2,448	1,751	1,282	4,785	1,856	22,076
Credit not in default, not having a credit granting rating	91	87	92	76	59	268	114	787
In arrears for 30 to 89 days	3	6	7	4	4	10	10	44
In arrears for over 90 days	1	2	1	1	2	6	5	18
Non-accruing credit	4	7	9	6	4	20	44	94
Total Credit to the public - activity in Israel	29,089	19,918	14,896	10,229	6,302	21,393	17,834	119,661
Total Credit to the public - activity abroad	182	6	-	6	1	8	209	412
Performing credit	182	2	-	2	-	8	208	402
Accruing problematic credit	-	4	-	4	1	-	1	10
Non-accruing credit	-	-	-	-	-	-	-	-
Total Credit to the public	29,271	19,924	14,896	10,235	6,303	21,401	18,043	120,073

* 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

	September 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	7,560	3,854	1,417	1,078	498	593	1,808	16,808
Credit having a credit granting rating	7,440	3,791	1,385	1,060	489	555	1,690	16,410
Credit not having credit granting rating and is not problematic	105	50	14	8	5	19	38	239
Accruing problematic credit	7	11	12	4	1	11	14	60
Non-accruing credit	8	2	6	6	3	8	66	99
Other commercial	15,981	5,351	4,354	2,098	1,015	1,182	9,349	39,330
Credit having a credit granting rating	15,811	5,198	4,093	1,975	939	1,025	8,588	37,629
Credit not having credit granting rating and is not problematic	148	91	161	56	27	43	361	887
Accruing problematic credit	18	50	64	58	36	86	322	634
Non-accruing credit	4	12	36	9	13	28	78	180
Private individuals - residential loans	4,549	7,427	5,277	3,476	2,715	11,898	-	35,342
LTV of up to 60%	2,795	4,766	3,459	2,432	1,951	8,799	-	24,202
LTV of over 60% and up to 75%	1,728	2,617	1,765	1,008	732	2,504	-	10,354
LTV of over 75%	26	44	53	36	32	595	-	786
Credit not in default, having a credit granting rating	4,533	7,393	5,227	3,436	2,672	11,586	-	34,847
Credit not in default, not having a credit granting rating	10	12	19	16	19	116	-	192
In arrears for 30 to 89 days	5	20	25	19	17	95	-	181
In arrears for over 90 days	1	2	6	5	7	101	-	122
Non-accruing credit	1	2	6	5	10	115	-	139
Private individuals - others	8,655	3,807	2,629	1,804	1,663	3,355	1,883	23,796
Credit not in default, having a credit granting rating	8,529	3,678	2,518	1,723	1,560	3,143	1,769	22,920
Credit not in default, not having a credit granting rating	113	113	101	71	88	181	101	768
In arrears for 30 to 89 days	10	10	6	6	11	24	4	71
In arrears for over 90 days	3	6	4	4	4	7	9	37
Non-accruing credit	25	14	9	9	13	27	3	100
Total Credit to the public - activity in Israel	36,745	20,439	13,677	8,456	5,891	17,028	13,040	115,276
Total Credit to the public - activity abroad	243	8	5	-	8	-	168	432
Performing credit	243	8	1	-	8	-	168	428
Accruing problematic credit	-	-	-	-	-	-	-	-
Non-accruing credit	-	-	4	-	-	-	-	4
Total Credit to the public	36,988	20,447	13,682	8,456	5,899	17,028	13,208	115,708

* 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:

	September 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	38	11	16	54	1,450	-
Commercial - other	226	86	34	260	2,050	-
Total commercial	264	97	50	314	3,500	-
Private individuals - residential loans	158	9	1	159	197	-
Private individuals - others	88	29	6	94	324	-
Total Credit to the public - activity in Israel	510	135	57	567	4,021	-
Borrower activity abroad						
Total Credit to the public - activity abroad	-	-	-	-	20	-
Total *	510	135	57	567	4,041	-
(*) Of which:						
Measured individually by present value of cash flows	264	97	34	298		
Measured individually according to present value of collateral	-	-	12	12		
Measured on a collective basis	246	38	11	257		

(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 31 million would have been recognized.
Additional information: the total stated average debt balance of non-accruing debts was NIS 555 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)

	September 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	83	22	16	99	2,053	-
Commercial - other	127	46	53	180	3,733	-
Total commercial	210	68	69	279	5,786	-
Private individuals - residential loans	139	7	-	139	171	-
Private individuals - others	90	32	10	100	344	-
Total Credit to the public - activity in Israel	439	107	79	518	6,301	-
Borrower activity abroad						
Total Credit to the public - activity abroad	4	4	-	4	31	-
Total *	443	111	79	522	6,332	-
(*) Of which:						
Measured individually by present value of cash flows	303	104	60	363		
Measured individually according to present value of collateral	-	-	12	12		
Measured on a collective basis	140	7	7	147		

(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 27 million would have been recognized.
Additional information: the total stated average debt balance of non-accruing debts was NIS 525 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.

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:

	September 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	**13**	**-**	**-**	**4**	**17**
Commercial - other	**51**	**-**	**-**	**14**	**65**
Total commercial	**64**	**-**	**-**	**18**	**82**
Private individuals - residential loans	**7**	**-**	**-**	**5**	**12**
Private individuals - others	**66**	**-**	**-**	**29**	**95**
Total Credit to the public - activity in Israel	**137**	**-**	**-**	**52**	**189**
Borrower activity abroad					
Total Credit to the public - activity abroad	**-**	**-**	**-**	**-**	**-**
Total	**137**	**-**	**-**	**52**	**189**

	September 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	14	-	-	2	16
Commercial - other	52	-	-	11	63
Total commercial	66	-	-	13	79
Private individuals - residential loans	12	-	-	1	13
Private individuals - others	66	-	-	13	79
Total Credit to the public - activity in Israel	144	-	-	27	171
Borrower activity abroad					
Total Credit to the public - activity abroad	-	-	-	-	-
Total	144	-	-	27	171

(1) Accruing interest income.

(2) As at September 30, 2023, debts of NIS 180 million, that had been restructured are classified as problematic debts (as of September 30, 2022 – NIS 171 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 September 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	**10**	**2**	**2**	9	10	10
Commercial - other	**43**	**6**	**6**	59	12	12
Total commercial	**53**	**8**	**8**	68	22	22
Private individuals - housing loans	**-**	**-**	**-**	-	-	-
Private individuals - others	**312**	**16**	**15**	268	16	15
Total credit to the public - activity in Israel	**365**	**24**	**23**	336	38	37

	Restructuring made					
	For the nine months ended September 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	**34**	**9**	**9**	18	11	11
Commercial - other	**161**	**30**	**30**	154	27	27
Total commercial	**195**	**39**	**39**	172	38	38
Private individuals - housing loans	**3**	**1**	**1**	1	1	1
Private individuals - others	**934**	**49**	**46**	857	38	36
Total credit to the public - activity in Israel	**1,132**	**89**	**86**	1,030	77	75

	Restructuring made and failed (1)				Restructuring made and failed (1)			
	For the three months ended September 30				For the nine months ended September 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**	**1**	1	-	**15**	**1**	15	1
Commercial - other	**38**	**5**	40	2	**79**	**10**	80	11
Total commercial	**42**	**6**	41	2	**94**	**11**	95	12
Private individuals - housing loans	**-**	**-**	-	-	**3**	**-**	4	1
Private individuals - others	**91**	**3**	124	3	**341**	**8**	375	10
Total credit to the public - activity in Israel	**133**	**9**	165	5	**438**	**19**	474	23

(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

	September 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	**226**	**19**	**29**	**26**	**10**	**4**	**-**	**314**
Residential loans	**6**	**84**	**36**	**25**	**3**	**1**	**4**	**159**
Private individuals - others	**89**	**2**	**1**	**2**	**-**	**-**	**-**	**94**
Total	**321**	**105**	**66**	**53**	**13**	**5**	**4**	**567**

	September 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	198	26	23	26	10	-	-	283
Residential loans	17	52	39	21	2	7	1	139
Private individuals - others	92	3	2	3	-	-	-	100
Total	307	81	64	50	12	7	1	522

	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

	September 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%	**23,957**	**247**	**14,015**	**1,223**
- Over 60%	**11,110**	**89**	**6,708**	**870**
Secondary lien or no lien	**441**	**22**	**389**	**-**
Total	**35,508**	**358**	**21,112**	**2,093**

	September 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%	23,739	220	14,067	1,017
- Over 60%	11,141	60	6,762	1,426
Secondary lien or no lien	462	53	402	-
Total	35,342	333	21,231	2,443

	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 whe n 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		
	30.9.23	**30.9.22**	**31.12.22**	**30.9.23**	**30.9.22**	**31.12.22**
	(unaudited)	(unaudited)	(audited)	(unaudited)	(unaudited)	(audited)
Transactions the balance of which represents credit risk:						
Documentary credit	**144**	181	572	**1**	1	1
Guarantees securing credit	**1,133**	1,045	1,174	**14**	9	10
Guarantees to home purchasers	**3,727**	4,406	4,325	**17**	8	9
Guarantees and other liabilities	**4,917**	4,942	5,141	**51**	40	46
Unutilized credit lines for derivatives instruments	**2,615**	3,331	3,303	**-**	-	-
Unutilized revolving credit and other on-call credit facilities	**11,516**	12,343	11,672	**23**	21	22
Irrevocable commitments to grant credit, not yet executed	**7,857**	5,660	6,042	**24**	10	18
Unutilized credit lines for credit card facilities	**9,933**	9,078	9,396	**17**	8	9
Facilities for the lending of securities	**723**	501	595	**-**	-	-
Required guarantees and collateral in respect of the Stock Exchange and Maof Clearing Houses	**260**	242	220	**-**	-	-
Commitments to issue guarantees	**2,166**	1,311	1,387	**3**	4	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)

	September 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	**59,140**	**-**	**1,813**	**393**	**313**	**-**	**61,659**
Securities	**7,928**	**2,708**	**9,478**	**1,488**	**-**	**441**	**22,043**
Securities which were borrowed	**155**	**-**	**-**	**-**	**-**	**-**	**155**
Credit to the public, net[3]	**96,344**	**14,789**	**5,235**	**1,551**	**65**	**593**	**118,577**
Credit to the government	**322**	**691**	**-**	**2**	**-**	**-**	**1,015**
Investee company	**-**	**-**	**-**	**-**	**-**	**776**	**776**
Premises and equipment	**-**	**-**	**-**	**-**	**-**	**871**	**871**
Intangible assets and goodwill	**-**	**-**	**-**	**-**	**-**	**305**	**305**
Assets in respect of derivative instruments	**244**	**4**	**1,315**	**82**	**48**	**2,247**	**3,940**
Other assets	**940**	**8**	**10**	**2**	**-**	**372**	**1,332**
Total assets	**165,073**	**18,200**	**17,851**	**3,518**	**426**	**5,605**	**210,673**
Liabilities							
Deposits from the public	**140,418**	**5,745**	**29,214**	**3,853**	**1,451**	**593**	**181,274**
Deposits from banks	**3,671**	**-**	**137**	**4**	**12**	**-**	**3,824**
Deposits from the Government	**440**	**-**	**217**	**6**	**2**	**-**	**665**
Bonds and subordinated capital notes	**2**	**4,749**	**-**	**-**	**-**	**-**	**4,751**
Liabilities in respect of derivative instruments	**265**	**23**	**920**	**23**	**19**	**2,246**	**3,496**
Other liabilities	**4,353**	**74**	**42**	**10**	**3**	**50**	**4,532**
Total liabilities	**149,149**	**10,591**	**30,530**	**3,896**	**1,487**	**2,889**	**198,542**
Difference	**15,924**	**7,609**	**(12,679)**	**(378)**	**(1,061)**	**2,716**	**12,131**
Non-hedging derivatives							
Derivative instruments (not including options)	**(13,353)**	**(242)**	**12,209**	**325**	**1,061**	**-**	**-**
Options in the money, net (in terms of underlying asset)	**(237)**	**-**	**238**	**(1)**	**-**	**-**	**-**
Options out of the money, net (in terms of underlying asset)	**(347)**	**-**	**300**	**46**	**1**	**-**	**-**
Total	**1,987**	**7,367**	**68**	**(8)**	**1**	**2,716**	**12,131**
Options in the money, net (present value of stated amount)	**(353)**	**-**	**304**	**49**	**-**	**-**	**-**
Options out of the money, net (present value of stated amount)	**(1,287)**	**-**	**1,171**	**69**	**47**	**-**	**-**

(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)

	September 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	51,929	-	3,215	378	490	-	56,012
Securities	7,065	1,202	5,314	1,275	-	475	15,331
Securities which were borrowed	630	-	-	-	-	-	630
Credit to the public, net[3]	93,985	13,835	4,590	1,256	92	781	114,539
Credit to the government	59	720	83	-	-	-	862
Investee company	-	-	-	-	-	679	679
Premises and equipment	-	-	-	-	-	894	894
Intangible assets and goodwill	-	-	-	-	-	297	297
Assets in respect of derivative instruments	291	15	1,619	105	39	1,731	3,800
Other assets	812	11	13	3	-	1,104	1,943
Total assets	154,771	15,783	14,834	3,017	621	5,961	194,987
Liabilities							
Deposits from the public	128,766	6,509	23,614	3,596	1,636	781	164,902
Deposits from banks	4,790	-	191	10	7	-	4,998
Deposits from the Government	761	83	43	2	2	-	891
Bonds and subordinated capital notes	4	5,026	-	-	-	-	5,030
Liabilities in respect of derivative instruments	312	30	1,163	41	26	1,731	3,303
Other liabilities	4,239	66	81	7	-	773	5,166
Total liabilities	138,872	11,714	25,092	3,656	1,671	3,285	184,290
Difference	15,899	4,069	(10,258)	(639)	(1,050)	2,676	10,697
Non-hedging derivatives							
Derivative instruments (not including options)	(11,268)	(188)	9,824	583	1,049	-	-
Options in the money, net (in terms of underlying asset)	(230)	-	193	37	-	-	-
Options out of the money, net (in terms of underlying asset)	(118)	-	127	(5)	(4)	-	-
Total	4,283	3,881	(114)	(24)	(5)	2,676	10,697
Options in the money, net (present value of stated amount)	(279)	-	268	11	-	-	-
Options out of the money, net (present value of stated amount)	(378)	-	522	(106)	(38)	-	-

(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)

	September 30, 2023 (unaudited)				
	Stated in the				Fair value(1)
	Balance Sheet	(1)	(2)	(3)	Total
Financial assets					
Cash and deposits with banks	**61,659**	**649**	**61,004**	**-**	**61,653**
Securities(2)	**22,043**	**10,594**	**11,067**	**173**	**21,834**
Securities which were borrowed	**155**	**-**	**155**	**-**	**155**
Credit to the public, net	**118,577**	**10,083**	**-**	**106,577**	**116,660**
Credit to the government	**1,015**	**-**	**321**	**682**	**1,003**
Assets in respect of derivative instruments	**3,940**	**2,331**	**908**	**701**	**3,940**
Other financial assets	**227**	**13**	**-**	**214**	**227**
Total financial assets	(3)**207,616**	**23,670**	**73,455**	**108,347**	**205,472**
Financial liabilities					
Deposits from the public	**181,274**	**7,475**	**119,194**	**51,079**	**177,748**
Deposits from Banks	**3,824**	**-**	**1,300**	**2,412**	**3,712**
Deposits from the Government	**665**	**140**	**500**	**25**	**665**
Bonds and non-convertible subordinated capital notes	**4,751**	**4,495**	**-**	**4**	**4,499**
Liabilities in respect of derivative instruments	**3,496**	**2,332**	**1,141**	**23**	**3,496**
Other financing liabilities	**3,053**	**26**	**-**	**3,005**	**3,031**
Total financial liabilities	(3)**197,063**	**14,468**	**122,135**	**56,548**	**193,151**
Off balance sheet financial instruments					
Transaction where the balance represents credit risk	**39**	**-**	**-**	**39**	**39**
In addition, the liability in respect of employee rights, gross - pension and severance pay(4)	**838**	**-**	**-**	**838**	**838**

(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 32,375 million and liabilities of NIS 11,137 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)

	September 30, 2022 (unaudited)				
	Stated in the				Fair value(1)
	Balance Sheet	(1)	(2)	(3)	Total
Financial assets					
Cash and deposits with banks	56,012	688	55,319	2	56,009
Securities(2)	15,331	8,300	6,756	130	15,186
Securities which were borrowed	630	-	630	-	630
Credit to the public, net	114,539	8,954	-	103,227	112,181
Credit to the government	862	-	142	703	845
Assets in respect of derivative instruments	3,800	1,800	1,119	881	3,800
Other financial assets	925	738	-	187	925
Total financial assets	(3)192,099	20,480	63,966	105,130	189,576
Financial liabilities					
Deposits from the public	164,902	6,480	114,989	40,214	161,683
Deposits from Banks	4,998	-	793	4,007	4,800
Deposits from the Government	891	-	860	32	892
Bonds and non-convertible subordinated capital notes	5,030	4,854	-	2	4,856
Liabilities in respect of derivative instruments	3,303	1,795	1,479	29	3,303
Other financing liabilities	3,806	808	-	2,982	3,790
Total financial liabilities	(3)182,930	13,937	118,121	47,266	179,324
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)	830	-	-	830	830

* 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 25,428 million and liabilities of NIS 10,591 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 o n 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.

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

	September 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	**6,749**	**10,941**	**-**	**-**	**17,690**
Shares not for trading	**224**	**-**	**-**	**-**	**224**
Trading Securities	**425**	**-**	**-**	**-**	**425**
Assets in respect of derivative instruments	**2,331**	**908**	**701**	**-**	**3,940**
Others	**10,096**	**-**	**-**	**-**	**10,096**
Total assets	**19,825**	**11,849**	**701**	**-**	**32,375**
Liabilities					
Liabilities in respect of derivative instruments	**2,332**	**1,141**	**23**	**-**	**3,496**
Others	**7,641**	**-**	**-**	**-**	**7,641**
Total liabilities	**9,973**	**1,141**	**23**	**-**	**11,137**

	September 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	5,054	6,558	-	-	11,612
Shares not for trading	261	-	-	-	261
Trading Securities	63	-	-	-	63
Assets in respect of derivative instruments	1,800	1,119	881	-	3,800
Others	9,692	-	-	-	9,692
Total assets	16,870	7,677	881	-	25,428
Liabilities					
Liabilities in respect of derivative instruments	1,795	1,479	29	-	3,303
Others	7,288	-	-	-	7,288
Total liabilities	9,083	1,479	29	-	10,591

	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

	September 30, 2023 (unaudited)				
	Level 1	Level 2	Level 3	Total fair value	Total profits for the nine months ended September 30, 2023
Investment in shares	**-**	**44**	**-**	**44**	**1**
Non-accruing credit the collection of which is contingent on collateral	**-**	**-**	**12**	**12**	**-**

	September 30, 2022 (unaudited)				
	Level 1	Level 2	Level 3	Total fair value	Total losses for the nine months ended September 30, 2022
Investment in shares	-	83	-	83	(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 September 30, 2023 (unaudited)							
	Fair value as at June 30, 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 September 30, 2023	Unrealized profits (losses) in respect of instruments held as at September 30, 2023
Assets								
Assets in respect of derivative instruments	**728**	**963**	**18**	**(1,008)**	**-**	**-**	**701**	**476**
Liabilities								
Liabilities in respect of derivative instruments	**23**	**(1)**	**-**	**(1)**	**-**	**-**	**23**	**(1)**

	For the three months ended September 30, 2022 (unaudited)							
	Fair value as at June 30, 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 September 30, 2022	Unrealized profits (losses) in respect of instruments held as at September 30, 2022
Assets								
Assets in respect of derivative instruments	905	890	22	(936)	-	-	881	652
Liabilities								
Liabilities in respect of derivative instruments	27	(2)	-	-	-	-	29	(4)

	For the nine months ended September 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 September 30, 2023	Unrealized profits (losses) in respect of instruments held as at September 30, 2023
Assets								
Assets in respect of derivative instruments	**642**	**3,101**	**57**	**(3,099)**	**-**	**-**	**701**	**634**
Liabilities								
Liabilities in respect of derivative instruments	**26**	**(4)**	**-**	**(7)**	**-**	**-**	**23**	**(6)**

	For the nine months ended September 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 September 30, 2022	Unrealized profits (losses) in respect of instruments held as at September 30, 2022
Assets								
Assets in respect of derivative instruments	249	3,238	58	(2,664)	-	-	881	808
Liabilities								
Liabilities in respect of derivative instruments	18	(12)	-	(1)	-	-	29	(12)

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 September 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	**-**	**4.90**	**4.90**
Interest rate contract: other	Discounted cash flow	Counter-party credit risk	**18**	**1.30**	**1.20-1.55**
Foreign currency contracts	Discounted cash flow	1. CPI-linked interest	**3**	**0.86**	**0.63-1.03**
		2. Counter-party credit risk	**680**	**1.35**	**1.00-4.46**
Liabilities					
Liabilities in respect of derivative instruments:					
Interest rate contract: NIS-CPI	Discounted cash flow	Anticipated inflation curve	**20**	**2.64**	**1.76-4.90**
Foreign currency contracts	Discounted cash flow	CPI-linked interest	**3**	**0.86**	**0.63-1.03**
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 September 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	9	0.84	0.46-1.22
Interest rate contract: other	Discounted cash flow	Counter-party credit risk	28	1.41	1.20-1.55
Foreign currency contracts	Discounted cash flow	1. CPI-linked interest	6	(0.56)	(0.91)-(0.28)
		2. Counter-party credit risk	838	1.23	1.00-4.52
Liabilities					
Liabilities in respect of derivative instruments:					
Interest rate contract: NIS-CPI	Discounted cash flow	CPI-linked interest	23	0.82	0.46-1.22
Foreign currency contracts	Discounted cash flow	CPI-linked interest	6	(0.56)	(0.91)-(0.28)
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	(0.14)-0.23
		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	(0.14)-0.23
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.

NOTE 15 - EFFECT OF THE "SWARDS OF IRON" WAR

On October 7, 2023, a terror and cruel massacre attack broke out, with the penetration of thousands of terrorists from the terror organizations in the Gaza Strip, into settlements surrounding the Gaza Strip and in Southern Israel, under cover of a heavy barrage of missile towards areas of the State of Israel. In view of the said events, the Minister of Defense and the Minister of National Security announced a special situation for the rear of the country and a state of emergency for the whole country, and thus started of the "Swards of Iron" War. A wide scale call-up of reservists was declared, people were evacuated from their home, work places were shut down and employees put on unpaid leave by certain employers. Already at the beginning of the War, sharp reductions in prices of securities on the Tel Aviv Stock Exchange took place, with a rise in prices of oil and fuel and devaluation of the shekel against other currencies.

In view of the uncertainty prevailing with respect to developments in the security situation and the accumulation of its adverse implications, the economy of Israel might face a slowdown. The heavy disruption of routine life and the impact on the security and the economic situations in Israel, caused Bank of Israel to announce an outline, adopted by the banking corporations, in order to alleviate the burden on their customers, among which, the possibility to exceed their credit facility, or providing relief to customers by determining new short-term repayments arrangements (such as: waiver of interest on arrears, and deferral of principal and interest payments for a time period of up to three months). In addition to the outline published by Bank of Israel, the Bank took action to assist customers affected by the War, by offering additional relief.

In view of the War and its anticipated negative effect on the Israeli economy, the global rating agencies, Moody's and Fitch, announced the placing of Israel on a negative scoring follow-up, due to the change in the risk concept, on background of the "Swards of Iron" War. The S&P global rating agency announced the downgrading of the credit rating outlook of the State of Israel from "stable" to "negative", though the credit rating itself remained unchanged at a level of AA-. It is anticipated that the War would lead to deterioration in economic activity in Israel, to which the activity of the Bank is exposed, including an increase in credit risk and liquidity difficulties of borrowers, both in the business sector and in the private sector. Following this, the Bank has increased the allowances for credit losses anticipated in the third quarter of 2023. The securities portfolio of the Bank has been affected by the steep reduction in market quotation of securities. Such reductions have not yet been reflected in the financial statements as of September 30, 2023. As of November 14, 2023, the net balance of loss (before the tax effect) reflected in the cumulative other comprehensive profit, in respect of the difference between the fair value of available-for-sale bonds and their written-down cost, amounted to NIS 246 million, as compared with NIS 258 million on September 30, 2023.

The War has brought about instability and significant uncertainty to the economy. The Bank estimates at this stage, based on the information at hand at date of approval of the financial statements, that the present events and the escalation in the security situation in Israel, may have an adverse effect on its business results, due to deterioration in the scope of economic activity. This deterioration may be reflected in reduced interest income, increased credit loss expenses, reduction in collection of commissions and in other business operations. Whereas the event in question is not under control of the Bank, and actual developments may have an effect upon the estimates made by the Bank, as of date of this Report, the bank is unable to assess the scope of the anticipated effect of the War on its results in the medium and long term. The Bank monitors the situation on a current basis and modifies its operations and risk management in accordance with developments.

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.
The report of the internal audit for the first half of the year 2023 was discussed in the audit committee of the Bank on September 10, 2023.

MEETINGS OF THE BOARD OF DIRECTORS AND ITS COMMITTEES

During January-September 2023, the Bank's Board of Directors held 17 meetings in plenary session and 47 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. 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 (hereinafter – "the Committee"), headed by the Chairman of the Board Mr. Ron Levkovitz with the participation of the following Directors: Ms. Pnina Bitterman-Cohen, Mr. Gill Bino, Dr. Ronen Harel and Mr. Ilan Aiesh. On August 13, 2023, the Board of Directors decided to adopt the recommendation of the Committee and appoint Mr. Eli Cohen to the office of the next President and CEO. Mr. Eli Cohen serves at present as VP, member of Management and Head of the Risk Management Division (CRO) of the Bank. On September 18, 2023, the Supervisor of Banks approved said appointment.
In accordance with the resolution of the Board of Directors dated November 13, 2023, the office of Mr. Eli Cohen as President and CEO of the Bank will take effect on November 30, 2023, and the office of Ms. Smadar Berber-Tzadik will terminate on November 29, 2023.
The Board of Directors wish to thank Ms. Smadar Berber-Tzadik for her successful term of office, in which she had led the Bank to impressive achievements, succeeding in building and designing a growing, efficient and qualitative banking group, while creating value for all stakeholders. The Board of Directors wish Mr. Eli Cohen success in his office.
On November 15, 2023, the Board of Directors decided to appoint Ms. Lilia Kaplan to the office of Chief Risk Officer (CEO), VP, Head of the Risk Management Division and member of Management of the Bank. The appointment will take effect on November 30, 2023. The Board of Directors wish her success in her office.

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 as of December 31, 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 Relief Regulations 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.

(3) Following approval by the Compensation Committee, the Board of Directors approved on September 12, 2023, the continuation of payment of Directors' remuneration to Directors who are controlling owners of the Bank, viz. Mr. Tzadik Bino and Mr. Gill Bino, in an amount equal to the amount paid to them prior to the decision, for a period of three additional years, so long as they continue in office as Directors of the Bank, in accordance with Item 1(b) of the Relief Regulations. For details, see the Immediate Report of the Bank dated September 12, 2023 (Ref. No. 2023-01-086287).

d. On November 1, 2023, the General Meeting of Shareholders approved the appointment of Mr. Ron Levkovitz as Director for an additional period of up to three years, beginning on November 5, 2023. Furtheremore, the said General Meeting approved an update of his monthly remuneration as Chairman of the Board, so that it will amount to NIS 220 thousand (linked to the "known" CPI for July 2023), and that his compensation in respect of the noncompetition period of three months shall be in accordance with his monthly remuneration as approved by the General Meeting (including linkage increments applying up to the date of the Meeting) and not according to the monthly remuneration payable to him at the termination of his office (namely, increments to his monthly remuneration based on future changes in the CPI following the date of the said Meeting shall not be included). In continuation thereof, the total fixed remuneration of the Chairman of the Board of Directors amounts to NIS 3,237 thousand per annum (including allowances for severance pay and pension payments in accordance with the Law). No change in his other terms of office has taken place as compared with those detailed in Note 33F (2) – "Interested and related parties" in the financial statements for 2022.

e. 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]									
September 30, 2023	**141**	**-**	**-**	**141**	**468**	**-**	**-**	**-**	**609**
December 31, 2022	151	-	-	151	509	-	-	-	660

Deposits	September 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]	**9,283**	**31,686**	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 DETAILS

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.

THE "SWARDS OF IRON" WAR

In view of the murderous attack by the Hamas terror organization on October 7, 2023, in which thousands of civilians and the security forces personnel were murdered, injured and kidnapped, a civilian emergency event was announced on the same day, as well as a special state of emergency applying to the whole country, and the "Swards of Iron" War has begun.

On Background of the exceptional and extreme situation created by the said events and its implications, inter alia, on the Israeli economy, and in order to provide assistance to customers and to the banking system to face the challenges of this situation, the Supervisor of Banks and other Regulators have published directives, relief measures and guidelines regarding many matters, the principal of which, are as follows:

Proper Conduct of Banking Business Directive No. 251 – Adjustments to Proper Conduct of Banking Business Directives for the purpose of facing the "Swards of Iron" War (Provisional Instructions), hereinafter - the "Provisional Instructions".

The Directive is updated from time to time in accordance with requirements. The last updated version was published on November 21, 2023, and it contains alleviations, the essence of which is stated below. As a general rule, the Directive will remain in effect until December 31, 2023, except for certain alleviations, in respect of which different effective periods had been fixed.

- Amounts have been fixed for deviation from credit lines, according to the class of customer, in respect of which a banking corporation may not define or agree to the credit line in advance and in writing within one business day, on condition that the bank will take action to settle the credit line as soon as possible.
- A banking corporation is permitted to use its online banking channels for the delivery of messages having material effect, also to customers who are not party to an online banking agreement, on condition that it is a matter of urgency that such customers receive the message.
- The possibility of using alternative identification procedures upon providing payment services to beneficiaries of the service has been extended to higher amounts.
- As regards loans intended to finance the purchase of land for development or building purposes, it is clarified that the rise in the financing ratio over the limit of 80%, stemming from interest accrued until December 31, 2023, as a result of the "grace period" granted after October 7, 2023, shall not be taken into account in computing the financing ratio.
- Alleviations allowing the Public Complaints Officer of a banking corporation to focus on response to urgent approaches, in particular, by injured customers or by customers facing economic difficulties on account of the War situation.
- The period in which financial statements will be considered as updated and the period for delivery of semi-annual financial data for the purpose of granting credit to corporations, has been extended by three months.

- Permission has been granted for deferral of dates for rotation applying to managers or to employees in sensitive positions, and also for taking consecutive leave.
- Different dates relating to the granting of residential loans have been extended (issue of approval in principle for the granting of a residential loan, as well as issue of letters of intent, settlement confirmations, notices of effecting insurance on behalf of the bank in cases where the insurance policy provided by the borrower does not agree with the requirements of the bank, and consent for a second-degree pledge on a property in favor of another party).
- Alleviation in obtaining the signature of a borrower, who due to the War is not able to sign the residential loan documents, subject to the signature of the loan documents by the other borrowers, as required.
- Alleviation has been granted regarding the duty of proper disclosure in accordance with Proper Conduct of Banking Business Directive No. 449 – Simplification of agreements at date of application by a customer for the deferral of loan repayments, within the framework of the outline for assistance to customers in facing the implications of the War.
- Deferral of one month has been granted for the delivery of a statement in accordance with Proper Conduct of Banking Business Directive No. 460 – Presentation of transactions in a securities deposit.
- It has been determined that the customer's signature on an application for the deferral of payments, in accordance with the assistance outline, would not be required, on condition that a documented consent of the customer is obtained.
- Effective dates have been deferred in respect of various amendments to a part of Proper Conduct of Banking Business Directives, the essence of which is detailed below.
- Alleviations regarding the work of the Board of Directors, allowing the participation of a director in a meeting through use of advanced means of communication, to be considered as physical presence for the purpose of fulfillment of the duty of participation, as well as alleviations regarding dates for approval of minutes of meetings and distribution of resolutions.
- The date has been extended, under certain conditions, for review and approval of risk management policy documents, as required by Proper Conduct of Banking Business Directive No. 310.

A comprehensive outline by Bank of Israel and adopted by the banks, regarding assistance to customers in facing the implications of the "Swards of Iron" War

For details of the alleviation outline, published on October 15, 2023, see, "Effect of the 'Swards of Iron' War" in the Board of Directors and Management Report.

Announcement by the Supervisor of Banks regarding operation of branch offices of the banking system in view of the security situation.

The announcement, published on October 8, 2023, allows the banking system to operate in a limited format as regards business hours – shut down branch offices located up to 40 km from the Gaza Strip, and operate branches in a limited format of "core branches" (being branches prepared in advance for emergency situations, and in respect of which, a decision to operate them in emergency situations had been taken in advance) within a range of between 40 to 80 km from the Gaza Strip, as well as change their hours of business, where circumstances require.

Furthermore, on October 12, 2023, Bank of Israel published a letter, detailed hereunder, which contains reference to the importance of maintaining availability and continuation of banking services, to the extent possible, as well as a permit for providing banking services by means of mobile branches.

Bank of Israel letter in the matter of "Focal points for the banking system by the Supervisor of Banks, following the "Swards of Iron" War

The letter, dated October 12, 2023, states the expectations of the Supervisor of Banks with respect to different matters in view of the situation, including maintenance of availability and continuity of banking services, to the extent possible and in accordance with existing constraints, handling, assistance and response to customer approaches on background of the War, with an emphasis on urgent approaches and approaches on humanitarian background: alleviation of the burden and assistance to customers in honoring their obligations, preparations against cyber attempts and attacks and against increasing cases of fraud by employees and customers; examination of all risks under increased monitoring, adjustment of the Bank's policy and models in accordance with stricter stress tests and examination of the required level of liquidity, and examination of appropriateness of the means and tools for risk management, while strengthening the control, management, audit and internal control mechanisms in all the principal lines of operation; holding discussions by the Board of Directors with respect to the preparations required by the situation, and more.

Bank of Israel letter in the matter of "Planning of the capital and profit distribution policy"

In the letter dated November 12, 2023, banks were guided to review their dividend distribution policy and the purchase of their own shares for the coming period (for details regarding this matter, see Note 8E to the financial statements).

Deferral of Due Dates Act (Provisional instructions – "Swards of Iron") (Contracts, Court verdicts or payments to Authorities), 2023.

The Act was published on October 18, 2023 and was amended on November 7, 2023, with a view of providing support for certain population groups (mostly, those directly hit by the War, residents located around the Gaza Strip and a part of the security forces) allowing deferral of sixty days or until December 31, 2023, the earlier of the two, in performing an action stated in a contract, deferral of a date stated in a peremptory Court verdict or final decision, and deferral of a due date for payments to Authorities, all with respect to dates that fall within the "determined period" (since October 7, 2023 and until December 7, 2023), and applying to those defined as "entitled to deferral of a due date" for the period and under certain conditions.

Drawers of Uncovered Checks Regulations (Limitation on the application of the Act), 2023

The Regulations, published on October 26, 2023, state that checks that had been dishonored with respect to all the population, in the period from October 7, 2023 to October 31, 2023, would be permanently deducted from the number of dishonored checks for the purpose of the Uncovered Checks Act. Likewise, checks that had been dishonored, in the period from November 1, 2023 to November 30, 2023, would be permanently deducted from the number of dishonored checks for the purpose of the Uncovered Checks Act if drawn by individuals or corporations to whom one of the terms stated in the Regulations applies, including where the registered address or the postal address appearing on the records of the Bank, is mentioned in the list of settlements entitled to relief according to the Addendum to the Deferral of Due Dates Act (Provisional instructions – "Swards of Iron") (Contracts, Court verdicts or payments to Authorities), 2023, active reserve service, and more.

Nonenforcement position – Pension consultation provided by a banking corporation outside its branch offices to existing customers of the pension consulting operation

The Capital Market, Insurance and Savings Authority published on November 1, 2023, a position, according to which, it will not enforce the prohibition on providing consultation services outside bank branches, if the pension consultation is provided by digital means or by telephone, during the "Swards of Iron" War period, to existing customers who obtain service at branches the activity of which has been reduced or which are not open to the public due to the security situation, or where the customers are residents of evacuated settlements as detailed in the Addendum to the Deferral of Due Dates Act (Provisional instructions – "Swards of Iron") (Contracts, Court verdicts or payments to Authorities), 2023. The position will remain in effect so long as the declaration of a special situation in the back of the country stays in effect or until January 1, 2024, the earlier of the two, and as long as no other instruction is issued by the Authority.

Letter by the Commissioner in charge of participation in credit data regarding "clarifications relating to reporting to the credit data system"

In the letter that was sent on October 19, 2023, to sources of financial data, including the Bank, the data sources were required to strictly verify that business relief granted to customers in respect of their obligations, would be reported to the credit data system, in a way that does not express negative indication regarding the customer. The letter includes, inter alia, reference to the deferral or standstill in repayment of loans, and to dishonored checks. It further notes, that in cases where the source of information

assumes that the relief it intends to grant might be reflected in the report as a negative indication, it has to inform the customer accordingly, prior to granting the relief.
Furthermore, in accordance with the provisional instruction published by the Commissioner on November 9, 2023, arears in repayment of a debt to a source of financial information should be reported to the data base only after the passing of 60 days from the due date of the of the repayment, and not after 30 days, as presently stated.

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 was due to take effect at the end of twelve months since date of publication, however, entry into effect has been deferred to September 1, 2024, in accordance with the Provisional Instruction. Likewise, deferred to March 11, 2024 at the latest, is the date for making an initiated approach to existing joint account holders, who had not elected that the "Surviving party" clause would apply to them, in order to draw their attention to the matter, 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 August 20, 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 was due to 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), however, its entry into effect has been deferred to June 26, 2024, in accordance to the provisional instruction.

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 was due to take effect at the end of one year after publication date, however, its entry into effect has been deferred to June 26, 2024, in accordance to the provisional instruction.

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 was 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, and enabling nonbanking factors to enter this market and develop therein. According to the Act, engagement in "payment services" shall require obtaining a "Payment company" license issued by the Securities Authority, excluding exempt entities, which include banks. "Payment services" include clearing of payment transactions, issuance of means of payment, management of a payment account and advanced initiation service (in advanced initiation, the customer empowers the initiator to deliver payment orders on his behalf with no need for the customer to confirm the payment order to his payment account manager).Basic initiation is not considered a payment service, and engagement therein requires another license having mitigating requirements (in basic initiation, the initiator enters details of the customer's instructions and the customer is required to confirm the instructions to the 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.

The Act establishes also the "duty of linking" - "Provider of services for the transfer of funds between individuals" (at the present time, only payment applications agree with the definition stated in the Act), having a "wide scope of operation" (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 from/to another payment application, based on an identifying item. In addition, a payment account manager for a beneficiary, 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 (excluding where the payment account manager has a small scope of operation, and in case of a bank or an auxiliary corporation - has an asset value not exceeding 5% of the total asset value of all banks in Israel).

The Act includes many more provisions, among which, forbidding a payment account manager to charge a fee for granting access to the initiator of a payment, maintaining a register of providers of payment services by the Authority, and the definition of the duties of a payments company regarding a line of subjects: data protection and risk management, management of customer funds, forbidding the use of funds for the granting of credit, and restrictions on additional business. In accordance with the Act, payment corporations would be allowed to participate in non-designated controlled payment systems, and would be allowed to pay interest on credit balances, under stated conditions.

The Act states sanctions, including criminal sanctions, in respect of violation thereof.

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, which deferred 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.

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. 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.

All the effective date stated in the Directive have entered into effect, with the exception of delivery of data relating to accounts of large corporations, which is expected to take effect on April 14, 2024, in accordance with the Financial Data Service Order (Deferral of the effective date of the Act in the matter of a source of information which is a bank, an auxiliary corporation or a clearing agent in respect of a securities basket and accounts of large corporations), 2023.

Privacy protection

Privacy Protection Regulations (Instructions regarding information delivered to Israel from the European Economic Zone), 2023

The Regulations, published on May 7, 2023, impose on data base owners in Israel, holding data delivered to Israel from the European Economic Zone (excluding data received directly from the entity to which such data relates) several duties, including the duty to allow the entity to which the data relates, to demand the deletion of the data concerning it that is illegal or that is no longer required for the purpose for which it had been delivered, the duty to maintain a mechanism ensuring that the data base does not keep data no longer required, as defined in the Regulations, the duty to maintain a mechanism ensuring that the data kept in the data base is correct, complete, clear and updated, and the duty, in certain circumstances, to inform the entity to which the data relates, as to the receipt and delivery of the data. The Regulations apply also to data bases that contain both data received from the Eurozone and data received from Israel.

The Regulations entered into effect on August 7, 2023, with respect to data received from the Eurozone following the publication of the Regulations, and will take effect within one year from publication thereof with respect to data from the Eurozone existing in the data base in Israel at date of publication. Respecting data received otherwise than from the Eurozone and which is kept in an Israeli database keeping also data from the Eurozone – the Regulations will apply as from January 1, 2025.

Draft guideline by the Privacy Protection Authority as to the duties of the Board of Directors in fulfilling the Privacy protection Regulations.

According to the draft guideline, published for public comment on September 7, 2023, the position of the Authority is, that in corporations, the core operation of which is the processing of personal data, or which operations create enhanced privacy risk, fulfillment of certain requirements, supervisory in nature, imposed by the Privacy Protection Regulations (Data protection), 2017, on data base owners or holders comprising corporations, have to be performed by the Boards of Directors of such corporations. These duties include approval of the definition document regarding the data base, approval of the central principles of the organizational data protection procedure, holding of discussions dealing with the findings of the risk review and penetration tests and approval of the action taken to correct deficiencies, holding periodic discussions regarding data protection events that had occurred in the organization, and discussion of the results of the periodic audit with respect to compliance with the Regulations.

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 the rank of AAAil/Stable and the deferred debt notes having a loss absorption mechanism at the rank of -AAil. On October 31, 2023, S&P Ma'alot updated the rating outlook for banks in Israel, including the Bank, from "stable" to "negative", on background of the increasing geopolitical risks, and in continuation to a similar move for the rating of credit of the State of Israel. S&P Ma'alot also ratified the issuer rating of the Bank at a rank of AAAil.
- 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 October 24, 2023, Moody's announced the placing of the credit rating of the five large banks in Israel, including the Bank, on "examination for the lowering of the rating", and this in continuation of a similar move regarding the credit rating of the State of Israel.
- 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 of the Bank 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, in conventional times, 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.

The "Swards of Iron" War

Upon the outbreak of the War, the Bank took action to assist in the war effort. The Bank has significantly increased the donation budget to the tune of millions of shekels and appointed a designated forum for the formation of an assistance outline, according to which the Bank acts through contributions for the support of residents of the Gaza surrounding settlements and of the fighters in the area.

In this framework, the Bank has allocated a significant budget for supporting and accompanying the Nir Oz Kibbutz in its rehabilitation process, including the finding of solutions for the housing of the community members and for supporting their overall current needs. This, concurrently with additional significant contributions, inter alia, to the following entities:

- Contributions to associations that support the fighting and purchase equipment as well as supporting fighter on the ground, including support of Regiment 411 and the "Black Snake" Squadron that the Bank adopts;
- Direct contributions for the purchase of equipment and support of the evacuated population (direct payments through the Business Forum, purchase of laptops, etc.);
- Contributions to medical centers supporting the war effort (for example, the Kaplan and Barzilay Hospitals).

At the same time, hundreds of Bank employees take an active part in a variety of voluntary activities regarding various subjects aiding the war effort (for example, by means of the "Alon and Ella" Association), including, inter alia, Logistic aid for soldiers, collection and transportation of equipment, assistance to residents of the surrounding Gaza area, conducting activities for evacuee children, and helping out in agricultural work.

During the third quarter of the year, prior to the outbreak of the War, the Bank continued to act in accordance to the following centers:

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 three units and is expected to adopt one more unit, 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, and this in addition to voluntary activities connected with the War effort, as described above.

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 September 30, 2023			For the three months ended September 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	**107,143**	**1,734**	**6.47**	104,072	1,145	4.40
Total	**107,143**	**1,734**	**6.47**	104,072	1,145	4.40
Credit to the Government						
- In Israel	**924**	**4**	**1.73**	850	7	3.29
Total	**924**	**4**	**1.73**	850	7	3.29
Deposits with banks						
- In Israel	**2,794**	**30**	**4.29**	2,695	6	0.89
Total	**2,794**	**30**	**4.29**	2,695	6	0.89
Deposits with The Bank of Israel						
- In Israel	**50,304**	**604**	**4.80**	43,061	164	1.52
Total	**50,304**	**604**	**4.80**	43,061	164	1.52
Securities borrowed or repurchased						
- In Israel	**125**	**1**	**3.20**	542	2	1.48
Total	**125**	**1**	**3.20**	542	2	1.48
Held to maturity and available for sale bonds(3)						
- In Israel	**21,840**	**213**	**3.90**	14,665	58	1.58
Total	**21,840**	**213**	**3.90**	14,665	58	1.58
Trading bonds						
- In Israel	**399**	**4**	**4.01**	95	-	-
Total	**399**	**4**	**4.01**	95	-	-
Total assets bearing interest	**183,529**	**2,590**	**5.64**	165,980	1,382	3.33
Debtors regarding credit cards non-bearing interest	**3,393**			3,566		
Other assets non-bearing interest(4)	**22,403**			20,409		
Total assets	**209,325**			189,955		

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 September 30, 2023			For the three months ended September 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	**18,206**	**143**	**3.14**	28,057	57	0.81
Fixed-term	**107,763**	**1,160**	**4.31**	62,525	252	1.61
Total	**125,969**	**1,303**	**4.14**	90,582	309	1.36
Deposits from the Government						
- In Israel	**237**	**3**	**5.06**	81	1	4.94
Total	**237**	**3**	**5.06**	81	1	4.94
Deposits from banks						
- In Israel	**696**	**8**	**4.60**	648	3	1.85
Total	**696**	**8**	**4.60**	648	3	1.85
Deposits with Bank of Israel						
- In Israel	**3,395**	**-**	**-**	4,195	1	0.10
Total	**3,395**	**-**	**-**	4,195	1	0.10
Bonds and subordinated capital notes						
- In Israel	**4,718**	**48**	**4.07**	4,210	58	5.51
Total	**4,718**	**48**	**4.07**	4,210	58	5.51
Other liabilities						
- In Israel	**41**	**1**	**9.76**	59	-	-
Total	**41**	**1**	**9.76**	59	-	-
Total liabilities bearing interest	**135,056**	**1,363**	**4.04**	99,775	372	1.49
Deposits from the public non-bearing interest	**52,669**			71,821		
Creditors in respect of credit cards non-bearing interest	**1,773**			1,720		
Other liabilities non-bearing interest (6)	**7,886**			6,152		
Total liabilities	**197,384**			179,468		
Total capital resources	**11,941**			10,487		
Total liabilities and capital resources	**209,325**			189,955		
Interest spread			**1.60**			1.84
Net return on assets bearing interest (7)						
- In Israel	**183,529**	**1,227**	**2.67**	165,980	1,010	2.43
Total	**183,529**	**1,227**	**2.67**	165,980	1,010	2.43

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 nine months ended September 30, 2023			For the nine months ended September 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	**107,189**	**5,093**	**6.34**	99,626	2,969	3.97
Total	**107,189**	**5,093**	**6.34**	99,626	2,969	3.97
Credit to the Government						
- In Israel	**886**	**17**	**2.56**	834	26	4.16
Total	**886**	**17**	**2.56**	834	26	4.16
Deposits with banks						
- In Israel	**2,760**	**76**	**3.67**	2,907	7	0.32
Total	**2,760**	**76**	**3.67**	2,907	7	0.32
Deposits with Bank of Israel						
- In Israel	**46,414**	**1,543**	**4.43**	43,145	224	0.69
Total	**46,414**	**1,543**	**4.43**	43,145	224	0.69
Securities borrowed or repurchased						
- In Israel	**75**	**2**	**3.56**	484	3	0.83
Total	**75**	**2**	**3.56**	484	3	0.83
Held to maturity or available for sale bonds(3)						
- In Israel	**19,806**	**547**	**3.68**	14,271	126	1.18
Total	**19,806**	**547**	**3.68**	14,271	126	1.18
Trading bonds						
- In Israel	**345**	**11**	**4.25**	191	2	1.40
Total	**345**	**11**	**4.25**	191	2	1.40
Total assets bearing interest	**177,475**	**7,289**	**5.48**	161,458	3,357	2.77
Debtors regarding credit cards non-bearing interest	**3,273**			3,102		
Other assets non-bearing interest(4)	**21,953**			20,353		
Total assets	**202,701**			184,913		

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 nine months ended September 30, 2023			For the nine months ended September 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	**19,618**	**413**	**2.81**	29,039	71	0.33
Fixed-term	**96,217**	**2,836**	**3.93**	54,165	486	1.20
Total	**115,835**	**3,249**	**3.74**	83,204	557	0.89
Deposits from the Government						
- In Israel	**249**	**9**	**4.82**	111	2	2.40
Total	**249**	**9**	**4.82**	111	2	2.40
Deposits from banks						
- In Israel	**746**	**22**	**3.93**	872	4	0.61
Total	**746**	**22**	**3.93**	872	4	0.61
Deposits with Bank of Israel						
- In Israel	**3,751**	**1**	**0.04**	4,195	2	0.06
Total	**3,751**	**1**	**0.04**	4,195	2	0.06
Bonds						
- In Israel	**4,758**	**187**	**5.24**	3,754	178	6.32
Total	**4,758**	**187**	**5.24**	3,754	178	6.32
Other liabilities						
- In Israel	**29**	**1**	**4.60**	151	1	0.88
Total	**29**	**1**	**4.60**	151	1	0.88
Total liabilities bearing interest	**125,368**	**3,469**	**3.69**	92,287	744	1.07
Deposits from the public non-bearing interest	**56,571**			74,911		
Creditors in respect of credit cards non-bearing interest	**1,729**			1,656		
Other liabilities non-bearing interest [6]	**7,310**			5,642		
Total liabilities	**190,978**			174,496		
Total capital resources	**11,723**			10,417		
Total liabilities and capital resources	**202,701**			184,913		
Interest spread			**1.79**			1.70
Net return on assets bearing interest [7]						
- In Israel	**177,475**	**3,820**	**2.87**	161,458	2,613	2.16
Total	**177,475**	**3,820**	**2.87**	161,458	2,613	2.16

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 September 30, 2023			For the three months ended September 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	**148,315**	**2,134**	**5.76**	139,661	1,071	3.07
Total liabilities bearing interest	**104,927**	**(1,003)**	**(3.82)**	78,361	(187)	(0.95)
Interest spread			**1.94**			2.12
Israeli currency linked to the CPI						
Total assets bearing interest	**16,125**	**212**	**5.26**	13,059	231	7.08
Total liabilities bearing interest	**8,643**	**(83)**	**(3.84)**	8,466	(116)	(5.48)
Interest spread			**1.42**			1.60
Foreign currency (including linked to f-c)						
Total assets bearing interest	**19,089**	**244**	**5.11**	13,260	80	2.41
Total liabilities bearing interest	**21,486**	**(277)**	**(5.16)**	12,948	(69)	(2.13)
Interest spread			**(0.05)**			0.28
Total activity in Israel						
Total assets bearing interest	**183,529**	**2,590**	**5.64**	165,980	1,382	3.33
Total liabilities bearing interest	**135,056**	**(1,363)**	**(4.04)**	99,775	(372)	(1.49)
Interest spread			**1.60**			1.84

	For the nine months ended September 30, 2023			For the nine months ended September 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	**144,645**	**5,926**	**5.46**	136,373	2,449	2.39
Total liabilities bearing interest	**97,075**	**(2,439)**	**(3.35)**	73,389	(270)	(0.49)
Interest spread			**2.11**			1.90
Israeli currency linked to the CPI						
Total assets bearing interest	**15,193**	**728**	**6.39**	12,205	750	8.19
Total liabilities bearing interest	**8,631**	**(326)**	**(5.04)**	7,970	(378)	(6.32)
Interest spread			**1.35**			1.87
Foreign currency (including linked to f-c)						
Total assets bearing interest	**17,637**	**635**	**4.80**	12,880	158	1.64
Total liabilities bearing interest	**19,662**	**(704)**	**(4.77)**	10,928	(96)	(1.17)
Interest spread			**0.03**			0.47
Total activity in Israel						
Total assets bearing interest	**177,475**	**7,289**	**5.48**	161,458	3,357	2.77
Total liabilities bearing interest	**125,368**	**(3,469)**	**(3.69)**	92,287	(744)	(1.07)
Interest spread			**1.79**			1.70

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 September 30, 2023 compared with the same period last year			For the nine months ended September 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	**50**	**539**	**589**	**359**	**1,765**	**2,124**
Total	**50**	**539**	**589**	**359**	**1,765**	**2,124**
Other interest bearing assets						
In Israel	**162**	**457**	**619**	**264**	**1,544**	**1,808**
Total	**162**	**457**	**619**	**264**	**1,544**	**1,808**
Total interest income	**212**	**996**	**1,208**	**623**	**3,309**	**3,932**
Interest bearing liabilities						
Deposits from the public						
In Israel						
Demand	**(77)**	**163**	**86**	**(198)**	**540**	**342**
Fixed-term	**487**	**421**	**908**	**1,239**	**1,111**	**2,350**
Total	**410**	**584**	**994**	**1,041**	**1,651**	**2,692**
Other interest bearing liabilities						
In Israel	**(1)**	**(2)**	**(3)**	**10**	**23**	**33**
Total	**(1)**	**(2)**	**(3)**	**10**	**23**	**33**
Total interest expenses	**409**	**582**	**991**	**1,051**	**1,674**	**2,725**
Total interest income less interest expenses	**(197)**	**414**	**217**	**(428)**	**1,635**	**1,207**

(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 nine months ended on September 30, 2023 in the amount of NIS 274 million and NIS 328 million, respectively (for the three and nine months ended September 30, 2022 balance of NIS 278 million and NIS 136 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 44 million and NIS 47 million were included in interest income for the three months ended September 30, 2023 and September 30, 2022, respectively, and amount of NIS 139 million and NIS 152 million were included in interest income for the nine months ended September 30, 2023 and September 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.