FIBI FIRST INTERNATIONAL BANK OF ISRAEL

Financial Statements as of March 31,

2022

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REPORT OF THE BOARD OF DIRECTORS AND MANAGEMENT AS OF MARCH 31, 2022

The meeting of the Board of Directors held on May 24, 2022, 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 March 31, 2022.

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 defence 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 the trust company and portfolio management company.

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

The Bank's auditors KPMG Somekh Chaikin serve as the external auditors of the Bank since 1972.

RATIFICATION OF THE BANK'S RATING BY RATING AGENCIES

On January 4, 2022, S&P Maalot ratified the issuer rating of the Bank at ilAAA/Stable and the rating of the subordinate debt notes with a loss absorption mechanism at ilAA-.

FORWARD-LOOKING INFORMATION

Part of the information detailed in these reports which does not refer to historical facts comprises forward-looking information as defined in the Securities Law, 1968. Actual results are likely to be substantially different from those included in the context of forward-looking information, including, inter alia, due to the results of changes in capital markets in Israel and around the world, macro-economic changes, regulatory changes, accounting changes, as well as other changes that might lead to the nonrealization of the assessments. In this respect, see also the reservation in the chapter on major risks to which the Bank is exposed - the effect of the Corona crisis.

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 three months ended March 31		For the year ended December 31
	2022	2021	2021
			in %
Execution indices			
Return on equity attributed to shareholders of the Bank(1)	**13.0%**	*13.1%	14.7%
Return on average assets(1)	**0.71%**	*0.72%	0.82%
Ratio of equity capital tier 1	**10.79%**	11.57%	11.46%
Leverage ratio	**5.26%**	*5.32%	5.34%
Liquidity coverage ratio(2)	**126%**	140%	128%
Net stable funding ratio(3)	**137%**		**139%
Ratio of total income to average assets(1)	**2.6%**	2.6%	2.6%
Ratio of interest income, net to average assets (1)	**1.6%**	1.6%	1.6%
Ratio of fees to average assets (1)	**0.8%**	0.9%	0.8%
Efficiency ratio	**58.5%**	*59.0%	58.3%
Credit quality indices			
Ratio of provision for credit losses to credit to the public	**1.01%**	1.35%	1.05%
Ratio of nonaccrual debts or in arrears of 90 days or more to credit to the public	**0.59%**	0.73%	0.62%
Ratio of provision for credit losses to total nonaccrual credit to the public	**175%**	259%	244%
Ratio of net write-offs to average total credit to the public (1)	**(0.02%)**	0.03%	(0.01%)
Ratio of income for credit losses to average total credit to the public (1)	**-**	(0.04%)	(0.23%)

Principal data from the statement of income	For the three months ended March 31	
	2022	2021
		NIS million
Net profit attributed to shareholders of the Bank	**322**	*304
Interest Income, net	**744**	670
Income from credit losses	**-**	9
Total non-Interest income	**426**	*441
Of which: Fees	**384**	361
Total operating and other expenses	**684**	656
Of which: Salaries and related expenses	**414**	398
Dismissal expenses	**2**	3
Primary net profit per share of NIS 0.05 par value (NIS)	**3.21**	*3.03

Principal data from the balance sheet	31.3.22	31.3.21	31.12.21
			NIS million
Total assets	**182,013**	*172,500	180,470
of which: Cash and deposits with banks	**53,979**	59,471	57,370
Securities	**14,850**	*14,730	15,091
Credit to the public, net	**106,254**	92,321	101,164
Total liabilities	**171,725**	*162,598	170,033
of which: Deposits from the public	**154,038**	146,600	153,447
Deposits from banks	**6,504**	3,326	5,144
Bonds and subordinated capital notes	**3,675**	3,716	3,356
Capital attributed to the shareholders of the Bank	**9,851**	*9,495	10,003

Additional data	31.3.22	31.3.21	31.12.21
Share price (0.01 NIS)	**13,810**	9,313	12,950
Dividend per share (0.01 NIS)	**379**	-	543

* Immaterial adjustment of comparative data. See Note 1.E to the condensed financial statements.

** Reclassified.

(1) Annualized.

(2) The ratio is computed in respect of the three months ended at the end of the reporting period.

(3) According to instructions of the Bank of Israel the Net stable funding ratio was calculated since 2021. Therefor no comparative data for the three months ended March 31, 2021 is stated.

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 and Model risk.

All material risks are managed by members of Management or by other senior officeholders. A regulatory requirement for capital adequecy 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 supplementory 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 2021.

Developing risks

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

Impact of the Coronavirus crisis and additional events

Economic activity in Israel continues in an improvement trend, alongside the fading out of the effects of the Coronavirus. However, a certain measure of uncertainty still exists in view of the risk of outbreak of additional waves of the pandemic in the future, discovery of additional variants of the virus, effect of developments in the fighting in the Ukraine and the security situation in Israel (for additional details, see "Principal economic developments, the global environment", hereunder).

The Bank continues the monitoring and follow-up of the different risks, including those the probability of their materialization has increased following the events, the implications and impact of which on the Bank, inter alia, credit risks, cyber and data protection risks, business continuity risk, money laundering risks, startegic risks, and more. The Bank follows closely the different developments and studies the measures required to minimize the said effects upon its activity.

Assessments by the Bank regarding possible implications of the spreading of the Coronavirus and its impact upon the markets, comprise forward looking information, as defined by the Securities Act, 1968, based, inter alia, on information, third party publications and estimates at the hands of the Bank at this date. Such assessments are uncertain and may materialize in a manner significantly different than that stated above.

Objectives and Strategy

The Bank operates according to a multi-annual startegic plan validated smi-annually by the Board of Directors. In November 2019, The Board of Directors approved an updated corporate strategy for the years 2020-2022.

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 measured level of risk.

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

- Providing added value to its customers in accordance with the needs of each of them, including in the digital and technological response fields;
- Focusing by the subsidiary company Massad and the brand names UBANK, PAGI and Otzar Hachayal on their unique niches of operation;
- Maintaining its leadership in the capital market;
- Segment focused growth in the business sector;
- 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;
- Structuring and strengthening of the critical core abilities, such as: data management and business development.

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.

The strategic plan had been tested and found as relevant and suitable to the Bank, even in view of the spreading of the Coronavirus and its economic implications in Israel and globaly. The Bank continues to follow the implications of the Coronavirus and its effects on the operations of the Bank and its strategy, and where required, makes adjustments to the work plan of the Bank.

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.

Presently, the bank is engaged in the process of forming a comprehensive ESG strategy that would enhance the integration of such aspects in the current operations of the Bank.

In this framework, in accordance with the business strategy, the Bank chooses to focus on several central areas regarding the ESG:

- 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 prepares, presently, 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, the Bank plans to conduct 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 shall examine 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 would be presented on the Internet website of the Bank and published to customers, with the aim of expanding the scope of exposure to such content, and increase the financial knowledge of customers and assist them in making more educated financial decisions. Some of the contents would be 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.

Additional goals will be published in continuation, and performance indices for 2021 would be published as part of the Annual ESG report by the Bank.

EXPLANATION AND ANALYSIS OF THE RESULTS AND BUSINESS CONDITION

TRENDS, EVENTS, DEVELOPMENTS AND MATERIAL CHANGES

PRINCIPAL ECONOMIC DEVELOPMENTS

Following are the main economic developments that affected the economic environment in which the banking system operates in Israel, during the first quarter of 2022.

The Israeli economy continues a consistent economic activity also during the first quarter of 2022, alongside recurrence of the Corona pandemic waves. This recovery was reflected, inter alia, in the near full opening of the economy, with no material restrictions on economic activity, in view of the policy of containment of the Corona pandemic, adopted by the Government of Israel, as recommended by the Ministry of Health, advising the return to activity of most economic sectors alongside the pandemic. Notwithstanding this, Bank of Israel, in recent discussions of the interest rate, notes that certain uncertainty still exists regarding the force of economic activity in the short and medium range, on background of risk of continuing recurrence of the pandemic waves in the future with a parallel development of new variants of the virus, developments in Europe following the war in the Ukraine and the political uncertainty and security events in Israel.

Positive trends of development in economic activity, may also be observed in the combined balance sheet of review of business trends of the Central Bureau of Statistics for March 2022, which continues to indicate positive evaluations, when for the first time in several months a net positive balance was recorded also in the hotel sector, which suffered heavily during the Corona period. Also purchases by use of credit cards continued to increase in March 2022, following certain moderation felt at the beginning of the Omicron wave.

The labor market reverted to levels similar to those prevailing prior to the crisis. Manpower review data indicate a decline in the rate of wide inflation, on background of the opening of the economy and removal of most of the Corona restrictions.

Growth

The Research Division of Bank of Israel updated its forecasts on April 11, 2022, according to which the GDP is expected to grow in 2022 at a rate of 5.5% (no change from the forecast of January). In 2023, the GDP is expected to grow by a rate of 4.0% (lower by 1% than that forecasted in January). The high growth in the years 2022-2023, reflects a return to the trends prevailing prior to the crisis. As regards exports, the Research Division leaves its evaluations unchanged, as compared to those of January, expecting growth of 3% in 2022, this, inter alia, due to estimates that the war in Ukraine and the sanctions imposed of exports to Russia are not going to have a material effect.

Credit risk of the economy

The risk level of the Israeli economy, as reflected by ratings issued by the rating agencies and by the capital markets, is relatively low.

Fitch, the global rating agency ratified in February 2022, the credit rating of the State of Israel at a level of "A+" leaving it with a "stable" forecast.

The global rating agency Moody's, ratified in April 2022, the credit rating outlook of the State of Israel at a level of "A1" and raised the rating forecast for Israel from "stable" to "positive". Moody's states that the raising of the forecast is made in view of the strong budgetary performance and economic solidness of Israel, as the country emerges from the Corona crisis.

The global rating agency S&P ratified in May 2022, the credit rating of the State of Israel regarding the debt in foreign currency, at a level of "AA-", with a "stable" rating forecast.

State budget

In October of last year, the Knesset approved the State budget and the economic plan (Arrangement Act) for the years 2021-2022. The state budget for 2021 amounted to NIS 432.3 billion and for 2022 amounted to NIS 452.5 billion. In 2022, the education budget amounts to NIS 70 billion, the defense budget to NIS 60 billion, and the health budget to NIS 45 billion.

According to the budget performance estimate of the Accountant General at the Ministry of Finance, published in April 2022, in the first quarter of 2022 as compared to the corresponding period last year, tax revenues increased by 20% (at uniform tax rates), with direct tax revenues rising by 16% and indirect tax revenues rising by 14%. The review states that the increase in direct tax revenues has been affected by high collection of company tax, on background of the acceleration in economic activity and the increase of revenues from real estate taxes.
In Bank of Israel forecast regarding the fiscal policy, published in April 2022, the Research Division anticipates that in 2022, the Government deficit (in terms of GDP percentage) would amount to 1.4% (lower by 2.2% from the maximum level of deficit in the January 2022 forecast), this in view of estimates for higher than expected tax revenues.

Inflation

A rise in inflation was recorded in the first quarter of 2022 in continuation of the trend in 2021. The CPI "for the month" rose by 1.5%, in comparison to a rise of 0.8% in the corresponding period last year, whereas the "known" CPI rose by 1.2%, in comparison to 0.1% only in the corresponding period last year.
In accordance with an update by the Research Department of Bank of Israel dated April 2022, the rate of inflation expected for the years 2022 and 2023 amounts to 3.6% (higher by 2% in comparison with the last forecast of January 2022) and 2.0% (with no change as compared to the previous forecast), respectively.
In its latest announcement of the interest rate, Bank of Israel noted that the inflation in Israel has risen in recent months, reaching over the upper limit of the targeted inflation, though it is still significantly lower then inflation in most of the OECD countries.

Housing market

In accordance with the apartment price index of the CBS, published in April 2022, prices of apartment continue to rise. Comparison of transactions effected in the period January-February 2022, as compared with the corresponding period in 2021, show that prices of all apartments rose by 15.2%, with prices of new apartments rising by 17.8%. This increase in prices is the highest and the most continuous in Israel in a decade, and this following moderation in the rate of rising prices that had started in 2016, reaching a decline in prices in 2018.
New plans of the Government took effect in November 2021, intended to moderate the sharp increase in housing prices, among which was the increase in acquisition tax on apartments purchased for investment.

Labor market

The Corona crisis has significantly affected the labor market, which until the outbreak of the crisis demonstrated power. According to the manpower survey published by the CBS, the wide unemployment rate declined in March to a level of 4.8% (approximately 210 thousands of unemployed), as compared to 5.4% (237 thousand) in the preceding month, 6% (262 thousand) in December 2021, and 13% (553 thousand) in December 2020. The decline in the rate of unemployment occurred on background of the opening nearly in full of the economy with no material restrictions on economic activity.
The updated forecast of the Research Division of Bank of Israel of April 2022, anticipates a decline in the rate of the wide unemployment from 4.6% in 2021 to 3.5% in the last quarter of 2022 (lower by 0.4% than the January forecast), reaching a level lower than that existing prior to the crisis (3.8%), so that the recovery of the product level to its pre-crisis position, is expected to be followed by a decline in the rate of the wide inflation.
According to the open positions survey published by the CBS in April 2022, the number of open positions in the economy in March (net of seasonality) amounted to151 thousands positions, and the rate of open positions amounted to 5.05%, the highest since the CBS began conducting this survey (towards the end of 2009).

Exchange rate

Following the decline in the exchange rate of the shekel against the US dollar in 2021, by 3.3%, the shekel recovered in the first quarter of 2022 by 2.1%.

During 2021, Bank of Israel purchased an amount of US$35 billion, in order to support the goals of Bank of Israel and the recovery of the Israeli economy from the Corona crisis, and in particular in order to support exports and replacements of imports that had been affected by the negative effect of the decline in the exchange rate of the shekel against the dollar (this in continuation of purchases of US$21 billion in 2020).

During the first quarter of 2022, the foreign currency balances held by Bank of Israel decreased by 3%, on background of the moderation in the rate of purchases of foreign currency by Bank of Israel.

Weakness of the shekel against the dollar was noticed in the first quarter of the year, which continued also after the end of the quarter, so that the representative exchange rate of the dollar on May 11, 2022, amounted to NIS 3.425, the highest rate since October 2020. In the event that the weakness of the shekel against the dollar continues over a period of time, the matter may have an effect of rising costs of imported products and a rise in inflation.

Bank of Israel interest rate

Following a long period of time, in which Bank of Israel had left the interest rate unchanged at a level of 0.1%, in April 2022, Bank of Israel raised the interest rate by 0.25% to a level of 0.35%.

According to an updated estimate of the Research Department of Bank of Israel of April 2022, the interest rate is expected to continue rising reaching a level of 1.5% in the first quarter of 2023.

The global environment

The rise in the vaccination pace around the world and improvement in the vaccines assists the recovery of the global economy. However, disruption in the global production chain, due to a slowdown in economic activity in China and on background of the war between Russia and the Ukraine, contribute to a rise in commodity prices and increases inflationary pressure.

The global Purchase Managers' Index published by JPMorgan, declined in March to a level of 53.0 points, as compared to a level of 54.2 points in December 2021, indicating the shrinking in the rate of industrial activity. The volume of global trade in January, which did not yet include the effect of the war in Ukraine, continues to stand at a high level.

Inflation continues to rise globally. In most countries, the inflation indices are significantly higher than the targets of the central banks, regarding some of which, also the core inflation is found over the target, mostly due to the sharp rise in energy and commodity prices.

In the United States, inflation is at a record high for the past 40 years. In March 2022, an increase of 8.5% was recorded (12 month computation) in continuation of a rise of 7.9% in February. In reaction thereto, in March, the FED raised the interest rate by 0.25% and in May by additional 0.50%, to a level of 1% (the upper limit of the interest range). The interest forecasts of the FED were also updated upwards, significantly, for the forecast range, this in addition to the reduction in the purchases of bonds by the Fed. In Britain, the central bank raised the interest rate in May of this year by 0.25%, to a level of 1%, comprising the fourth rise in interest since December 2021, on background of the high inflation rate.

The fast rise in the annual inflation rate continued in the Eurozone, reaching a level of 7.5%, with the European Central Bank (ECB) leaving the interest unchanged, but accelerating the reduction in the bond purchase plan in the second quarter, signaling to the markets its possible termination in the third quarter of 2022. Concurrently, a publication of the Monetary Committee of Bank of Israel of April 2022, noted that growing estimates exist regarding the ECB starting to raise the interest later on this year.

In the report on the monetary policy of Bank of Israel of January 2022, members of the Committee noted that until now, interest rises were recorded globally only in countries where inflation had deviated considerably from the target, while in Israel market expectations are found within the target range.

The forecast of the Research Division of April 2022, estimates formed with respect to the growth expected in the developed markets (based on forecasts of international institutions and investment houses), according to which, in 2022, the growth rate in the developed markets would be moderated to a level of 3% (lower by 0.9% as compared with the previous forecast), and in 2023 would be 2.3% (lower by 0.2% as compared with the previous forecast). Most of the update stems from the implication of the war in the Ukraine and the sanctions imposed in its wake. According to these estimates, the rate of inflation in the developed markets is expected to rise reaching 5% and 2% in the years 2022 and 2023, respectively. Interest rates of the central banks in the developed economies are also expected to be very high, amounting at the end of 2022 to 1.1% (compared to 0.3% in the previous forecast), and at the end of 2023 to 1.6% (compared to 0.6% in the previous forecast).

Capital market

Trading on the capital markets around the world and in Israel, during the first quarter of 2022, reflected considerable fluctuations and falling quotations, on background of anticipated rise in the interest rates in the leading economies. As regards the leading indices: The NASDAQ Index decreased by 9%, the S&P 500 decreased by 5% and the Dow Jones Index decreased by 5%. Decline in quotations on the leading indices was recorded also in the leading stock exchanges in Europe Prices of government bonds around the world are also found in a downward trend in view of the reduced supply of liquidity by the central banks, accelerated inflation and anticipation for continuing interest rises in the leading economies.

On the local markets, most equities indices recorded a rise during the first quarter of the year, the TA125 Index rose by 2%. Prices of government bonds decreased significantly, similarly to the global trend.

In May 2022, on background of market concerns regarding a global economic slowdown, equities markets in Israel and abroad, were characterized by a considerable decline in prices. As of the first half of May, the TA 125 Index decreased by 7.5%, as compared to the end of the first quarter of the year, while capital markets in the world recorded declines of 20% in the NASDAQ Index, 14% in the S&P 500 Index, and an average decline of 3% in leading stock exchanges in Europe.

MATERIAL DEVELOPMENTS IN REVENUES, EXPENSES AND OTHER COMPREHENSIVE INCOME

PROFIT AND PROFITABILLITY

Net profit attributed to the shareholders of the Bank amounted to NIS 322 million in the first quarter of 2022, as compared to NIS 304 million in the same period last year, an increase of 5.9%.

The return of net profit to the capital attributed to the shareholders of the Bank (annualized) amounted to 13.0% in the period January-March 2022, as compared to 13.1% in the same period last year and 14.7% in 2021.

Condensed statement of income

	For the three months ended March 31,		
	2022	**2021**	**change**
		NIS million	%
Net financing earnings(1)	**778**	*746	4.3
Income from credit losses	**-**	(9)	
Net financing earnings after income from credit losses	**778**	*755	3.0
Fees and other income	**392**	365	7.4
Operating and other expenses	**684**	656	4.3
Profit before taxes	**486**	*464	4.7
Provision for taxes on profit	**169**	*161	5.0
The bank's share in profit of equity-basis investee, after taxes	**17**	13	30.8
Net profit:			
Before attribution to non-controlling interests	**334**	*316	5.7
Attributed to non-controlling interests	**(12)**	(12)	-
Attributed to shareholders of the Bank	**322**	304	5.9
Net return on equity attributed to the Bank's shareholders	**13.0%**	*13.1%	

* Immaterial adjustment of comparative data. See Note 1.E to the condensed financial statements.

(1) The items of profit and loss above were presented in a different format then the condensed statement of income in a manner en ables 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.

DEVELOPMENT IN INCOME AND EXPENSES

The Net Financing earnings

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.

Set out below is the composition of net financing earnings:

	2022				2021
	Q1	Q4	Q3	Q2	Q1
					NIS million
Interest income	**871**	758	807	856	729
Interest expenses	**127**	54	97	146	59
Net interest income	**744**	704	710	710	670
Non-interest financing income	**34**	89	63	75	76
Net financing earnings	**778**	793	773	785	746
Elimination of non-current activities:					
Reconciliations to fair value of derivative instruments	**(14)**	2	(5)	5	(3)
Income from realization and reconciliations to fair value of bonds	**11**	-	8	10	3
Earnings from investments in shares	**4**	77	46	45	65
Total non-current activities	**1**	79	49	60	65
Financing earnings from current activity(1)	**777**	714	724	725	681

(1) Of which in respect of changes in the CPI- an income of NIS 47 million in the first quarter of 2022, in comparison with an income of NIS 3 million in the same period last year.

The financing earnings from current activity amounted to NIS 777 million, compared with NIS 681 million in the corresponding period last year, an increase of 14.1%. The increase is explained by the effect of the rise in the volume of business activity and the effect of changes in the CPI.

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

	For the three months ended March 31,	
	2022	2021
		in %
Income rate on asset bearing interest	**2.20**	1.94
Expense rate on liabilities bearing interest	**0.58**	0.28
Total interest spread	**1.62**	1.66
Ratio between net interest income and assets bearing interest balance	**1.88**	1.78

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".

In the irst three months of 2022, no expense in respect of credit losses was recorded, compared with an income from credit losses in the amount of NIS 9 million in the corresponding period last year .

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 March 31,	
	2022	**2021**
		NIS million
Individual expense in respect of credit losses	**25**	28
Decrease in individual expense in respect of credit losses and collection of debts written off in accounting	**(31)**	(25)
Individual expense (income), net, in respect of credit losses	**(6)**	3
Collective expense (income) in respect of credit losses	**6**	(12)
Total income in respect of credit losses	**-**	(9)
Of which:		
Income in respect of commercial credit	**(11)**	(13)
Expenses in respect of housing credit	**1**	7
Expenses (income) in respect of other private credit	**10**	(3)
Ratio of individual expense (income) in respect of credit losses to average total credit to the public(1)	**(0.02%)**	0.01%
Ratio of collective expense (income) in respect of credit losses to average total credit to the public(1)	**0.02%**	(0.05%)
Ratio of total expenses (income) in respect of credit losses to average total credit to the public(1)	**-**	(0.04%)

(1) Annualized.

In respect of the initial implementation of accounting principles accepted by US banks in the matter of credit losses stemming from financial instruments (ASC-326), as detailed in Item 326 of the Codification, see Note 1(c) to the condensed financial statements.

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

Fees totaled NIS 384 million in the first three months of 2022, compared with NIS 361 million in the same period last year, an increase of 6.4%.

Set out below are details of fees income:

	For the three months ended	
	March 31, 2022	**March 31, 2021**
		NIS million
Account management	**52**	50
Credit cards	**29**	26
Transactions in the capital market	**203**	198
Conversion differentials	**50**	43
Fees from financing transactions	**24**	19
Other Fees	**26**	25
Total Fees	**384**	361

Operating and other expenses totaled NIS 684 million in the first three months of 2022, compared with NIS 656 million in the same period last year, an increase of 4.3%.

Set out below are details of operating and other expenses:

	For the three months ended	
	March 31, 2022	March 31, 2021
		NIS million
Salaries and related expenses	**414**	398
Maintenance and depreciation of premises and equipment	**81**	85
Amortization of intangible assets	**27**	26
Dismissals	**2**	3
Other expenses except dismissals	**160**	144
Total operating and other expenses	**684**	656

Salaries and related expenses totaled NIS 414 million in the first three months of 2022, compared with NIS 398 million in the same period last year, an increase of 4.0%, stemming, among other things, from an increase in timing differences in salary components with fluctuating nature (including vacation provision).

Maintenance and depreciation of buildings and equipment expenses amounted to NIS 81 million in comparison to NIS 85 million in the same period last year, a decrease of 4.7%, stemming from the decrease in the volume of real estate assets in the Group, due to the efficiency measures.

Other expenses totaled NIS 162 million in the first three months of 2022, compared with NIS 147 million in the same period last year, an increase of 10.2%, stemming among others, from an increase in marketing and advertising expenses, insurance expenses and expenses in respect of lawsuits.

The provision for taxes on operating earnings amounted to NIS 169 million compared with NIS 161 million in the same period last year. The effective tax rate as a proportion of earnings before taxes amounted to 34.8%, compared with 34.7% in the same period last year and compared to the statutory tax rate of 34.2%.

The Bank's share in the operating profit of investee company after the tax effect amounted to NIS 17 million, compared with NIS 13 million, in the same period last year.

The total comprehensive profit attributed to the shareholders of the Bank amounted to NIS 272 million. This amount was affected by the net profit for the period attributed to the shareholders of the Bank of NIS 322 million, by other comprehensive profit in respect of employees' benefits in an amount of NIS 85 million and by other comprehensive loss in respect of adjustments of available-for-sale bonds in an amount of NIS 135 million.

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

The consolidated balance sheet as of March 31, 2022 amounted to NIS 182,013 million compared with NIS 172,500 million as of March 31, 2021 and NIS 180,470 million as of December 31, 2021, an increase of 5.5% and 0.9%, respectively.

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

	March 31, 2022	December 31, 2021	Change
		NIS million	%
Credit to the public, net	**106,254**	101,164	5.0
Securities	**14,850**	15,091	(1.6)
Cash and deposits with banks	**53,979**	57,370	(5.9)
Deposits from the public	**154,038**	153,447	0.4
Bonds and subordinated capital notes	**3,675**	3,356	9.5
Shareholders' equity	**9,851**	10,003	(1.5)

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

	March 31, 2022	December 31, 2021	Change
		NIS million	%
Off-balance sheet financial instruments excluding derivatives:			
Documentary credit	**378**	179	111.2
Guarantees and other liabilities	**9,802**	9,136	7.3
Unutilized credit lines for derivatives instruments	**2,856**	2,715	5.2
Unutilized revolving credit and other on-call credit facilities	**11,175**	11,738	(4.8)
Unutilized credit lines for credit card facilities and Facilities for the lending of securities	**9,326**	9,198	1.4
Irrevocable commitments to grant credit, not yet executed and commitments to issue guarantees	**8,658**	8,832	(2.0)
Total	**42,195**	41,798	0.9

Derivative financial instruments:

	March 31, 2022			December 31, 2021		
	Positive fair value	Negative fair value	Face value	Positive fair value	Negative fair value	Face value
						NIS million
Interest contracts	**226**	**205**	**20,521**	157	256	18,215
Currency contracts	**505**	**555**	**73,558**	555	785	73,326
Contracts in respect of shares	**1,599**	**1,598**	**65,670**	951	951	72,711
Commodities and other contracts	**2**	**2**	**251**	46	46	1,117
Total	**2,332**	**2,360**	**160,000**	1,709	2,038	165,369

Credit to the public, net as of March 31, 2022 amounted to NIS 106,254 million compared with NIS 92,321 million as of March 31, 2021 and 101,164 as of December 31, 2021, an increase of 15.1% and 5.0%, respectively.

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

	As of				Segment's share of credit to the public as of	
	March 31, 2022	December 31, 2021		Change	March 31, 2022	December 31, 2021
		NIS million	NIS million	%	%	%
Local currency						
- Non-linked	**88,134**	84,013	4,121	4.9	**82.9**	83.0
- CPI-linked	**13,161**	12,634	527	4.2	**12.4**	12.5
Foreign currency (including f-c linked)	**3,925**	3,819	106	2.8	**3.7**	3.8
Non-monetary items	**1,034**	698	336	48.1	**1.0**	0.7
Total	**106,254**	101,164	5,090	5.0	**100.0**	100.0

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

	As of			Change	
	March 31, 2022	March 31, 2021	December 31, 2021	March 31, 2021	December 31, 2021
			NIS million		%
Large business segment	**20,672**	17,149	18,571	20.5	11.3
Medium business segment	**6,714**	5,481	6,101	22.5	10.0
Small and minute business segment	**21,947**	18,814	21,044	16.7	4.3
Household segment excluding housing loans	**22,984**	21,719	22,622	5.8	1.6
Housing loans	**33,325**	29,065	32,260	14.7	3.3
Private banking segment	**109**	71	95	53.5	14.7
Institutional entities	**1,591**	1,282	1,547	24.1	2.8
Total	**107,342**	93,581	102,240	14.7	5.0
Of which: consumer credit excluding housing loans and credit cards					
Household segment	**19,145**	18,100	18,754	5.8	2.1
Private banking segment	**65**	35	52	85.7	25.0
Total	**19,210**	18,135	18,806	5.9	2.1

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 149,150 million on March 31, 2022 compared with NIS 143,872 million on December 31, 2021, an increase of 3.7%.

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

Sector	As of March 31, 2022		As of December 31, 2021		
	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)	**19,646**	**13.2**	19,307	13.4	1.8
Construction and real estate	**21,480**	**14.4**	20,409	14.2	5.2
Industry	**10,826**	**7.3**	10,738	7.5	0.8
Commerce	**8,936**	**6.0**	7,608	5.3	17.5
Private customer, including housing loans	**73,171**	**49.1**	71,433	49.6	2.4
Others	**15,091**	**10.0**	14,377	10.0	5.0
Total	**149,150**	**100.0**	143,872	100.0	3.7

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):

					As of March 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	**1,135**	**347**	**1,482**	**737**
2.	Construction and real estate- construction	**709**	**349**	**1,058**	**987**
3.	Industry	**19**	**875**	**894**	**894**
4.	Financial services	**801**	**-**	**801**	**801**
5.	Financial services	**654**	**2**	**656**	**656**
6.	Financial services	**570**	**36**	**606**	**51**

					As of December 31, 2021
Borrower no.	Sector of the economy	Balance-sheet credit risk (*)	Off-balance-sheet credit risk	Aggregate credit risk	Aggregate credit risk after permitted deductions
					NIS million
1.	Financial services	1,177	334	1,511	625
2.	Construction and real estate- construction	800	254	1,054	997
3.	Financial services	1	1,000	1,001	1,001
4.	Industry	18	863	881	881
5.	Financial services	674	64	738	368
6.	Financial services	578	4	582	28

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

The investment in securities as of March 31, 2022 totaled NIS 14,850 million compared with NIS 15,091 million at the end of 2021, a decrease of 1.6%.

Set out below is the composition of the portfolio:

	As of		Share of total securities	
	March 31, 2022	December 31, 2021	March 31, 2022	December 31, 2021
		NIS million		%
Government bonds	**13,107**	13,542	**88.2**	89.7
Banks' bonds (1)	**468**	359	**3.2**	2.4
Corporate bonds	**372**	447	**2.5**	3.0
Corporate bonds guaranteed by governments	**12**	11	**0.1**	0.1
Shares (2)	**891**	732	**6.0**	4.8
Total	**14,850**	15,091	**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 foreign currency shares and EITF, investment in hedging funds and investment in NIS shares and EITF.

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

	As of				Segment's share of total securities	
	March 31, 2022	December 31, 2021		Change	March 31, 2022	December 31, 2021
		NIS million	NIS million	%	%	%
Local currency						
- Non-linked	**7,494**	8,323	(829)	(10.0)	**50.5**	55.2
- CPI-linked	**333**	241	92	38.2	**2.2**	1.6
Foreign currency denominated & linked	**6,132**	5,795	337	5.8	**41.3**	38.4
Non-monetary items	**891**	732	159	21.7	**6.0**	4.8
Total	**14,850**	15,091	(241)	(1.6)	**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 March 31, 2022:

	Price quoted in active market	Indicative price*	Counter-party price**	Total
				NIS million
Shares and private investment funds	**709**	**90**	**92**	**891**
Local currency government bonds	**7,307**	**-**	**-**	**7,307**
Local currency corporate bonds	**380**	**140**	**-**	**520**
Non-asset backed foreign-currency and f-c linked bonds	**40**	**6,092**	**-**	**6,132**
Total	**8,436**	**6,322**	**92**	**14,850**
% of portfolio	**56.8**	**42.6**	**0.6**	**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, which are not asset-backed, by country/continent:

	As of	
	March 31, 2022	December 31, 2021
		NIS million
Israel (incl. Israel Government - NIS 3,890 million, 31.12.21 - NIS 4,079 million)	**3,930**	4,137
USA (incl. USA Government - NIS 1,909 million, 31.12.21 - NIS 1,342 million)	**1,964**	1,396
France	**25**	26
Canada	**52**	26
Germany	**16**	47
Far East, Australia and others (3 countries)	**67**	67
Europe (3 countries)	**78**	96
Total	**6,132**	5,795

It should be noted that there is no issuer (except the Israel Government and USA Government) whose bond balance exceeds 1% of the shareholders' equity of the Bank.

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

	As of	
	March 31, 2022	December 31, 2021
		NIS million
Electricity and water	**69**	88
Construction and real estate	**130**	138
Financial services	**24**	24
Banks	**217**	115
Industry	**20**	21
Commerce	**14**	14
Transportation	**46**	45
Total	**520**	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 6,132 million (Dollar 1,931 million) (includes mainly foreign currency denominated Israel Government bonds amounting to NIS 3,890 million and foreign governments amounting to NIS 1,909 million). All foreign bonds in the portfolio are investment grade, of which, 98% of the foreign bonds are 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 0.7% of the total foreign currency bond portfolio. The duration (average term-to-maturity) of the foreign currency bond portfolio is 2.4 years. The balance of unrealized gross earnings (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 24 million (Dollar 8 million) compared with gross earnings of NIS 53 million (Dollar 17 million) on December 31, 2021.

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 March 31, 2022, amounted to NIS 111 million (NIS 68 million after tax effect).

Cash and deposits at banks on March 31, 2022 totaled NIS 53,979 million compared with NIS 57,370 million at the end of 2021, a decrease of 5.9%

Deposits from the public on March 31, 2022 totaled NIS 154,038 million compared with NIS 153,447 million at the end of 2021, an increase of 0.4%.

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

	As of				Segment's share of total deposits from the public on	
	March 31, 2022	**December 31, 2021**		**Change**	**March 31, 2022**	**December 31, 2021**
		NIS million	NIS million	%	%	%
Local currency						
- Non-linked	**121,814**	120,343	1,471	1.2	**79.1**	78.4
- CPI-linked	**6,692**	6,298	394	6.3	**4.3**	4.1
Foreign currency denominated & linked	**24,498**	26,108	(1,610)	(6.2)	**15.9**	17.0
Non-monetary items	**1,034**	698	336	48.1	**0.7**	0.5
Total	**154,038**	153,447	591	0.4	**100.0**	100.0

Deposits from the public by segment of activity

			As of		Change
	March 31, 2022	**March 31, 2021**	**December 31, 2021**	**March 31, 2021**	**December 31, 2021**
			NIS million		%
Large business segment	**14,884**	12,340	15,553	20.6	(4.3)
Medium business segment	**7,076**	5,702	7,028	24.1	0.7
Small and minute business segment	**26,487**	24,465	25,949	8.3	2.1
Household segment	**65,391**	64,630	63,792	1.2	2.5
Private banking segment	**9,678**	9,292	9,253	4.2	4.6
Institutional entities	**30,522**	30,171	31,872	1.2	(4.2)
Total	**154,038**	146,600	153,447	5.1	0.4

Securities portfolios belonging to customers of the Bank Group

The total of the securities portfolios of customers of the Bank Group as of March 31, 2022, amounted to NIS 437 billion, as compared to NIS 448 billion at the end of 2021, a decrease of 2.5%.

Bonds and subordinated capital notes amounted at March 31, 2022 to NIS 3,675 million, as compared with NIS 3,356 million at December 31, 2021, an increase of 9.5%.

On March 1, 2022, First international issuance Ltd. a wholly owned subsidiary of the Bank, issued on public placement subordinated capital notes with loss absorption mechanism, the face value of which amounted to NIS 300 million, in consideration of NIS 300 million. The consideration of the placement was deposited with the Bank. The Bank is obligated to fullfil the terms of the subordinated capital notes which were issued.

CAPITAL AND CAPITAL ADEQUACY

The capital attributed to the shareholders of the Bank amounted on March 31, 2022 to NIS 9,851 million, as compared to NIS 10,003 million on December 31, 2021, a decrease of 1.5%. The change in capital attributed to the Bank's shareholders was affected by net earnings of NIS 322 million, and by other comprehensive profit in respect of employees benefits of NIS 85 million. On the other hand, the capital decreased due to the payment of dividends amounting to NIS 380 million, to other comprehensive loss of NIS 135 million stemming from the presentation of available-for-sale bonds at fair value, and to NIS 44 million reflecting the effect of the initial implementation of US accounting principles regarding expected credit losses.
For detailes regarding the development of the other comprehensive profit, see the Chapter "Material developments in income, expenditure and in other comprehensive profit".

CAPITAL ADEQUACY

Minimal capital ratios

The Bank implement Proper Conduct of Banking Business Directives Nos. 201-211 in the metter of "Measurement and capital adequacy" as were amended in order to reconcile them with the Basel guidelines. In accordance with Proper Conduct of Banking Business Directives regarding minimal capital ratios, the Bank is required to maintain a minimal Tier I equity capital ratio of 9% and a comprehensive capital ratio of 12.5%, being a banking corporations, the total consolidated stated assets of which does not exceeds 24% of total stated assets of the banking sector.
Likewise, in accordance with Proper Conduct of Banking Business Directive No. 329 regarding "limitation on the granting of residential loans", the Bank is required to raise the targeted Tier I equity capital level by one percent of the outstanding balance of residential loans at the reporting date, excluding residential loans granted during the Provisional Instruction period, as stated hereunder.
In view of the spreading of the Coronavirus and as part of the adjustment to Proper Conduct of Banking Business directives, the Supervisor of Banks published, Proper Conduct of Banking Business Directive No. 250, which, inter alia, contained the Provisional Instruction concerning the update of Directive 201, which includes a reduction of 1% of the minimal capital requirements applying to banks and an update to Directive 329, which cancels the demand of additional 1% applying to residential loans for the purpose of the purchase of a residential apartment granted in the period from March 19, 2020 to September 30, 2021, and to residential loans, secured by a mortgage on an apartment, not for the purpose of purchasing rights in real estate (hereinafter – "loans for any purpose"), granted since March 19, 2020.
All along the crisis period, the Supervisor of Banks published updates extending the effect of the Provisional Instruction. On December 27, 2021, the Supervisor of Banks issued a letter, according to which, the effect of the Provisional Instruction expires as from January 1, 2022. Likewise, the letter amends 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 March 31, 2022, to 9.25% and 12.50%, respectively.

In addition to the above, the process of setting the capital goals was based on the following main parameters:
- The findings of the ICAAP based on the risk profile of the Group, taking into consideration the business goals of the Group and the planned growth.
- The result of the stress tests as detailed below.
- The capital goals comprise the higher of the capital requirement according to the findings of the ICAAP and that required by the stress tests.
- Conservativeness coefficient and confidence cushion combining estimates and forcasts in respect of the risk profile and capital base.

For detailed information, see the risk report for 2021 on the Bank's website.

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

- In a regular business situation - Tier I equity capital will be no less than 9.25%, and the ratio of the comprehensive capital will be no less than 12.50%.
- In stress situations - the ratio of Tier I equity capital shall not be less than 6.50%, and the ratio of comprehensive capital shall not be less than 9.00%.

The capital goals take into consideration the risks to which the Bank is exposued to, the main of which are: credit risks, financial risks (including 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. Estimation of the risk, also considers the aspects of the corona crisis and its possible implications 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 extreme effects of the corona crisis.

For detailed information, see the risk report as of December 31, 2021, published on the Bank's website.

Basel 3 guidelines

According to the transitional instructions, the capital instruments no longer qualified as regulatory capital shall be recognized up to a maximum of 80% on January 1, 2014, this maximum level being reduced by an additional 10% in each following year until January 1, 2022. Accordingly, in 2021 the maximum level of instruments qualified as regulatory capital amounted to 10%, and as from January 1, 2022, the transitional instructions have expired and nonqualified capital instruments may no longer be recognized as regulatory capital.

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.

- A decision was taken in the third quarter of 2018, for the merger of Otsar Hachayal, and accordingly, on January 1, 2019, Otsar Hachayal merged with and into the Bank. In respect of this move, the Group has recorded an enlarged allowance for severance compensation in the amount of NIS 82 million. (NIS 53 million after the tax effect). Save for the said relief, the implementation of efficiency measures as of March 31, 2022, would have led to an additional reduction of 0.02% in the capital adequacy ratios.
- On July 28, 2020 and on November 3, 2020, the Board of Directors approved an efficiency plan, according to which 60 regular employees of the Bank, belonging to the defined target population, will be allowed to opt for early retirement under preferred conditions.

  The plan increased other comprehensive loss (gross) in an amount of NIS 48 million, in respect of severance compensation liability and post-retirements benefits.

In addition, in the fourth quarter of the year 2020, an additional provision for enlarged severance compensation was recorded, in an amount of NIS 50 million, in respect of another early retirement anticipated in the coming years. Total net effect, after tax in respect of these actions amounted to NIS 65 million. Save for the said relief, the implementation of efficiency measures as of March 31, 2022, would have led to an additional reduction of 0.06% 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 0.03% in the capital adequacy ratio as of March 31, 2022.

Implementation of the instructions

Within the framework of Pillar I, the Bank is implementing the standard approach in accordance with Bank of Israel instructions regarding credit, market and operational risks.

Within the framework of Pillar II - the Bank is required to conduct an internal process for the assessment of capital adequacy (the ICAAP process). This process is designed to ensure the maintenance of an adequate level of capital means supporting the overall risks inherent in the operations of the Bank. The ICAAP document relating to the data as of June 30, 2021, has been dully submitted to Bank of Israel. 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
		March 31, 2022	**December 31, 2021**
1.	**Capital for calculation of capital ratio, net of deductions and supervisory adjustments**		
	Tier 1 capital, after deductions and supervisory adjustments	**10,092**	10,199
	Tier 2 capital, after deductions	**2,213**	1,891
	Total capital	**12,305**	12,090
2.	**Weighted balances of risk assets**		
	Credit risk	**86,114**	81,660
	Market risk	**623**	683
	Operational risk	**6,808**	6,645
	Total weighted balances of risk assets	**93,545**	88,988
3.	**Ratio of capital to risk assets**		
	Ratio of tier 1 equity capital to risk assets	**10.79%**	11.46%
	Total ratio of capital to risk assets	**13.15%**	13.59%
	Minimal ratio of equity capital Tier 1 required by the Supervisor of Banks	**9.25%**	8.25%
	Minimal ratio of capital required by the Supervisor of Banks	**12.50%**	11.50%

The Tier I equity capital ratio as of March 31, 2022, amounted to 10.79%, in comparison with 11.46% on December 31, 2021. The ratio of comprehensive capital to risk components as of March 31, 2022, amounted to 13.15%, in comparison with 13.59% on December 31, 2021.

The comprehensive capital as of March 31, 2022 amounted to NIS 12,305 million, in comparison with NIS 12,090 million on December 31, 2021.

The capital base was affected on the one hand, by net earnings of NIS 322 million, by other comprehensive profit of NIS 85 million, in respect of employee benefits, and from the increase in instruments issued by the Bank qualified to be included in the regulatory capital, amounting to NIS 281 million. On the other hand, this increase was offset by a dividend distribution of NIS 380 million, and by other comprehensive loss of NIS 135 million, in respect of the presentation of available-for-sale bonds at market value. The other comprehensive loss for the first quarter of 2022, was affected mostly, by the rise in the interest curve.

The risk assets as of March 31, 2022, amounted to NIS 93,545 million as compared with NIS 88,988 million on December 31, 2021, an increase of 5.1%, stemming mostly from the growth in credit to the public.

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

	March 31, 2022	December 31, 2021
		In percentage
Bank Massad Ltd.		
Ratio of Tier 1 capital to risk assets	**14.84%**	14.71%
Ratio of overall capital to risk assets	**15.97%**	15.72%

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 March 31, 2022, amounts to 5.26%, compared to 5.34% as of December 31, 2021.

DIVIDEND DISTRIBUTION POLICY

According to the profit distribution policy adopted by the Board of Directors of the Bank (as was updated from time to time), the Bank will distribute annual dividends of up to 50% of its distributable net earnings in the current year, subject to the Bank's ratio of capital to risk elements being no less than the regulatory targets and the targets specified or which would be 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 in 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 in accordance with the provisions of the law, together with all required details.

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 2021.

Following are details regarding dividends distributed by the Bank, as from the year 2019:

Declaration date	Payment date	Total dividend paid	Dividend per share
		NIS million	NIS
March 12, 2019	March 20, 2019	105	1.05
May 28, 2019	June 17, 2019	85	0.85
August 13, 2019	August 29, 2019	110	1.10
November 26, 2019	December 12, 2019	110	1.10
March 15, 2020	March 31, 2020	125	1.25
August 17, 2021	September 1, 2021	225	2.25
November 23,2021	December 13, 2021	320	3.20
January 6, 2022	January 24, 2022	215	2.14
March 7, 2022	March 24, 2022	165	1.65

On December 27, 2021, the Supervisor of Banks stated his position that banking corporations should continue using care in everything relating to resolving the distribution of dividends, and take into account that on background of the Corona crisis, a certain level of uncertainty still exists in the markets. In accordance with the dividend distribution policy of the Bank determining an annual dividend distribution of up to 50% of net earnings, as stated above, and also taking into account the position of the Supervisor mentioned above, the Board of Directors of the Bank resolved on May 24, 2022, to approve a distribution of dividend in cash to shareholders of the Bank, in a total gross amount of NIS 160 million, reflecting 50% of net earnings according to the financial statements of the Bank for the first quarter of 2022.

The ex-dividend date was fixed for June 1, 2022, and payment of the dividend shall be made on June 12, 2022. The amount of the dividend is before any tax, including tax which the Bank has to withhold according to the law.

In addition, and over and above the said dividend distribution, it is noted that the Bank had applied and accepted the position of Bank of Israel, according to which, nothing avoids considerations by the Bank for the distribution of a one-time dividend distribution, which includes an amount of NIS 150 million (completing the distribution of 50% of net earnings of 2020, in accordance with the dividend policy) and an additional one-time amount of dividend of up to NIS 350 million. It is noted that no decision in the matter had been taken, and that as of date of publication of the financial report, there is no certainty for such one-time dividend distribution, as stated, its timing and scope. Distribution of such one-time dividend, if at all, is subject, inter alia, to approval by the Board of Directors of the Bank and to the existence of all terms relevant to the distribution of dividend. If approval by the Board for the one-time distribution of a dividend, as stated, in part or in full, is obtained, the Bank will publish a report attaching all the required data, in accordance with the provisions of the law.

SUPERVISORY SEGMENTS OF OPERATIONS

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 materialy defferent from the segments of activity used by the Bank according to Management approach, which are detailed in Note 11A to the financial statements. The supervisory segements 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 protfolio- for private customers, or the business turnover- for business customers.

For the definitions of the supervisory segements of activity and for details regarding main instructions, estimates and principals of reporting, see Note 28 to the financial statements for the year 2021.

For details regarding segments of activity according to management's approach, see Note 28A to the financial statements for the year 2021.

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

a. Total income*

	For the three months ended March 31,			Segment's share of total income	
	2022	**2021**	**Change**	**31.3.22**	**31.3.21**
		NIS million	%		%
Large business	**111**	100	11.0	**9.5**	9.0
Medium business	**59**	53	11.3	**5.0**	4.8
Small and minute business	**258**	242	6.6	**22.0**	21.8
Household	**469**	458	2.4	**40.1**	41.2
Private banking	**30**	28	7.1	**2.6**	2.5
Institutional entities	**65**	59	10.2	**5.6**	5.3
Financial management	**178**	171	4.1	**15.2**	15.4
Total	**1,170**	1,111	5.3	**100.0**	100.0

b. Net profit attributed to the shareholders of the bank

	For the three months ended March 31,	
	2022	**2021**
		NIS million
Large business	**47**	44
Medium business	**15**	21
Small and minute business	**63**	47
Household	**58**	58
Private banking	**7**	7
Institutional entities	**15**	12
Financial management	**117**	115
Total	**322**	304

* Including net interest income and non-interest income.

c. Average balance sheet balances*

	Credit to the public				
	For the three months ended March 31,			% of credit to the public	
	2022	2021	Change	31.3.22	31.3.21
		NIS million	%	%	%
Large business	**19,421**	17,441	11.4	**18.8**	19.0
Medium business	**6,246**	5,454	14.5	**6.1**	6.0
Small and minute business	**21,103**	18,338	15.1	**20.5**	20.0
Household	**54,669**	49,136	11.3	**53.0**	53.7
Private banking	**92**	57	61.4	**0.1**	0.1
Institutional entities	**1,510**	1,135	33.0	**1.5**	1.2
Total	**103,041**	91,561	12.5	**100.0**	100.0

	Deposits from the public				
	For the three months ended March 31,			% of deposits from the public	
	2022	2021	Change	31.3.22	31.3.21
		NIS million	%	%	%
Large business	**15,702**	12,048	30.3	**10.2**	8.4
Medium business	**7,071**	5,536	27.7	**4.6**	3.9
Small and minute business	**26,279**	23,800	10.4	**17.0**	16.6
Household	**64,438**	63,296	1.8	**41.7**	44.2
Private banking	**9,525**	9,019	5.6	**6.2**	6.3
Institutional entities	**31,372**	29,479	6.4	**20.3**	20.6
Total	**154,387**	143,178	7.8	**100.0**	100.0

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

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

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

	For the three months ended March 31, 2022				For the three months ended March 31, 2021			
	Small and minute business	**Medium business**	**Large business**	**Total**	**Small and minute business**	**Medium business**	**Large business**	**Total**
								NIS million
Net interest income	**158**	**41**	**77**	**276**	151	37	76	264
Non-interest income	**100**	**18**	**34**	**152**	91	16	24	131
Total income	**258**	**59**	**111**	**428**	242	53	100	395
Expenses (income) from credit losses	**(10)**	**7**	**(8)**	**(11)**	4	(6)	(10)	(12)
Operating and other expenses	**171**	**27**	**46**	**244**	163	25	42	230
Net profit attributed to the shareholders of the Bank	**63**	**15**	**47**	**125**	47	21	44	112
Average balance of credit to the public	**21,103**	**6,246**	**19,421**	**46,770**	18,338	5,454	17,441	41,233
Balance of credit to the public at the end of the reported period	**21,947**	**6,714**	**20,672**	**49,333**	18,814	5,481	17,149	41,444
Average balance of deposits from the public	**26,279**	**7,071**	**15,702**	**49,052**	23,800	5,536	12,048	41,384
Balance of deposits from the public at the end of the reported period	**26,487**	**7,076**	**14,884**	**48,447**	24,465	5,702	12,340	42,507

Main changes in the result of activity in the first three months of 2022 compared with the same period last year

Total net interest income amounted to NIS 276 million, compared with NIS 264 million in the same period last year, an increase of 4.5%, which derived mainly from an increase in the volume of activity.

Non-interest income amounted to NIS 152 million, compared to NIS 131 million in the corresponding period last year, an increase of 16.0%, derived mainly from an increase in the volume of activity in the capital marketand from income in respect of exchange differences.

Income in respect of cresit losses amounted to NIS 11 million, in comparison with NIS 12 million in the same period last year.

The operating and other expenses, amounted to NIS 244 million, in comparison with 230 million in the same period last year, an increase of 6.1%, derived from an increase in salaries expenses. The increase in salaries expenses is explained by an increase in timing differences of variable compensation components (including vacation provision).

The net profit attributed to the shareholders of the Bank in respect of the business segments, amounted to NIS 125 million, in comparison with NIS 112 million.

Average balance of credit to the public amounted to NIS 46,770 million, in comparison with NIS 41,233 million in the same period last year, an increase of 13.4%.

Credit to the public as of March 31, 2022 amounted to NIS 49,333 million, in comparison with NIS 41,444 million on March 31, 2021, an increase of 19.0%.

Average balance of deposits from the public amounted to NIS 49,052 million, in comparison with NIS 41,384 million in the same period last year, an increase of 18.5%.

Deposits from the public as of March 31, 2022 amounted to NIS 48,447 million, in comparison with NIS 42,507 million on March 31, 2021, an increase of 14.0%.

PRIVATE INDIVIDUALS SEGMENTS - HOUSEHOLDS AND PRIVATE BANKING

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

	For the three months ended March 31, 2022			For the three months ended March 31, 2021		
	household	**private banking**	**Total**	**household**	**private banking**	**Total**
						NIS million
Net interest income	**312**	**5**	**317**	299	5	304
Non-interest income	**157**	**25**	**182**	159	23	182
Total income	**469**	**30**	**499**	458	28	486
Expenses from credit losses	**11**	**-**	**11**	4	-	4
Operating and other expenses	**359**	**19**	**378**	354	18	372
Net profit attributed to the shareholders of the Bank	**58**	**7**	**65**	58	7	65
Average balance of credit to the public	**54,669**	**92**	**54,761**	49,136	57	49,193
Balance of credit to the public at the end of the reported period	**56,309**	**109**	**56,418**	50,784	71	50,855
Average balance of deposits from the public	**64,438**	**9,525**	**73,963**	63,296	9,019	72,315
Balance of deposits from the public at the end of the reported period	**65,391**	**9,678**	**75,069**	64,630	9,292	73,922

Main changes in the result of activity in the first three months of 2022 compared with the same period last year

Total net interest income amounted to NIS 317 million, as compared with NIS 304 million in the corresponding period last year, an increase of 4.3%, which mainly derived from an increase in the volume of activity.

Non-interest income amounted to NIS 182 million, similar to the corresponding period last year.

Expenses in respect of credit losses amounted to NIS 11 million, compared to NIS 4 million in the corresponding period last year.

Operating and other expenses amounted to NIS 378 million, as compared to NIS 372 million in the corresponding period last year.

The net profit attributed to the shareholders of the Bank in respect of the private individuals segment, which includes households and private banking, amounted to NIS 65 million, similar to the corresponding period last year.

Average balance of credit to the public amounted to NIS 54,761 million, in comparison with NIS 49,193 million in the same period last year, an increase of 11.3%.

Credit to the public as of March 31, 2022 amounted to NIS 56,418 million, in comparison with NIS 50,855 million on March 31, 2021, an increase of 10.9%.

Average balance of deposits from the public amounted to NIS 73,963 million, in comparison with NIS 72,315 million in the same period last year, an increase of 2.3%.

Deposits from the public as of March 31, 2022 amounted to NIS 75,069 million, in comparison with NIS 73,922 million on March 31, 2021, an increase of 1.6%.

FINANCIAL MANAGEMENT SEGMENT

Total income attributed to this segment amounted to NIS 178 million in the first three months of 2022 compared with NIS 171 million in the corresponding period last year.

The net earnings of the Financial Management Segment amounted to NIS 117 million compared with NIS 115 million in the corresponding period last year.

PRINCIPAL INVESTEE COMPANIES

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

The Bank's investment in Massad amounted to NIS 455 million on March 31, 2022.

Total assets of Massad on March 31, 2022 amounted to NIS 11,109 million compared with NIS 10,835 million on December 31, 2021, an increase of 2.5%.

Shareholders' equity of Massad on March 31, 2022, totaled NIS 892 million compared with NIS 886 million on December 31, 2021, an increase of 0.7%.

Net earnings of Massad totaled NIS 24.9 million compared with NIS 24.3 million in the same period last year, an increase of 2.5%.

The Bank's share in Massad's operating results amounted to NIS 12.7 million compared with NIS 12.4 million in the same period last year.

During 2021, Massad distributed dividend in an amount of NIS 20 million. The Bank's share in the dividend amounted to NIS 10 million.

Net return on equity amounted to 11.2% compared with 12.0% in the same period last year. The ratio of capital to risk assets amounted to 15.97%, compared with 15.72% at the end of 2021. The Tier 1 capital ratio amounted to 14.84% compare with 14.71% at the end of 2021.

In the framework of the ICAAP process for the data of June 30, 2021 the minimal capital targets were set: tier 1 equity capital ratio will not be less than 10.5% until December 31, 2022 and the comprehensive capital ratio will be no less than 12.65% until December 31, 2022.

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 brand, 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 740 million on March 31, 2022.

The ratio of capital to risk assets on March 31, 2022 amounted to 16.4%, compared with 16.3% at the end of 2021.

The Bank's share in the net earnings of ICC before the tax effect amounted to NIS 19.7 million compared with 14.1 million in the same period last year.

On May 15, 2022, the General Meeting of ICC approved dividend distribution in an amount of NIS 340 million. The Bank's share in the dividend amounted to NIS 96 million. The dividend was paid on May 17, 2022.

In accordance with ICC reports, on March 16, 2022, in the framework of preparing the transfer to Discount Campus, ICC consumated the elicitation process of the sell of ICC's house in Givataim. The consumation of the selling transaction is expected in the second quarter of 2023, and according to ICC's assessment, it is expected to record a net gain in the amount of NIS 220 million. The Bank's share in the said net gain amounts to NIS 60 million.

See note 9 regarding motions for approval of class actions against ICC and the assessments issued by the Value Added Tax director to ICC.

REVIEW OF RISKS

This chapter was written in great detail in the financial statements for 2021. Therefore, it should be read together with the chapter of the risk review published in the annual reports for 2021. 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 (cross system risk), liquidity risk, operational risk including cyber and information security risk and information technology risk, compliance risk and AML risk, strategy risk, legal risk, reputation risk 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. 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 by means of independent control. The third line consists of the internal and external auditing functions.

e. Chief Risk Manager is a member of Management in charge of the risk management division and across the organization risk management infrastructure.

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

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

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

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

   The Strategic risk, as from May 10, 2022 is managed by Mrs. Shirli Shoham Klein, which were appointed as the Head of the Digital, innovation, strategy and business developing department. Until that date, the Strategy risk was managed by Mrs. Ella Golan, Head of the resources and financial management division.

   Mrs. Ziva Barak- as from April 24, 2022, 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. Mrs. Barak replaced Mr. Amir Birenboim, which was officiated in these positions until that date.

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

Mr. Yehoshua Peleg, manager of cyber defense and information security - Cyber Risks manager;
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 to which the Bank is exposed- regulatory and legislative risks - are managed and supervised as part of overall business management by members of the Board of Management and 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 an examination 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 as well as the results of stress scenarios that were conducted. Presented in the 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 developments in the business environment and in the financial markets, 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 division 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 2021, reflecting also the possible effects of the Corona crisis, while identifying and mapping the relevant risk centers, in accordance with the nature and developments taking place in the crisis.

   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. At the beginning of 2022, a uniform scenario based on the data for June 2021, 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 exceed 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 2021.

For detailed information regarding risk, provided in accordance with the disclosure requirements of Pillar III of Basel, and additional information regarding risks - see additional supervisory disclosure and report on risks on the Internet website of the Bank.

CREDIT RISK

Credit risk is the risk borrowers' inability or counterparty's inability to fulfill their obligations to the Bank.
The Group implements the standard approach, within the implementation of the Basel Directives, with respect to the exposure to credit risk. Within Pillar 2 the capital allocation of Pillar 1 is challenged, and if required, a complementary capital allocation is carried in respect of the credit risks.

Credit quality and problematic credit risk

Problematic credit risk, including off-balance-sheet components, totaled NIS 1,697 million as of March 31, 2022, compared with NIS 1,936 million at the end of 2021, a decrease of 12.4%
The ratio of problematic credit risk to total credit risk at the group amounted to 1.2% at the end of march 2022, compared to 1.4% at the end of 2021.
18.0% of problematic credit risk at the Group are attributed to the manufacturing sector, 14.1% to the real estate sector, 14.3% to the commercial sector, and 26.5% to the private customers including residential loans.
The ratio of problematic credit risk to total credit to the public amounted to 1.4%, compared to 1.7% at the end of 2021.

In respect of the initial implementation of accounting principles accepted by US banks in the matter of credit losses stemming from financial instruments (ASC-326, as detailed in Item 326 of the Codification), see Note 1(c) to the condensed financial statements.

For additional information in respect of credit quality see note 12B(1) to the financial statements.

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

	March 31, 2022				March 31, 2021			
	Commercial	Housing	Private	Total	Commercial	Housing	Private	Total
								NIS million
Credit risk having credit granting rating[1]								
Balance sheet credit risk	**50,416**	**32,782**	**22,123**	**105,321**	41,833	28,399	20,795	91,027
Off-balance sheet credit risk	**22,518**	**3,892**	**12,861**	**39,271**	20,133	3,493	12,661	36,287
Total credit risk in credit granting rating	**72,934**	**36,674**	**34,984**	**144,592**	61,966	31,892	33,456	127,314
Credit risk not having credit granting rating:								
Non problematic	**1,502**	**342**	**621**	**2,465**	1,467	331	620	2,418
Problematic[2]	**1,063**	**192**	**245**	**1,500**	1,284	338	273	1,895
Of which:								
- Problematic, accrues interest	**694**	**46**	**138**	**878**	909	338	161	1,408
-Problematic, nonaccrual of interest	**369**	**146**	**107**	**622**	375	-	112	487
Total balance sheet credit risk	**2,565**	**534**	**866**	**3,965**	2,751	669	893	4,313
Off-balance sheet credit risk	**480**	**12**	**101**	**593**	529	3	155	687
Total credit risk not having credit granting rating	**3,045**	**546**	**967**	**4,558**	3,280	672	1,048	5,000
Of which: nonaccrual debts in arrears of 90 days or more	**3**	**-**	**13**	**16**	17	169	14	200
Total overall credit risk of the public	**75,979**	**37,220**	**35,951**	**149,150**	65,246	32,564	34,504	132,314
Non-performing assets								
Nonaccrual debts	**366**	**146**	**107**	**619**	372	-	112	484

	December 31, 2021			
	Commercial	Housing	Private	Total
				NIS million
Credit risk having credit granting rating[1]				
Balance sheet credit risk	46,468	31,647	21,607	99,722
Off-balance sheet credit risk	22,813	3,575	12,778	39,166
Total credit risk in credit granting rating	69,281	35,222	34,385	138,888
Credit risk not having credit granting rating:				
Non problematic	1,447	338	759	2,544
Problematic[2]	1,171	275	269	1,715
Of which:				
- Problematic, accrues interest	833	275	166	1,274
-Problematic, nonaccrual of interest	338	-	103	441
Total balance sheet credit risk	2,618	613	1,028	4,259
Off-balance sheet credit risk	540	3	182	725
Total credit risk not having credit granting rating	3,158	616	1,210	4,984
Of which: nonaccrual debts in arrears of 90 days or more	10	167	22	199
Total overall credit risk of the public	72,439	35,838	35,595	143,872
Non-performing assets				
Nonaccrual debts	335	-	103	438

(1) Credit risk, the credit rating thereof at date of reporting matches the credit rating for the granting of new credit in accordance with the Bank's policy.
(2) Nonaccrual, substandard and special supervision credit risk.

Changes in nonaccrual debts in respect of credit to the public

	For the three months ended March 31, 2022		
	Commercial	Private	Total
Balance of nonaccrual debts at beginning of period	**338**	**103**	**441**
Adjustment to opening balance due to effect of initial implementation*	**6**	**146**	**152**
Balance of nonaccrual debts at beginning of year following initial implementation	**344**	**249**	**593**
Classified as nonaccrual during the period	**70**	**26**	**96**
Removed from nonaccrual classification	**(3)**	**(5)**	**(8)**
Accounting write-offs of nonaccrual debts	**(23)**	**(9)**	**(32)**
Collection of nonaccrual debts	**(19)**	**(8)**	**(27)**
Balance of nonaccrual debts at end of period	**369**	**253**	**622**
Of which: movement in problematic restructured debts			
Balance of restructured debts at beginning of the period	**67**	**69**	**132**
Adjustment to opening balance due to effect of initial implementation*	**-**	**19**	**19**
Balance of restructured problematic debts at beginning of year following initial implementation	**67**	**88**	**155**
Restructure made during the period	**9**	**14**	**23**
Debts reversed into accrual classification following consequent restructure	**(4)**	**(4)**	**(8)**
Accounting write-offs of restructured debts	**(2)**	**(5)**	**(7)**
Collection of restructured debts	**(6)**	**(7)**	**(13)**
Balance of problematic restructured debts at end of period	**64**	**86**	**150**
Changes in provision for credit losses in respect of nonaccrual debts			
Balance of provision for credit losses at the beginning of the period	**129**	**33**	**162**
Adjustment to opening balance due to effect of initial implementation*	**(8)**	**-**	**(8)**
Balance of provision following initial implementation	**121**	**33**	**154**
Increase in provisions	**21**	**9**	**30**
Collection and write-offs	**(22)**	**(5)**	**(27)**
Balance of provision for credit losses at the end of the period	**120**	**37**	**157**

	For the three months ended March 31, 2021			For the year ended December 31, 2021		
	Commercial	Private	Total	Commercial	Private	Total
	NIS million			NIS million		
Balance of nonaccrual debts at beginning of period	376	107	483	376	107	483
Classified as nonaccrual during the period	50	23	73	166	203	369
Removed from nonaccrual classification	-	(9)	(9)	-	(138)	(138)
Accounting write-offs of nonaccrual debts	(19)	(5)	(24)	(62)	(19)	(81)
Collection of nonaccrual debts	(32)	(4)	(36)	(142)	(50)	(192)
Balance of nonaccrual debts at end of period	375	112	487	338	103	441
Of which: movement in problematic restructured debts						
Balance of restructured debts at beginning of the period	95	80	175	95	80	175
Debts restructured during the period	10	12	22	43	52	95
Debts reversed into accrual classification following consequent restructure	-	(2)	(2)	-	(7)	(7)
Accounting write-offs of restructured debts	(4)	(4)	(8)	(13)	(16)	(29)
Collection of restructured debts	(11)	(12)	(23)	(58)	(40)	(98)
Balance of problematic restructured debts at end of period	90	74	164	67	69	136
Changes in provision for credit losses in respect of nonaccrual debts						
Balance of provision for credit losses at the beginning of the period	144	37	181	144	37	181
Increase in provisions	18	8	26	62	20	82
Collection and write-offs	(19)	(9)	(28)	(77)	(24)	(101)
Balance of provision for credit losses at the end of the period	143	36	179	129	33	162

Risk Indices

	For the three months ended March 31		For the year ended December 31
	2022	2021	2021
Ratio of nonaccrual credit to the public or in arrears of 90 days + to total credit to the public	**0.59%**	0.73%	0.62%
Of which:			
Ratio of nonaccrual credit to the public to total credit to the public	**0.58%**	0.52%	0.43%
Ratio of accruing credit to the public in arrears of 90 days+ to total credit to the public	**0.01%**	0.21%	0.19%
Ratio of problematic credit risk in respect of the public to overall credit risk in respect of the public	**1.18%**	1.65%	1.35%
Ratio of expenses (income) for credit losses to average total credit to the public*	**0.00%**	(0.04%)	(0.23%)
Ratio of net write-offs in respect of credit to the public to average total credit to the public*	**(0.02%)**	0.03%	(0.01%)
Ratio of provision for credit losses in respect of credit to the public to credit to the public	**1.01%**	1.35%	1.05%
Ratio of provision for credit losses in respect of credit to the public to total nonaccrual credit to the public	**174.9%**	258.7%	243.9%
Ratio of provision for credit losses in respect of credit to the public to nonaccrual credit to the public plus credit to the public in arrears of 90 days or more	**170.5%**	185.0%	169.7%
Ratio of net write-offs in respect of credit to the public to provision for credit losses in respect of credit to the public*	**(1.5%)**	1.9%	(0.7%)

* Annualized.

Total credit risk according to economic sectors

(NIS million)

							March 31, 2022
					Credit losses (2)		
	Total credit risk(1)	Of which: Credit execution rating (3)	Of which: Problematic credit risk (4)	Of which: Impaired credit risk	Expenses (income) for credit losses	Net accounting write-offs	Provision for Credit losses
In respect of borrowers in Israel							
Public-Commercial:							
Industry	**10,706**	**10,230**	**304**	**100**	**(9)**	**8**	**167**
Construction and Real estate - construction (5)	**14,229**	**13,845**	**128**	**59**	**3**	**1**	**119**
Construction and Real estate - real estate activities	**7,228**	**6,904**	**112**	**108**	**2**	**-**	**59**
Commerce	**8,821**	**8,278**	**243**	**88**	**7**	**(5)**	**165**
Financial services	**18,547**	**18,434**	**5**	**5**	**(2)**	**(2)**	**12**
Other business services	**14,963**	**13,883**	**453**	**112**	**(14)**	**(2)**	**223**
Total commercial (6)	**74,494**	**71,574**	**1,245**	**472**	**(13)**	**-**	**745**
Private individuals - housing loans	**37,220**	**36,674**	**192**	**146**	**1**	**(1)**	**127**
Private individuals - others	**35,951**	**34,984**	**258**	**109**	**10**	**(3)**	**343**
Total public - activity in Israel	**147,665**	**143,232**	**1,695**	**727**	**(2)**	**(4)**	**1,215**
Banks and Israeli government in Israel	**13,880**	**13,880**	**-**	**-**	**-**	**-**	**2**
Total activity in Israel	**161,545**	**157,112**	**1,695**	**727**	**(2)**	**(4)**	**1,217**
In respect of borrowers abroad							
Total public - activity abroad	**1,485**	**1,360**	**2**	**2**	**2**	**-**	**7**
Banks and foreign governments abroad	**5,023**	**5,023**	**-**	**-**	**-**	**-**	**-**
Total activity abroad	**6,508**	**6,383**	**2**	**2**	**2**	**-**	**7**
Total	**168,053**	**163,495**	**1,697**	**729**	**-**	**(4)**	**1,224**

NOTES:

(1) Balance sheet credit risk and off-balance sheet credit risk, including in respect of derivative instruments. Includes debts (2), 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 111,228, 13,959, 322, 2,332 and 40,212 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 in respect of problematic credit, accruing and non- accruing interest, including housing loans.

(5) Including balance sheet credit risk amounting to NIS 102 million and non-utilized credit facilities amounting to NIS 61 million, in respect of loans extended to certain purchasing groups currently in the process of construction.

(6) The balance of commercial debts includes housing loans in the amount of NIS 3,003 million, combined in the transaction and collateral position of commercial borrowers or those extended to certain purchasing groups currently in the process of constructions.

Total credit risk according to economic sectors (cont'd)
(NIS million)

	March 31, 2021						
					Credit losses (2)		
	Total credit risk(1)	Of which: Credit execution rating (3)	Of which: Problematic credit risk (4)	Of which: Impaired credit risk	Expenses (income) for credit losses	Net accounting write-offs	Provision for Credit losses
In respect of borrowers in Israel							
Public-Commercial:							
Industry	9,943	9,311	436	137	(6)	10	223
Construction and Real estate - construction (5)	11,200	10,794	135	49	(6)	(3)	88
Construction and Real estate - real estate activities	5,828	5,399	143	121	(1)	1	34
Commerce	7,246	6,643	237	40	(7)	1	208
Financial services	15,976	15,924	12	8	-	-	30
Other business services	13,809	12,665	593	138	6	2	267
Total commercial (6)	64,002	60,736	1,556	493	(14)	11	850
Private individuals - housing loans	32,564	31,892	338	-	7	-	171
Private individuals - others	34,504	33,456	284	114	(3)	(5)	320
Total public - activity in Israel	131,070	126,084	2,178	607	(10)	6	1,341
Banks and Israeli government in Israel	13,972	13,972	-	-	-	-	-
Total activity in Israel	145,042	140,056	2,178	607	(10)	6	1,341
In respect of borrowers abroad							
Total public - activity abroad	1,244	1,230	-	-	1	-	7
Banks and foreign governments abroad	3,916	3,916	-	-	-	-	-
Total activity abroad	5,160	5,146	-	-	1	-	7
Total	150,202	145,202	2,178	607	(9)	6	1,348

* Restated according to the new representation format in respect of non-accruing debts instead of impaired debts.

NOTES:

(1) Balance sheet credit risk and off-balance sheet credit risk, including in respect of derivative instruments. Includes debts (2), 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 96,710, 14,336, 244, 1,603 and 37,309 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 in respect of problematic credit, accruing and non- accruing interest, including housing loans.

(5) Including balance sheet credit risk amounting to NIS 68 million and non-utilized credit facilities amounting to NIS 100 million, in respect of loans extended to certain purchasing groups currently in the process of construction.

(6) The balance of commercial debts includes housing loans in the amount of NIS 3,098 million, combined in the transaction and collateral position of commercial borrowers or those extended to certain purchasing groups currently in the process of constructions.

Total credit risk according to economic sectors (cont'd)
(NIS million)

	as at December 31, 2021						
					Credit losses (2)		
	Total credit risk(1)	Of which: Credit execution rating (3)	Of which: Problematic credit risk (4)	Of which: Impaired credit risk	Expenses (income) for credit losses	Net accounting write-offs	Provision for Credit losses
In respect of borrowers in Israel							
Public-Commercial:							
Industry	10,585	10,031	366	125	(28)	14	191
Construction and Real estate - construction (5)	13,840	13,381	143	55	(1)	(2)	92
Construction and Real estate - real estate activities	6,549	6,144	113	100	(16)	1	25
Commerce	7,520	6,933	252	49	(58)	(8)	166
Financial services	18,602	18,486	10	5	(15)	(8)	22
Other business services	14,233	13,215	495	114	(88)	3	171
Total commercial (6)	71,329	68,190	1,379	448	(206)	-	667
Private individuals - housing loans	35,838	35,222	275	-	(6)	(1)	159
Private individuals - others	35,595	34,385	280	105	2	(6)	326
Total public - activity in Israel	142,762	137,797	1,934	553	(210)	(7)	1,152
Banks and Israeli government in Israel	14,875	14,875	-	-	-	-	-
Total activity in Israel	157,637	152,672	1,934	553	(210)	(7)	1,152
In respect of borrowers abroad							
Total public - activity abroad	1,110	1,091	2	-	(6)	(1)	3
Banks and foreign governments abroad	4,070	4,070	-	-	-	-	-
Total activity abroad	5,180	5,161	2	-	(6)	(1)	3
Total	162,817	157,833	1,936	553	(216)	(8)	1,155

* Restated according to the new representation format in respect of non-accruing debts instead of impaired debts.

NOTES:

(1) Balance sheet credit risk and off-balance sheet credit risk, including in respect of derivative instruments. Includes debts (2), 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 105,661, 14,359, 845, 1,709 and 40,243 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 in respect of problematic credit, accruing and non- accruing interest, including housing loans.

(5) Including balance sheet credit risk amounting to NIS 84 million and non-utilized credit facilities amounting to NIS 80 million, in respect of loans extended to certain purchasing groups currently in the process of construction.

(6) The balance of commercial debts includes housing loans in the amount of NIS 2,964 million, combined in the transaction and collateral position of commercial borrowers or those extended to certain purchasing groups currently in the process of constructions.

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(5)	As of March 31, 2022			As of December 31, 2021		
	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-	**151**	**2**	**153**	85	2	87
A+ to A-	**3,566**	**34**	**3,600**	2,717	33	2,750
BBB+ to BBB-	**118**	**2**	**120**	119	2	121
BB+ to B-	**122**	**-**	**122**	194	-	194
Total credit exposure to foreign financial institutions	**3,957**	**38**	**3,995**	3,115	37	3,152
Of which: Balance of problematic loans (4)	**-**	**-**	**-**	-	-	-

NOTES:
(1) Foreign financial institutions include: banks, investment banks, brokers/dealers, insurance companies, institutional investors and entities under their control.
(2) Deposits at banks, credit to the public, investments in bonds, securities that have been lent and other assets in respect of derivative instruments.
(3) Mainly guarantees and liabilities for the granting of credit, including guarantees for securing third-party indebtedness.
(4) Credit risk that is impaired, 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.

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 266 million on March 31, 2022 (December 31, 2021 - NIS 299 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 quarter of the year no material change has occurred in the credit exposure of the Bank to thses 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 (94%) is attributed to leading financial institutions in OECD countries, which are graded AAA to A-, and 4% 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 251 million investment in foreign currency bonds.

The bonds portfolio, included in the foreign financial institutions exposure, is deversified and all these bonds are investment grade bonds, of which 55% are rated A- or higher.

The average duration of the portfolio is 2.5 years.

In addition, balance-sheet credit risk includes NIS 2.2 billion of deposits placed with foreign banks, mainly for a short period of a day to a week.

As of March 31, 2022 there is no country in which the credit exposure to sovereigns of the Bank group exceeding 15% of the Bank's equity capital, which amounted to NIS 1,846 million (as defined in Proper Conduct of Banking Business Regulation No. 202 concerning capital components).

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)

	March 31, 2022			December 31, 2021		
	exposure			exposure		
	Balance sheet (2)	Off Balance sheet(2)(3)	Total	Balance sheet (2)	Off Balance sheet(2)(3)	Total
United States	**4,380**	**35**	**4,415**	3,122	65	3,187
Other	**3,021**	**385**	**3,406**	2,738	386	3,124
Total exposure to foreign countries	**7,401**	**420**	**7,821**	5,860	451	6,311
Off which: Total exposure to PIGS countries (Portugal, Italy, Greece and Spain)	**23**	**1**	**24**	21	1	22
Off which: Total exposure to LDC countries	**179**	**40**	**219**	219	39	258
Off which: Total exposure to countries with liquidity problems	(4)**45**	**3**	**48**	17	2	19

* 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) Including debts amounting to NIS 39 million that are fully insured.

Risks in the Housing loans portfolio

Credit policy at the Bank Group regarding mortgages

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 transactions 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, modified to customers of the Group, 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.

Volume of housing loans

	For the three months ended March 31		
	2022	**2021**	**Change**
		NIS million	%
Housing loans extensions			
Loans from bank funds	**2,211**	1,669	32.5
Loans from treasury funds	**6**	5	20.0
Grants from treasury funds	**5**	3	66.7
Total new loans	**2,222**	1,677	32.5
Refinanced loans from bank funds	**239**	172	39.0
Total extensions	**2,461**	1,849	33.1

	As at March 31,		
	2022	**2021**	**Change**
		NIS million	%
Balance of housing loans, net			
Loans from bank funds	**33,305**	28,960	15.0
Loans from treasury funds*	**255**	276	(7.6)
Grants from treasury funds*	**64**	49	30.6
Total balance of housing loans	**33,624**	29,285	14.8

* 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 the 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 March 31, 2022 included 69% of credit granted at an LTV of up to 60% compare to 70% on March 31, 2021. 98% of total loans were granted at an LTV of up to 75%, compared with 97% on March 31, 2021.

Housing loan extensions from the Bank's sources in the first three months of 2022 included 63% of credit granted at an LTV of up to 60%, compared with 65% 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 March 31, 2022 included 90% of credit granted at a debt-income ratio of up to 35%, similar to March 31, 2021. 99% of the credit was extended to borrowers on the basis of a debt-income ratio of up to 50%, compared to 98% in March 31, 2021.

Housing loan extensions from the Bank's sources in the first three months of 2022 included 90% of credit granted at a debt-income ratio of up to 35% compared with 92% 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 March 31, 2022 includes 60% of credit that was granted at floating-rate interest and amounts to NIS 19,989 million.

Housing loan extensions from the Bank's sources in the first three months of 2022 include NIS 1,075 million of credit granted at floating-rate interest of up to five years constituting 49% of extentions. An amount of NIS 247 million is floating-rate credit five years and above, constituting 11% of extentions .

Long-term loans

The portfolio of housing loans from the Bank's sources as of March 31, 2022 includes 78% of credit whose redemption period as of the report date is up to 25 years and amounts to NIS 25,993 million.

Housing loan extensions from the Bank's sources in the first three months of 2022 include 59% of credit whose redemption period as of the report date is up to 25 years and amounts to NIS 1,315 million.

Set out below are data on the development of the housing loan portfolio at the Bank alone by linkage segments (excluding credit from Treasury funds and after deduction of the allowance 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
31.3.22	**9,520**	**29.4**	**14,277**	**44.0**	**3,577**	**11.0**	**5,041**	**15.6**	**7**	**-**	**32,422**	**883**	**33,305**
31.12.21	9,100	29.1	13,686	43.7	3,568	11.4	4,951	15.8	8	-	31,313	872	32,185

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

	Three months 2022	Three months 2021	2021	2020	2019	2018
Total housing loan extensions (NIS million)	**2,211**	1,669	8,005	5,915	4,374	4,149
Rate of change in housing loan extensions compared with previous year	**32.5%**	9.8%	35.3%	35.2%	5.4%	10.5%
Rate of expense (income) on credit losses relative to mortgages at the Bank's risk	**0.01%**	0.10%	(0.02%)	0.14%	0.01%	-
Cumulative rate of allowance for credit losses relative to mortgages at the Bank's risk	**0.38%**	0.60%	0.50%	0.59%	0.49%	0.50%

Update of Proper Conduct of Banking Business Directive No. 451 – "procedures for extension of housing loans"

On January 31, 2022, Bank of Israel published an update to Proper Conduct of Banking Business Directive No. 451 – "procedures for extension of housing loans". The purpose of the update is to facilitate the procedures regarding a mortgage loan application with respect to three aspects: transparency and comparability of loan terms, simplicity and easy understanding of the terms and efficiency in the processing of the loan.

The amendment to the Directive contains, inter alia, changes in procedures for the granting of an approval in principle, including formation of a uniform structure for the approval in principle, setting out three uniform mortgage options with the possibility of customizing an option in accordance with the needs of the borrower, presentation of the total anticipated interest and the total anticipated repayments, determining a defined time-schedule for replying to the application for an approval in principle, the possibility of submitting an application and obtaining approval also online or by telephone, providing the public with an online calculator allowing simulation of different loan structures at different time ranges, including the uniform options, as well as information that a bank has to present on the Internet Application offered to customers, regarding the advisabilty of premature repayment of the loan.

The amendments to the Directive take effect on August 31, 2022, however, a banking corporation may act in accordance with the updated Directive, or a part thereof, even prior to the effective date of the amendments.

The Bank is preparing for the implementation of the amendment.

Private individuals credit risk (excluding housing loans and derivative instruments)

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 apetite 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 currently updated, 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 in the level of the single customer and in 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 both for the direct granting of credit via the Internet, the cellular application and via "International Bank Call", and in the underwriting process of credit at the branches. 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 proportional risk appetite of the Group as regards the consumer credit field.

The Bank focuses on retail 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 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, salaried persons and those having a fixed income, designated populations having a joint connection on a country-wide level (such as: teaching personel, 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 at Otsar Hahayal branches are salaried employees, large part of them are former employees of the defense forces. Loans to Ministry of Defense personnel are granted within the framework of different tender, reflect the capitalization of rights for interim periods and are characterized by large amounts and long periods. Moreover, within the framework of the terms of the tender, 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, deducted directly from salaries.

82% of the balance of the credit risk to private individuals is in respect of customers with fixed income credited to the account in an amount exceeding NIS 10 thousands.

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

	As of			Change	
	31.3.22	31.3.21	31.12.21	31.3.21	31.12.21
			NIS million		%
Current account and utilized balances of credit cards	**5,402**	4,969	5,449	8.7	(0.9)
Other loans	**17,589**	16,753	17,184	5.0	2.4
Total balance credit risk	**22,991**	21,722	22,633	5.8	1.6
Unutilized current account credit lines	**4,723**	4,744	4,686	(0.4)	0.8
Unutilized credit lines in credit cards	**7,543**	7,014	7,346	7.5	2.7
Other off-balance credit risks	**675**	1,005	910	(32.8)	(25.8)
Total off-balance credit risk	**12,941**	12,763	12,942	1.4	-
Total credit risk	**35,932**	34,485	35,575	4.2	1.0
Average volume of credit, including overdrafts, credit cards and loans	**21,837**	20,446	21,254	6.8	2.7

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

	As of			Change	
	31.3.22	31.3.21	31.12.21	31.3.21	31.12.21
			NIS million		%
Impaired credit risks	**109**	114	105	(4.4)	3.8
Unimpaired problematic credit risk	**149**	170	175	(12.4)	(14.9)
Non-problematic credit risk	**35,674**	34,201	35,295	4.3	1.1
Total credit risk	**35,932**	34,485	35,575	4.2	1.0
Of which: unimpaired debts in arrears of 90 days or more	**13**	14	22	(7.1)	(40.9)
Balance of restructured debts out of the problematic credit	**78**	108	102	(27.8)	(23.5)
Expense (income) rate of credit losses out of total credit to the public*	**0.17%**	(0.06%)	0.01%		

*annualized

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

				March 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	**304**	**37**	**341**	**200**
Up to 10	**3,422**	**497**	**3,919**	**2,141**
From 10 to 20	**4,858**	**1,506**	**6,364**	**3,500**
Over 20	**6,560**	**5,807**	**12,367**	**7,100**
Total	**15,144**	**7,847**	**22,991**	**12,941**

				March 31, 2021
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	433	82	515	222
Up to 10	3,617	502	4,119	2,266
From 10 to 20	4,875	1,600	6,475	3,639
Over 20	5,363	5,250	10,613	6,636
Total	14,288	7,434	21,722	12,763

				December 31, 2021
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	323	39	362	213
Up to 10	3,458	491	3,949	2,196
From 10 to 20	4,897	1,505	6,402	3,508
Over 20	6,411	5,509	11,920	7,025
Total	15,089	7,544	22,633	12,942

* 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
	March 31, 2022	**March 31, 2021**	**December 31, 2021**
Period to redemption			NIS million
Up to one year	**5,939**	5,453	5,953
From one to three years	**3,235**	3,033	3,203
From three to five years	**4,807**	4,751	4,752
From five to seven years	**2,937**	2,911	2,925
Over seven years	**6,073**	5,574	5,800
Total	**22,991**	21,722	22,633

Distribution by size of credit to the borrower*

	March 31, 2022			March 31, 2021			December 31, 2021		
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	**209**	**449**	**658**	207	461	668	213	456	669
From 10 to 20	**418**	**853**	**1,271**	400	857	1,257	421	866	1,287
From 20 to 40	**1,168**	**2,002**	**3,170**	1,131	2,006	3,137	1,180	2,015	3,195
From 40 to 80	**2,899**	**3,370**	**6,269**	2,876	3,345	6,221	2,944	3,382	6,326
From 80 to 150	**5,759**	**3,262**	**9,021**	5,682	3,252	8,934	5,772	3,267	9,039
From 150 to 300	**6,992**	**2,192**	**9,184**	6,659	2,146	8,805	6,875	2,181	9,056
Over 300	**5,546**	**813**	**6,359**	4,767	696	5,463	5,228	775	6,003
Total	**22,991**	**12,941**	**35,932**	21,722	12,763	34,485	22,633	12,942	35,575

* 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

	March 31, 2022	March 31, 2021	December 31, 2021
	Balance sheet credit risk	**Balance sheet credit risk**	**Balance sheet credit risk**
Type of credit	NIS million	NIS million	NIS million
Current account	**1,519**	1,314	1,538
Credit card	**3,883**	3,655	3,911
Credit carrying variable interest	**16,957**	16,166	16,559
Credit carrying fixed interest	**632**	587	625
Total	**22,991**	21,722	22633

Collateral

	March 31, 2022			March 31, 2021			December 31, 2021		
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 million			NIS million			NIS million
Total credit secured by collateral*	**4,620**	**407**	**5,027**	4,270	692	4,962	4,467	638	5,105
* Of which:									
Non-liquid collateral	**4,196**	**380**	**4,576**	3,865	664	4,529	4,048	612	4,660
Liquid collateral	**424**	**27**	**451**	405	28	433	419	26	445

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 proportional 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 in an initiated fashion on the basis of monitoring the risk characteristics of the borrower and identifying his needs. 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 at the Bank by means of an appropriate infrastructure of restraint, supervision, control and audit mechanisms. Control in the matter of consumer credit is conducted by means of 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.

The second line of defense includes different controls, the essence of which are intended to test the financial management of accounts and to identify signs for deterioration in the debt situation. Deterioration signs may stem from a decline in the volume of operations, deviation from approved credit facilities, etc. 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.

The third line of defense is the internal audit group, 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 respect of this risk.

Construction and real estate sector risks

The Bank adopts a proportional and careful credit policy, approved by the Board of Directors of the Bank, examined every year and revised in accordance with changes in conditions in the country, both in the real estate sector in general and in the credit field inparticular, changes in regulation (such as: directives of the Supervisor of Banks and Government regulations), etc. The said proportionality and care are reflected in the examination of the financing ratio, sensitivity analisys examination of the financing of construction projects and examination of the ratio of the borrower's equity and early sales, this 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 property designed for office, commercial and industrial use.

The examination by the Bank of new requests for the financing of real estate projects is typified by different parameters, inter alia, the location of the property, geographic distribution, designation (residential/office/commercial), type of transaction (National Outline Plan/"price for the house purchaser"/"target price" etc.). Also examined is the level of risk involved in each financing transaction in relation to the ratio of finance, period of the loan, quality of the borrower and his financial stability. The level of pricing and the profitability of the case are determined in accordance with the parameters stated above as well as additional parameters.

Over and above examination performed on a current basis, the Bank conducts periodic discussions with respect of all credit portfolios 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 pricing of each transaction is strictly calculated in accordance with the risk involved and the required capital allocation, using tools for the calculation of returns.

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

As of the reporting date, the real estate market in Israel is experiencing an accelerated growth and development trend, focused on the residential segment, but also on the office premises and commercial segment. This trend, combined with the proportional policy of the Bank, resulted in no material impact on the credit portfolio being recorded, based on estimates of the Bank's Management.

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

		March 31,	December 31,
	2022	**2021**	**2021**
			NIS million
Overall credit risk(1)(3)			
Projects not yet completed			
Of which: Open land	**4,789**	2,306	3,630
Property under construction	**4,983**	4,783	4,893
Completed building projects	**5,188**	4,530	5,185
Other(2)	**6,497**	5,409	6,681
Total	**21,457**	17,028	20,389

(1) Of which: credit secured by residential property in the amount of NIS 8,345 million (a stated balance of NIS 5,101 million and off-balance sheet amount of NIS 3,244 million), credit secured by industrial property in the amount of NIS 844 million (a stated balance of NIS 780 million and off-balance sheet amount of NIS 64 million), and credit secured by commercial property in the amount of 5,771 million (a stated balance of NIS 5,388 million and off-balance sheet amount of NIS 383 million) (31.12.21 - NIS 7,522 million, NIS 800 million and NIS 5,386 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, such as and mostly - infrastructure projects, credit to income producing property companies and borrowers where the value of their property for prompt realization purposes secures less than 50% of the credit risk of the borrower.

(3) The average financing ratio (weighted) with respect to open land is 83%, to projects under construction 77% and to completed building projects 73%.

The ratio of credit not having a credit granting rating, to total credit risk in the construction and real estate sector as of March 31, 2022, amounts to 3.3%, as compared to 4.2% at December 31, 2021.

The ratio of problematic credit to total credit risk in the construction and real estate sector as of March 21, 2022, amounts to 1.1%, as compared to 1.3% at December 31, 2021.

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 2021.
As of March 31, 2022 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 508 million, compared to NIS 568 million on March 31, 2021 and NIS 489 million at the end of 2021.

Significant exposures to borrower groups

As of March 31, 2022, there is no borrower group which its indebtness 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.

Interest exposure

Interest risk is the actual or future existence of a risk to the Group's income or capital deriving from movement in interest rates, effecting the Bank's earnings by changes in net income, and the value of the Bank's assets, liabilities and off-balance-sheet instruments, since the fair value of future cash-flows (and in certain cases the cash-flows themselves) changes when the interest rates are changing. The main shapes of the interest risk to which the Bank is exposued to are: risk of repricing, yield curve risk, basis risk and option risk. Interest risks in respect of the entire portfolio are 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, a specific directive in the area of interest risk management with emphasis on the banking portfolio. The Bank implemented 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):

	March 31, 2022			March 31, 2021			December 31, 2021		
	NIS	Foreign currency	Total	NIS	Foreign currency	Total	NIS	Foreign currency	Total
			NIS million			NIS million			NIS million
Adjusted fair value, net (1)	**7,740**	**(41)**	**7,699**	9,107	(153)	8,954	8,165	4	8,169
Of which: banking portfolio	**7,558**	**(159)**	**7,399**	8,596	(127)	8,469	8,301	(166)	8,135

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

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

	March 31, 2022			March 31, 2021			December 31, 2021		
	NIS[5]	Foreign currency[5]	Total	NIS[5][7]	Foreign currency[5][7]	Total	NIS[5]	Foreign currency[5]	Total
			NIS million			NIS million			NIS million
Parallel changes									
Parallel increase of 1%	**(4)**	**3**	**(1)**	(89)	(47)	(136)	(27)	17	(10)
Of which: banking portfolio	**(6)**	**14**	**8**	(76)	(36)	(112)	(14)	18	4
Parallel decrease of 1%	**69**	**(3)**	**66**	149	54	203	105	(14)	91
Of which: banking portfolio	**68**	**(12)**	**56**	147	40	187	95	(15)	80
Non-parallel changes									
Steeping[2]	**(175)**	**22**	**(153)**	(199)	(11)	(210)	(132)	5	(127)
Flattening[3]	**187**	**(22)**	**165**	217	(11)	206	167	(10)	157
Interest increase in short term	**157**	**(16)**	**141**	154	(29)	125	134	(1)	133
Interest decrease in short term	**(122)**	**20**	**(102)**	(38)	32	(6)	(26)	3	(23)

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

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

	March 31, 2022			March 31, 2021			December 31, 2021		
	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%	**533**	**(1)**	**532**	415	(4)	411	529	5	534
Of which: banking portfolio	**532**	**-**	**532**	414	1	415	528	-	528
Parallel decrease of 1%	**(641)**	**2**	**(639)**	(717)	4	(713)	(646)	(6)	(652)
Of which: banking portfolio	**(640)**	**-**	**(640)**	(717)	(1)	(718)	(646)	-	(646)

(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 details as to the assumptions used to calculate the adjusted fair value of the 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.
(4) After offsetting effects.
(5) Components for which a negative interest environment in taken into account- financial derivative instruments, assets and liabilities in the CPI segment and bonds in the foreign currency segment.
(6) In interest decline scenarios reflecting negative interest, the effect of the scenario on interest income, net was calculated according to deferent assumptions.
(7) An update of the premature repayment of mortgage loans and demand deposits (NIS and foreign currency) model was made during the fourth quarter leading to an increase as of date of the update (31.12.2021) of NIS 100 million in the fair value, in a scenario of a 1% increase in interest and to a decrease in fair value of NIS 86 million in a scenario of a 1% decrease in interest. Corresponding data as of 31.3.2021 were not restated.

Basis exposure

Actual basis exposure

Set out below is a description of the actual basis exposure by linkage segments (NIS millions):

	Actual basis exposure		% of the capital	
	As of March 31,	As of December 31,	As of March 31,	As of December 31,
	2022	2021	2022	2021
Non-linked local currency	**3,810**	3,906	**37**	37
CPI-linked local currency	**3,511**	3,654	**34**	35
Foreign currency and f-C linked	**(199)**	(103)	**(2)**	(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 currenci es as of March 31, 2022 (NIS millions).

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

Percentage change in exchange rate	Dollar	Euro
5% decrease	**1**	**3**
10% decrease	**-**	**8**
5% increase	**(2)**	**(3)**
10% increase	**-**	**(5)**

NOTES:

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

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

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

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

Sensitivity of capital to changes in the CPI

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

Set out below is the sensitivity of the Bank's capital to theoretical changes in the CPI as of March 31, 2022 (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	**(70)**
3% increase	**75**

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 March 31, 2022			**As of December 31, 2021**		
	Derivatives not for trading	**Derivatives for trading**	**Total**	**Derivatives not for trading**	**Derivatives for trading**	**Total**
Hedging transactions:						
Interest rate contracts	**3,256**	**-**	**3,256**	3,245	-	3,245
Other transactions:						
Interest rate contracts	**1,417**	**15,848**	**17,265**	1,499	13,471	14,970
Foreign currency contracts	**20,736**	**52,822**	**73,558**	22,552	50,774	73,326
Contracts on shares, share indexes, commodities and other contracts	**1**	**65,920**	**65,921**	39	73,789	73,828
Total derivative financial instruments	**25,410**	**134,590**	**160,000**	27,335	138,034	165,369

LIQUIDITY RISK

Liquidity risk is the risk that the Bank will have difficulty in honoring its liabilities due to unexpected withdrawals of deposits from the public, unexpected demand for credit, uncertainty regarding the availability of sources and other unexpected liabilities, 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 extreme situations might endanger the stability of the Bank.

Liquidity coverage ratio

The liquidity coverage ratio of the Group for the three months ended March 31, 2022 amounted to 126%, compared with 128% in the three months ended December 31, 2021.

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 8to the condensed financial statements.

Net stable financing ratio – NSFR

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

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

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

As from December 31, 2021 (the effective date of the Directive), the Bank is required to maintain on a current basis a NSFR equal to or higher than 100%.

The Bank holds a considerable rate of retail deposits, which in accordance with the Directive are considered as available stable finance.

Set out below is the net stable financing ratio:

	March 31,	December 31,
	2022	2021
		percent
Net stable financing ratio (consolidated)	**137%**	**139%**
Minimal net stable financing ratio required by the Supervisor of Banks	**100%**	**100%**

Liquidity position and the composition of assets and liabilities

The liquidity assets at the group, which includes cash, deposits at the Bank of Israel, deposits at banks and liquid securities, amounted to NIS 67.6 billion on March 31, 2022, compared with NIS 71.3 billion at the end of 2021. Of this amount, the balance of cash, deposits with the Bank of Israel and deposits with banks accounted for NIS 54.0 billion, and NIS 13.6 billion were invested in securities, principally Israel government bonds.

The ratio of deposits from the public to credit to the public on March 31, 2022 amounted to 145.0% compared with 151.7% on December 31, 2021.

At the end of March 2022, deposits from the public, bonds and subordinated notes totaled NIS 157.7 billion compared with NIS 156.8 billion at the end of 2021.

The composition of the assets and liabilities of the Bank shows high liquidity. This, as a result of the policy to raise deversified and stable funds, while emphsizing on raising sources for medium and long periods from deversified customers sectors and in different currencies.
The Bank has sources in a short-medium contructual 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 March 31, 2022	As of December 31, 2021
		NIS million
1	**5,326**	4,436
2	**2,945**	2,689
3	**2,377**	2,275

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 2021 and the risk report for 2021 on the Bank's website.

DISCUSSION OF RISK FACTORS

For discussion in risk factors see the chapter of risk review in the annual financial statements of the Bank for 2021.
No change occurred in the level of risk factors during the first quarter of 2022 compared with the table published in the annual financial statements for 2021.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

General

The estimates and assessments regarding critical accounting policy matters were made in accordance with the best knowledge and judgment of the professional entities engaged in their preparation, and that they were applied in an appropriate manner in the financial statements of the Bank.

A review of the significant areas, to which, in the opinion of the Bank Management, critical accounting policies apply, are detailed in the Directors and Management report for 2021, with no changes therein, except as stated hereunder.

Provision for credit losses

As from January 1, 2022, the Bank applies the accounting principles accepted by US banks with respect to 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 credit losses expected over the lifespan of the credit. The process of determining the provision, is based on a method developed for the purpose of assessing expected losses while taking into consideration historical data and supported reasonable forward looking forecasts. Likewise, such assessment is based on qualitative modifications as well as adjustments to macro-economic factors, including forecasts and sujective estimates by Management, which involve uncertainty. Changes in assessments or in estimates may have a material impact on the provision for credit losses.

In addition, in each quarter the Bank tests the reasonableness of the overall provision, a process that includes also aspects of judgment, assessments and estimates regarding the level of risk inherent in the credit portfolio of the Bank.

As a general rule, the provision for expected credit losses on a collective basis is assessed with respect to assets having similar risk characteristics, while with respect to commercial credit classified as nonaccrual, the contractual balance of which is higher than NIS 1 million, the Bank assesses the provision on a specific basis, using the capitalized cash flow method and/or on the basis of the fair value of the collateral, for loans the collection of which depends on collateral.

The specific provision is based on estimation of the expected receipts for repayment of the debt is based upon the diverse relevant sources of repayment, including the borrower's business activity, the value of the collateral provided by the borrower, and the realization value of the guarantees provided by the borrower or by third parties, and requires the use of judgement and estimates which the Management of the Bank regards as reasonable at date of assessment, although there is naturally no certainty that the amounts actually received will be the same as the determined estimates.

The collective provision is computed for each group of financial instruments having similar risk characteristics, when, with respect to commercial credit, the Bank applies as from January 1, 2022, a method based on historical loss rates (WARM), and as regards private individuals and residential credit, the Bank applies the failure/loss probability method given a failure (PD/LGD).

In order to determine the qualitative modifications and adjustments to macro-ecocnomic factors, the Bank takes into account the characteristics of the financial assets environmental factor data relating to different aspects, including changes in the scope of credit, changes in the volume of problematic debts, the quality of controls, the concentration of credit, and more. Existing economic conditions and future economic forecasts have an effect in the models applied in periods defined by the Bank as the supported reasonable forecast period that can be established.

In addition to the collective provision accepted according to the relevant models, the Bank examines, in respect of the qualitative adjustments, if additional uncertainties exisit, which are not taken into account in the results. The Bank implements discretion in respect of these uncertainties and to the extent required, updates the collective provision.

During 2020, in view of the high uncertainty created by the Coronavirus crisis, the Bank had increased by significant rates the qualitative adjustment produced by the quantitative models.

Starting with the second quarter of 2021, in view of the possitive developments in the economy, reflected in the ability to manage the pandemic without imposing severe restriction on the economic activity, in adaptation to conduct continuous economic activity alongside the existence of the pandemic, in positive macro-economic parameters, such as: encouraging growth data and reduction in unemployment, the Bank has reduced in part the increases in the qualitative modifications imposed during the crisis. However, within the framework of the considerations for determining the level of provision as of March 31, 2022, account had been, inter alia, taken of the uncertainty that still exists with respect to the impact of the Corona crisis. The adequacy of the provision had been tested also in relation to the uncertainty prevailing in the global economy, inter alia, following the war between Russia and the Ukraine.

In view of the fact that the implementation as from January 1. 2022, of the new guidelines for the computation of the provisions for credit losses had required the development of a number of new and complex models, which as yet have not been teststed against actual results, and which may require calibration in the future, and in view of limitations existing in the historical data required to establish the models in an optimal manner, the Bank has increased the qualitative modifications used in the computation of the collective provision.

It is emphasized that the credit loss expense depends on a wide range of factors in respect of which uncertainty exists. Assessment of the provision for credit losses requires Management to use assessments and estimates, which are generally based upon economic forecasts, estimates regarding the markets and assessment of their effect of credit risk and on the future realization of credit losses. Use of assessments and estimates requires the use of judgment, which Management believes to be reasonable at date of signing the financial statements. Notwithstanding that, and in the nature of things, there is no certainty that the credit losses that might arise in the future with respect to the existing credit portfolio, would be identical to the assessments and estimates made.

Estimates made by the Bank with respect to provisions for credit losses, are considered forward-looking information, as defined by the Securities Act, 1968, which is based, inter alia, on information, publications by third parties and assessments existing in the hands of the Bank at this date. Such assessments are uncertain and actual credit losses may be materially different from the assessments made.

With respect to updates to accounting principles accepted by US banks in the matter of the provision for expected credit losses (CECL), which are being applied by the Bank as from January 1, 2022, see Note 1(c) to the financial statements.

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 March 31, 2022 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 first quarter ending on March 31, 2022, 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 Chairman of the Board	**Smadar Barber-Tsadik** Chief Executive Officer	**Nachman Nitzan** Executive Vice President, Chief Accountant

Tel Aviv, May 24, 2022

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 March 31, 2022 (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 (1). 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, May 24, 2022

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 March 31, 2022 (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 [(1)]. 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, May 24, 2022

Nachman Nitzan
Executive Vice President,
Chief Accountant

FINANCIAL STATMENTS

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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 March 31, 2022 and the related condensed consolidated interim statements of income, comprehensive income, changes in equity and cash flows for the three months period 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" of the Institute of Certified Public Accountants in Israel 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 respects, 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.)

May 24, 2022

CONSOLIDATED STATEMENT OF INCOME

(NIS million)

	NOTE	For the three months ended March 31 2022	For the three months ended March 31 2021	For the year ended December 31 2021
		(unaudited)	(unaudited)	(audited)
Interest Income	2	**871**	729	3,150
Interest Expenses	2	**127**	59	356
Interest Income, net		**744**	670	2,794
Income from credit losses	6,12	**-**	(9)	(216)
Net Interest Income after expenses from credit losses		**744**	679	3,010
Non- Interest Income				
Non-Interest Financing income	3	**34**	*76	303
Fees		**384**	361	1,444
Other income		**8**	4	9
Total non- Interest income		**426**	441	1,756
Operating and other expenses				
Salaries and related expenses		**414**	398	1,601
Maintenance and depreciation of premises and equipment		**81**	85	340
Amortizations and impairment of intangible assets		**27**	26	105
Other expenses		**162**	147	606
Total operating and other expenses		**684**	656	2,652
Profit before taxes		**486**	464	2,114
Provision for taxes on profit		**169**	*161	728
Profit after taxes		**317**	303	1,386
The bank's share in profit of equity-basis investee, after taxes		**17**	13	69
Net profit:				
Before attribution to non-controlling interests		**334**	316	1,455
Attributed to non-controlling interests		**(12)**	(12)	(50)
Attributed to shareholders of the Bank		**322**	304	1,405
				NIS
Primary profit per share attributed to the shareholders of the Bank				
Net profit per share of NIS 0.05 par value		**3.21**	3.03	14.00

* Immaterial adjustment of comparative data. See Note 1.E below.

The notes to the condensed 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, 24 May, 2022

STATEMENT OF COMPREHENSIVE INCOME[1]

(NIS million)

	For the three months ended March 31		For the year ended December 31
	2022	2021	2021
	(unaudited)	(unaudited)	(audited)
Net profit before attribution to non-controlling interests	**334**	*316	1,455
Net profit attributed to non-controlling interests	**(12)**	(12)	(50)
Net profit attributed to the shareholders of the Bank	**322**	304	1,405
Other comprehensive income (loss) before taxes:			
Adjustments of available for sale bonds to fair value, net	**(216)**	11	27
Adjustments of liabilities in respect of employee benefits[2]	**131**	66	(24)
Other comprehensive income (loss) before taxes	**(85)**	77	3
Related tax effect	**30**	(26)	(1)
Other comprehensive income (loss) before attribution to non-controlling interests, after taxes	**(55)**	51	2
Less other comprehensive income (loss) attributed to non-controlling interests	**(5)**	1	-
Other comprehensive income (loss) attributed to the shareholders of the Bank, after taxes	**(50)**	50	2
Comprehensive income before attribution to non-controlling interests	**279**	367	1,457
Comprehensive income attributed to non-controlling interests	**(7)**	(13)	(50)
Comprehensive income attributed to the shareholders of the Bank	**272**	354	1,407

* Immaterial adjustment of comparative data. See Note 1.E below.

(1) See note 4.

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

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

CONSOLIDATED BALANCE SHEET
(NIS million)

	NOTE	31.3.22 (unaudited)	31.3.21 (unaudited)	31.12.21 (audited)
Assets				
Cash and deposits with banks		**53,979**	59,471	57,370
Securities[4]	5	**14,850**	*14,730	15,091
Securities which were borrowed		**322**	244	845
Credit to the public	6,12	**107,342**	93,581	102,240
Provision for Credit losses	6,12	**(1,088)**	(1,260)	(1,076)
Credit to the public, net		**106,254**	92,321	101,164
Credit to the government		**843**	659	811
Investments in investee company		**740**	648	713
Premises and equipment		**912**	954	931
Intangible assets		**297**	265	300
Assets in respect of derivative instruments	10	**2,332**	1,603	1,709
Other assets[2]		**1,484**	1,605	1,536
Total assets		**182,013**	172,500	180,470
Liabilities and Shareholders' Equity				
Deposits from the public	7	**154,038**	146,600	153,447
Deposits from banks		**6,504**	3,326	5,144
Deposits from the Government		**476**	694	960
Bonds and subordinated capital notes		**3,675**	3,716	3,356
Liabilities in respect of derivative instruments	10	**2,360**	1,554	2,038
Other liabilities[1][3]		**4,672**	*6,708	5,088
Total liabilities		**171,725**	162,598	170,033
Capital attributed to the shareholders of the Bank		**9,851**	*9,495	10,003
Non-controlling interests		**437**	407	434
Total equity		**10,288**	9,902	10,437
Total liabilities and shareholders' equity		**182,013**	172,500	180,470

* Immaterial adjustment of comparative data. See Note 1.E below.

(1) Of which: provision for credit losses in respect of off-balance sheet credit instruments in the amount of NIS 134 million and NIS 88 million and NIS 79 million at 31.3.22, 31.3.21 and 31.12.21, respectively.
(2) Of which: other assets measured at fair value in the amount of NIS 261 million and NIS 375 million and NIS 333 million at 31.3.22, 31.3.21 and 31.12.21, respectively.
(3) Of which: other liabilities measured at fair value in the amount of NIS 435 million and NIS 375 million and NIS 641 million at 31.3.22, 31.3.21 and 31.12.21, respectively.
(4) Regarding amounts measured at fair value, see note 14B.

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

STATEMENT OF CHANGES IN EQUITY
(NIS million)

	For the three months ended March 31, 2022 (unaudited)					
	Share capital and premium (1)	Accumulated other comprehensive loss	Retained earnings (2)	Total	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	**-**	**-**	**322**	**322**	**12**	**334**
Dividend	**-**	**-**	**(380)**	**(380)**	**-**	**(380)**
Other comprehensive loss, net after tax effect	**-**	**(50)**	**-**	**(50)**	**(5)**	**(55)**
Balance as at March 31, 2022	**927**	**(231)**	**9,155**	**9,851**	**437**	**10,288**

	For the three months ended March 31, 2021 (unaudited)					
	Share capital and premium (1)	Accumulated other comprehensive income (loss)	Retained earnings (2)	Total	Non-controlling interests	Total equity
Balance as at December 31, 2020 (audited)	927	(183)	8,397	9,141	394	9,535
Net profit for the period	-	-	**304	304	12	316
Other comprehensive income, net after tax effect	-	50	-	50	1	51
Balance as at March 31, 2021	927	(133)	8,701	9,495	407	9,902

	For the year ended December 31, 2021 (audited)					
	Share capital and premium (1)	Accumulated other comprehensive income (loss)	Retained earnings (2)	Total	Non-controlling interests	Total equity
Balance as at December 31, 2020 (audited)	927	(183)	8,397	9,141	394	9,535
Net profit for the year	-	-	1,405	1,405	50	1,455
Dividend	-	-	(545)	(545)	(10)	(555)
Other comprehensive income, after tax effect	-	2	-	2	-	2
Balance as at December 31, 2021	927	(181)	9,257	10,003	434	10,437

* Cumulative effect of the initial implementation of US accounting principles in the matter of financial instruments – credit losses (ASC-326). For details, see Note 1.c below.

** Immaterial adjustment of comparative data. See Note 1.E below.

(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 condensed financial statements are an integral part thereof.

STATEMENT OF CASH FLOWS
(NIS million)

	For the three months ended March 31,		For the year ended December 31
	2022	2021	2021
	(unaudited)	(unaudited)	(audited)
Cash flows from (for) operating activities:			
Net profit for the period	**334**	*316	1,455
Adjustments to reconcile cash provided by operating activities:			
The Bank's share in profit of equity-basis investee	**(17)**	(13)	(69)
Depreciation of premises and equipment	**16**	17	66
Amortization of intangible assets	**27**	26	105
Gain on sale of premises and equipment	**(8)**	(3)	(7)
Income from credit losses	**-**	(9)	(216)
Gain from sale of available for sale bonds and not for trading shares and provision for impairment of available-for-sale bonds	**(2)**	(3)	(89)
Realized and non-realized gain from adjustment to fair value of trading securities	**(3)**	(3)	-
Realized and non-realized loss (gain) from adjustment to fair value of not for trading shares	**7**	*(49)	(125)
Deferred taxes, net	**(20)**	1	63
Defined benefit of pension and severance pay plans	**17**	15	81
Adjustments of exchange rate differences	**262**	404	(489)
Net change in current assets:			
Trading securities	**(47)**	(133)	(25)
Other assets	**31**	212	(155)
Assets in respect of derivative instruments	**(504)**	377	318
Net change in current liabilities:			
Other liabilities	**(237)**	*(312)	(1,562)
Liabilities in respect of derivative instruments	**321**	(760)	(276)
Accumulation differences included in investing and financing activities	**85**	44	(176)
Net cash from (for) operating activity	**262**	127	(1,101)
Cash flows for investing activity			
Change in Deposits in banks	**5**	183	262
Change in Securities borrowed	**523**	(233)	(834)
Change in Credit to the public	**(3,168)**	(771)	(7,583)
Change in Credit to the government	**(32)**	(3)	(155)
Purchase of available for sale bonds and not for trading shares	**(1,890)**	(2,253)	(6,003)
Proceeds from redemption of bonds held to maturity	**255**	52	207
Proceeds from sale of available for sale bonds and not for trading shares	**791**	261	2,123
Redemption of available for sale bonds	**103**	146	1,459
Acquisition of premises and equipment	**(2)**	(7)	(39)
Proceeds of sale of premises, equipment and other assets	**12**	6	14
Investment in intangible assets	**(22)**	(19)	(133)
Net cash for investing activity	**(3,425)**	(2,638)	(10,682)

* Immaterial adjustment of comparative data. See Note 1.E below.

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

STATEMENT OF CASH FLOWS (CONT'D)

(NIS million)

	For the three months ended March 31,		For the year ended December 31
	2022	2021	2021
	(unaudited)	(unaudited)	(audited)
Cash flows from (for) financing activity			
Change in Deposits from the public	**(532)**	4,653	11,158
Change in Deposits from banks	**1,360**	305	2,315
Change in Deposits from the government	**(1,002)**	(9)	(34)
Issue of bonds and subordinate debt notes	**300**	-	500
Redemption of bonds and subordinate debt notes	**(18)**	(678)	(1,588)
Dividend paid to shareholders	**(380)**	-	(545)
Dividend paid to non-controlling interests in consolidated subsidiary	**-**	-	(10)
Net cash from (for) financing activity	**(272)**	4,271	11,796
Increase (decrease) in cash	**(3,435)**	1,760	13
Cash balances at beginning of period	**57,158**	57,328	57,328
Effect of changes in exchange rates on cash balances	**50**	92	(183)
Cash balances at end of period	**53,773**	59,180	57,158
Interest and taxes paid and/or received:			
Interest received	**891**	843	3,269
Interest paid	**(72)**	(118)	(433)
Dividends received	**7**	6	43
Income tax paid	**(185)**	(204)	(771)
Income tax received	**39**	32	54

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 March 31, 2022, 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 generaly 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, 2021, and the related notes thereto (hereinafter - "the Annual Report").

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

In accordance with the guidelines of the Supervisor of Banks, publication of condensed financial statements is made on the basis of consolidated financial statements only. The condensed consolidated interim financial statements were approved for publication by the Board of Directors on May 24,2022.

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 consolidared 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. Initial implementation of accounting standards, updates of accounting standards and instructions of the Supervisor of Banks

As from the reporting periods beginning on January 1, 2022, the Bank implements updates to accounting principles accepted by US banks – financial instruments – credit losses (ASU 2016-13) and additional instructions as included in the FAQ file published by the Supervisor of Banks in the matter, letter No.2634-06 regarding the implementation of US accepted accounting principles in the matter of expected credit losses – update of the public reporting instructions, letter No.2635-06 regarding regulatory capital – effect of the implementation of accounting principles with respect to expected credit losses, letter No.2650-06 regarding expected credit losses on financial instruments – update of Proper Conduct of Banking Busines Directive, letter No.2651-06 regarding implementation of accounting principles in the matter of expected credit losses on residential loans – update of the public reporting instructions.

Following is a description of the changes made to the accounting policy applied in these condensed consolidated interim financial statements and a description of the manner and effect of the initial implementation, if at all.

On March 28, 2018, the Supervisor of Banks issued on March 28, 2018, a letter in the matter of "adoption of updates to accounting principles accepted by US banks – provisions for credit losses and additional instructions". In accordance with the letter, it is required to apply the accounting principles accepted by US banks in the matters of: provisions for credit losses, financial instruments, including derivative instruments and hedge transactions, as well as leases. Initial implementation shall be made in accordance with the transitional instructions stated in the US rules.

The letter adopts the US accepted accounting principles in the matter of provisions for anticipated credit losses, which had been published as part of the update to Standard ASU 2016-13. The aim of the new rules is to improve the quality of reporting the financial condition of the banking corporation by means of the early recognition of provisions for credit losses, in a manner that strengthens the counter-recurrence in the conduct of the provisions for credit losses, which supports a faster reaction of banks to deterioration in the credit quality of borrowers, and reinforces the bond between credit risk management and the way in which such risks are being reflected in financial statements, while basing it on existing methods and processes.

The principal changes in the accounting treatment in financial statements of banking corporations following implementation of these rules, are, inter alia,: a provision for credit losses computed according to the loss expected over the life of the credit, instead of an assessment of the loss sustained but not yet identified; in assessing the provision for credit losses significant use had been made of forward looking information reflecting reasonable and supported forecasts as to future economic events; disclosure has been expanded regarding the effect of the date of granting the credit on the quality of the credit portfolio; the manner of recording impairment of bonds in the available-for-sale portfolio has been changed. The new rules for the computation of the provision for credit loss apply to credit (including residential loans), to bonds held to maturity and to certain off-balance sheet credit exposure.

On January 31, 2021, the Supervisor of Banks published an FAQ file regarding the implementation of the new rules in the matter of expected credit losses. Within the framework of the FAQ, were,inter alia, included clarifications regarding the manner of classification and reinstatement of restructured debts in the accrual debt class.

On December 1, 2020, the Supervisor of Banks published a letter in the matter of "regulatory capital – effect of the implementation of accounting principles regarding anticipated credit losses". The letter states transitional instructions applying to the effect of the initial adoption of the new rules in the matter of anticipated credit losses, this, in order to reduce the unforeseen effects of the implementation of the rules upon the regulatory capital, in accordance with guidelines of the Basel Committee on Banking Supervision and the bank supervisory authorities in the US and other countries around the world.

In addition to the above, on February 2, 2021, the Supervisor of Banks published a letter in the matter of "anticipated credit loss from financial instruments", within the framework of which, the requirement to record a collective provision at a minimum rate of 0.35% in respect of residential loans, has, inter alia, been removed, and so was the requirement to record a minimum provision based on the extent of default period method. Likewise, the requirement to compute a minimal qualitative adjustment of 0.75% (or 0.5%) in respect of credit extended in the private individuals economic sector, has also been removed. Published in addition, was an update to Proper Conduct of Banking Business Directive No. 202 regarding "regulatory capital", according to which, banking corporations are required to deduct from the Tier 1 equity capital amounts in respect of residential loans classified over a time as nonaccrual loans, in accordance with the manner of computation determined in Appendix "H" to Proper Conduct of Banking Business Directive No. 202.

Following the implementation of the Standard, the Bank has changed certain processes regarding the testing and classification of problematic credit, defining credit as nonaccrual of interest income, write-off rules and methods for the measurement of the provision. Likewise, disclosure requirements have been modified to the requirements of the US accounting standards, as adopted by the Supervisor of Banks, within the framework of the public reporting instructions, all as detailed below.

The Bank applied the new instructions in the matter of provisions for credit losses as from January 1, 2022, while recording the cumulative effect in retained earnings at date of initial implementation. Likewise, on date of initial implementation, the Bank adopted certain mitigating instructions, as permitted in the trasitional instructions, including the distribution over a period of three years, of the effect of initial implementation on everything related to the Tier I equity capital ratio, in accordance with the trasitional instructions.

Most of the impact, as presented in the Pro-forma Note below, stemmed from the updating of the measurement methods of the credit loss provision, the treatment of residential loans of a nonaccrual status and accounting write-offs of interest or principal, updating of the related deferred tax balances, as well as the effect on the regulatory capital of deductions from capital in respect of residential loans classified for a long period as nonaccrual, and the distribution of the increase in the provision for credit loss over a future period, as stated in the provisional instructions mentioned above.

	31 December 2021	**Effect of CECL application**	**1 January 2022**
			NIS million
	(audited)		(unaudited)
1. Balance sheet			
Credit to the public	102,240	(8)	102,232
Balance of credit loss provision	1,076	63	1,139
Of which:			
Commercial portfolio	602	93	695
Residential loans	159	(34)	125
Private individuals other	315	4	319
Net credit to the public	101,164	(71)	101,093
2. Equity attributed to Bank's shareholders			
Retained earnings balance	9,257	(44)	9,213
			Percentages
3. Capital adequacy and leverage			
Tier I equity capital ratio	11.46%	(0.02%)	11.44%
Comprehensive capital ratio	13.59%	(0.02%)	13.57%
Leverage ratio	5.34%	(0.01%)	5.33%

Updated accounting policy applied following the initial implementation of new accounting principles regarding expected credit losses

Identification and classification of nonaccrual debts (replacing impaired debts)

The Bank has determined procedures for the identification of problematic credit and classification of debts for the purpose of distinguishing between debts classfied as nonaccrual and performing debts. In accordance with these procedures, the Bank classifiies all its problematic debts and off-balance sheet credit items under the following classifications: special supervision, substandard or nonaccrual. A debt is classified as nonaccrual when, based on information and present events, it is expected that the Bank would not be able to collect all amounts due to it in accordance with the contractual terms of the loan agreement.

Debts, including bonds, are considered in default when repayment of principal or interest had not been made following their due date. In addition, current account deposits or current overdraft accounts are reported as debts in arears of thirty days or over, when the account remains constantly for thirty days or over in excess of the approved credit facility, or if within the credit facility no funds had been deposited covering the debt during a period of 180 days.

For the purpose of classification and treatment of problematic debts, the Bank differentiates between:

- Commercial credit regarding debts the contractual balance of which exceeds NIS 1 million.

  Determination regarding the classification of the debt and the required provision in respect thereof is based on the default situation of the debt, assessment of the financial condition of the debtor and his repayment ability, assessment of the primary repayment source of the debt, existence and condition of collateral, the financial condition of guarantors, where existing, and their commitment to support the debt, and the ability of the debtor to obtain third party finance.

  In any event, a commercial debt as stated above, is classified as nonaccrual debt if repayment of principal or interest are in arrears for 90 days or over, except for debts that are both well secured and are in process of collection, or where the debt had undergone a process of restructure of a problematic debt.

As from date of classification as nonaccrual debt, the debt is treated as a debt that does not accrue interest income (and is named – "nonaccrual debt").

For information regarding the accounting write-off rules applying to such debts, see the Section "Accounting write-offs" in continuation of this part.

- Credit to private individuals and commercial credit in respect of a debt, the contractual balance of which is lower than NIS 1 million.

  Determination regarding the classification of the debt is based on the default situation of the debt. For this purpose, the Bank monitors the status of the days in arrears determined in relation to the contractual repayment terms thereof.

  Such debts, which are in arrears for 90 to 150 days, are considered substandard debts and the Bank continues the accrual of interest in their respect. Substandard debts in arrears of 150 days and over, are considered nonaccrual debts and in addition, the accounting write-off rules apply to them, as stated in the "Accounting write-offs" Section in continuation of this part.

Residential loans in arrears for 90 days and over are classified as substandard debts and the Bank discontinues accrual of interest income in their respect.

Debt arrangement policy and treatment of restructured problematic debts

In order to improve the management and collection of credit, as well as in order to avoid failure situations or seizure of the pledged assets, the Bank had formed and is applying a policy structuring arrangements for problematic debts and making changes to terms of debts not identified as prolematic. Methods for changes in debt terms may include, inter alia, deferral of repayment dates, reduced interest rates or amounts of periodic repayments, changes in terms of the debt desined to modify them to the financing structure of the borrower, consolidation of debts of the borrower, transfer of the debt to other borrowers within a borrower group under joint control, reexamination of the financial covenants applying to the borrower, and more.

The policy of the Bank is based on criteria allowing Management of the Bank to apply judgment as to whether repayment of the debt is expected, and it is applied only if the borrower had proven his ability and wish to repay the debt, and is expected to comply with the terms of the new arrangement.

In determining as to whether the debt arrangement reached by the Bank constitutes a restructure of a problematic debt, the Bank conducts a qualitative examination of all terms of the arrangement and the circumstances under which it had been made, for the purpose of determining whether: (1) the borrower is in financial difficulties, and – (2) within the framework of the arrangement, a waiver was granted by the Bank to the Borrower.

In order to determine as to whether the borrower is in financial difficulties, the Bank examines whether signs exist indicating that the borrower is in difficulty at date of the arrangement, or whether there is reasonable possibility that the borrower will encounter financial difficulties were it not for the arrangement. The Bank examines existence of one or more of the following circumstances:

- The borrower is at present in default of payment regarding any of his debts. In addition, a bank should assess as to whether it is expected that the borrower would be in default of payment regarding any of his debts in the foreseeable future, if not for making the change. Namely, a bank might reach a conclusion that the borrower is in financial difficulties, even though he is not at present in default of payment.
- The borrower informed that he is in bankruptcy or under receivership or that he is in bankruptcy proceedings or other receivership proceedings.
- Considerable doubt exists as to whether the borrower shall continue as a going concern.
- The borrower's securities are delisted, are in process of being delisted, or are under threat of delisting by a stock exchange.
- According to assessments and forecasts referring only to the existing abilities of the borrower, the bank expects that the specific cash flows of the entity of the borrower, would not be sufficient to serve any of the debts of the borrower in the foreseeable future (principal and interest), in accordance with the contractual terms of the existing agreement.

- Were it not for the existing change, the borrower would not be able to obtain cash from sources that are not the present lenders, at an effective interest rate equal to the market rate applying to a similar debt of a borrower who is not problematic.

In addition to the above, the bank concludes that waiver had been granted within the framework of the arrangement, also if as part of the arrangement the contractual interest rate was raised, if one or more of the following situations exists:
- As a result of the restructure, the bank is not expected to collect all amounts of the debt (including accrued interest in accordance with the contractual terms);
- The up-to-date fair value of the collateral, respecting debts secured by collateral, does not cover the contractual balance of the debt, indicating inability to collect the full amount of the debt;
- The borrower is unable to raise financing sources at the market interest rate applying to debts having terms and of a nature similar to those of the debt granted under the arrangement.
- If a bank does not conduct an additional underwriting process, as stated, upon renewal of a substandard debt, or where there was no change in the costing of the debt, or where the costing was not modified to match the risk prior to the renewal, or where the borrower does not provide additional means to compensate the growth in risk stemming from the financial difficulties of the borrower, then presumption exists that the renewal comprises restructure of a problematic debt.

The Bank does not classify a debt as a restructured problematic debt if the restructure leads to an insignificant delay in payment, considering the frequency of payments during the contractual period for repayment and during the expected original lifespan of the debt. In this respect, where several arrangements had been made involving changes in terms of the debt, the Bank takes into account the cumulative effect of prior restructures upon determining whether the delay in payment, stemming from the restructure, is insignificant.
As a general rule, restructure that leads to a delay in payment of 90 days and over, as compared with the contract, shall be considered restructure leading to a delay in payment which is not insignificant.

Treatment of restructured debts and of consecutive restructure.
Debts, the terms of which had been changed in a restructure of a problematic debt, shall be classified as nonaccrual debt. Notwithstanding, in certain circumstances, where a debt had been restructured as a problematic debt, and at a later date the bank and the borrower entered into an additional restructure agreement, the bank is no longer required to refer to the debt as a restructured problematic debt, if two of the following conditions exist:
1. The borrower is no longer in financial difficulties at date of the consecutive restructure;
2. According to the terms of the consecutive restructure, the bank had not granted a waiver to the borrower (including no waiver of principal on a cumulative basis since date of granting of the original loan).

Reversal of a nonaccrual debt into an accrual debt status
As a general rule, nonaccrual debt is reverse to accrual debt, if one of the two situation exists:
1. There are no principal or interest component of the debt that are due and have not been paid, and the bank expects payment of the remaining principal amount of the debt and interest;
2. When the debt becomes well secured and is in process of collection.

Furthermore, with respect to a debt that had been formally restructured as a problematic debt, and was classified as nonaccrual at date of change in terms, a bank may reverse the debt into an accrual status, on condition that an up-to-date and well documented credit analysis had been performed, which supports the reversal of the debt to accrual status, based on the financial condition of the borrower and prospects of repayment in accordance with the updated terms. The assessment must be based upon continuous historical repayments of the borrower made in cash or cash equivalents over a reasonable period lasting at least six months. A bank may take into account payments made during a reasonable period

prior to the restructure if the payments match the updated terms. Otherwise, a restructured problematic debt must continue to be classified as a nonaccrual debt.
Likewise, regarding a debtd formally restructured as a problematic debt, that had been classfied as an accrual debt prior to the restructure, a bank may continue to accrue interest on condition that following the restructure, collection of principal and interest in accordance with the updated terms, is reasonably ensured, based on an updated and well based credit analysis, provided that the borrower has a continuous repayment history for a reasonable period prior to the changes, and that the restructure has improved the prospects of collection of the loan, in accordance with a reasonable repayment schedule.

Starting with January 1, 2022, the above rules regarding the treatment of a restructured problematic debt, apply also to residential loans.
Within the framework of the guidelines stated in an FAQ file regarding the implementation of the new rules in the matter of expected credit losses, the Bank has chosen to apply the new rules as to identification of restructure of problematic debts, and measure the provision for credit losses by the method prescribed by these rules regarding debts that had undergone restructure of a problematic debt, in respect of changes made to terms of residential loans, prior to January 1, 2022.

Provision for credit losses – measurement

As stated above, starting with 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.
As part of the implementation of the Standard, the Bank has determined procedures for the classification of credit and for the measurment of the provision for credit losses, in order to maintain a provision at an appropriate level to cover expected credit losses in relation to its credit portfolio. In addition, the Bank has determined procedures required to maintain an appropriate level of provision in order to cover expected credit losses relating to bonds held to maturity, bonds held in the available-for-sale portfolio and to certain off-balance sheet credit exposure.
The assessment of the provision for expected credit losses is calculated over the contractual period of the financial asset, while taking into account estimates of premature repayments. The contractual period in respect of extensions, renewals and expected changes is not taken into account, unless one or more of the following situations exist: (a) at date of reporting, the Bank has reasonable expectations of reaching a rerstructure of a problematic debt with the borrower, or (b) the option of extension or renewal is included in the original agreement or in an updated agreement at the reporting date, and it may be unconditionally revoked by the Bank.
When processing the assessment of expected credit losses, the Bank takes into account the effect of past events, present conditions, and supported reasonable forecasts regarding the collectibility of the financial assets.
As a general rule, computation of the provision for expected credit losses is made on a collective basis where the assets are of a similar risk characteristics. These characteristics include, inter alia: (1) internal or external credit ratings or markings; (2) risk rating or risk classification; (3) type of financial assets; (4) segment of operation of the borrower.
For each group of financial assets having similar risk characteristics, the Bank computes the provision for expected credit losses in accordance with one of the methods for the measurement of the provision stated in the Standard, which in the opinion of the Bank, is expected to reflect the best assessment of the provision for credit losses.
In order to estimate the assessment for expected credit losses over the contractual period of the assets, the Bank bases itself on historical information, while testing the need to modify the historical data in order to reflect the extent to which the existing terms and the supported reasonable forecasts would be different than the terns that had prevailed in the period during which the historical data had been evaluated. For the purpose of such determination, the Bank takes into account the nature of the financial assets, including the factors relevant to the determination of expected collectibility, such as: the financial condition of the borrower, his credit rating, quality of the asset, ability of the borrower to pay the principal amount or interest on their due dates, the balance of the period to maturity, the scope and severity of financial assets in arrears, in a negative rating or classfication, policy and procedures of the Bank regarding the granting of credit, including changes in credit granting strategy, underwriting procedures, etc.

Provision for credit losses – consumer credit (excluding residential loans)

With respect to the consumer credit portfolio, which includes credit to private individuals, excluding residential loans, the Bank measures the provision for expected credit losses using of the probability for failure/loss method, given a failure (PD/LGD), while dividing the credit portfolio into segments having similar risk characteristics, such as internal rating of the customer, type of financial asset, and more.

For the purpose of modifying the historical information to present economic conditions and in respect of expectations regarding future economic conditions, the Bank has determined that the supported reasonable period is one year. Concerning assets having a contractual lifespan longer than this period, the Bank returns to the use of historical information that is not immediately modified to the forecast.

Provision for credit losses – residential credit

In respect of the residential credit portfolio, the Bank measures the provision for expected credit losses using of the probability for failure/loss method, given a failure (PD/LGD), while dividing the credit portfolio into segments having similar risk characteristics, such as internal rating of the customer and age of the loan.

For the purpose of modifying the historical information to present economic conditions and in respect of expectations regarding future economic conditions, the Bank has determined that the supported reasonable period is one year. Concerning assets having a contractual lifespan longer than this period, the Bank returns to the use of historical information that is not modified to the forecast, based on the straight line basis over a period of four years, which represents approximately one half of the average lifespan of the portfolio.

Provision for credit losses – commercial credit

In respect of commercial credit, the Bank measures the provision for expected credit losses using a method based on WARM – (Loss-Rate), while dividing the credit portfolio into segments having similar risk characteristics, on the basis of internal rating of the borrower and his segment of operation. In order to create segmentation on the basis of the line of business of the Borrower, the Bank divided the commercial credit into six central economic segments: industry, construction and real estate, real estate activity, commerce, financial services and other commercial activities.

For the purpose of modifying the historical information to present economic conditions and in respect of expectations regarding future economic conditions, the Bank has determined that the supported reasonable period is one year. Concerning assets having a contractual lifespan longer than this period, the Bank returns to the use of historical information that is not immediately modified to the forecast.

Provision for credit losses – credit to governments and banks

In respect of credit to governments and banks, the Bank measures the provision for expected credit losses using the PD/LGD method, while dividing the credit portfolio into segments having similar risk characteristics, on the basis of external rating.

In addition to that, the Bank has determined criteria and factors that are taken into account in order to determine that in respect of certain exposure to governments, the expected credit losses are insignificant.

Provision for credit losses – off-balance sheet credit exposure

Off-balance sheet credit exposure includes credit exposure in respect of commitment to extend credit, documentary credits, financial guarantees not treates as assurance, and other similar instruments.

The provision for credit losses in respect of off-balance sheet credit is assessed in accordance with the rules stated in Item 326 of the Codification, and is based on the rates of provision determined for stated credit (as detailed above), while taking into account the rate of materialization of the credit expected upon a failure event regarding the off-balance sheet exposure risk. The expected rate of materialization in case of failure, is computed by the Bank for each type of off-balance sheet exposure, based on past experience indicating the rates of materialization of the credit in case of a failure.

Provision for credit losses – securities held-to-maturity portfolio

In respect of securities included in the held-to-maturity portfolio, the Bank measures the provision for expected credit losses using the PD/LGD method, while dividing the credit portfolio into segments having similar risk characteristics, on the basis of external rating.

The Bank does not measure expected credit losses in respect of certain government bonds, because information regarding historical credit losses, after being modified to existing conditions and to supported reasonable forecasts, leads to expectations that nonpayment of the write-down cost base equals zero.

Provision for credit losses – available-for-sale bonds

The Bank measures expected credit losses regarding available-for-sale bonds at each reporting date where the fair value of the bonds is lower than the written-down cost.

At each date on which the fair value is lower than the written-down cost, the Bank examines whether the decline in fair value stems from credit losses or from other factors.

The criteria as to whether the decline in fair value stems from credit losses are based on diverse considerations and tests, such as:

- Bonds, the fair value of which is lower by 10% or more of the written-down cost, provided that the change in the bonds does not stem from market changes observable in respect of government bonds;
- Bonds, the fair value of which is lower by 5% or more of the written-down cost, where there is an increase in return to maturity during two consecutive quarters, and on condition that the change in the bonds does not stem from market changes observable in respect of government bonds;
- Bonds, the credit rating of which was lowered by one notch or more during the quarter.

Impaiment stemming in relation to credit loss, is recognized by means of a provision for credit losses, while impairment not recognized by means of provision for credit loss, is generally recognized in other comprehensive profit, net of tax.

In accordance with guidelines stated in Item 326 of the Codification, the Bank computes the provision for expected credit losses regarding available-for-sale bonds, on a specific basis, according to the discounted cash flows method, by which the Bank equalizes the discounted value of expected future cash flows, to the written-down cost base of the security. The said provision is stated as a credit loss expense, in order to reflect the credit loss component of the decline in fair value to below the written-down cost. The provision for credit losses in respect of available-for-sale bonds is limited so that its amount should not exceed the amount of the difference between the written-down cost amount and the lower fair value amount, named "fair value bottom limit".

Where the fair value of a security increases with time, any provision for credit losses not written-off accounting wise, may be cancelled by reducing the credit loss expense.

Provision for credit losses – loss estimated on a specific basis

In accordance with the guidelines stated in Item 326 of the Codification, when the Bank identifies that a financial asset does not have joint risk characteristics similar to those of other financial instruments, then the provision for credit losses in respect of such an asset is measured on a specific basis, in accordance with an assessment made by the Bank. The types of credit identified as not sharing similar risk characteristics with other financial assets are nonaccrual debts having a contractual balance of over NIS 1 million, for which the provision is computed on a specific basis, using the discounted cash flows method, and/or on basis of the value of the collateral for loans the collection of which depends on collateral.

Testing the overall adequacy of the provision

In addition to the above, the Bank tests the overall adequacy of the credit loss provision. Such an adequacy assessment is based on the judgment of Management, taking into consideration risks inherent in the credit portfolio as well as deficiencies and limitations contained in the assessment methods applied by the Bank for the determination of the provision.

Accounting write-off

The Bank writes-off accounting wise any debt or part thereof considered as uncollectible or of a low value, so that maintaining it as an asset is not justified, or a debt in respect of which collection efforts are conducted by the Bank over a long period (defined in most cases as a period exceeding two years).

Regarding a debt the collection of which depends on collateral, the Banks makes an immediate accounting write-off against the provision for credit losses of that part of the stated balance of the debt exceeding the fair value of the collateral.

In respect of commercial credit regarding a debt, the contractual balance of which (before deducting write-offs that do not involve legal waiver, nonrecognized interest, provisions for credit loss and collateral) is lower than NIS 1 million, and credit to private individuals, not including residential loans, the Bank records an accounting write-off when the debt turns in arrears of 150 days or more. In this respect it is noted that, where the debt is secured by collateral that is not a residential property, and seizure of the collateral had begun and is assured, the Bank writes-off accounting wise only that part of the stated balance of the debt that exceeds the value of the collateral (net of selling expenses).

As regards residential loans secured by residential property, the Bank conducts an up-to-date assessment of the value of the collateral, no later than the date on which the loan turns into a debt in arrears for 180 days or more, and writes-off accounting wise that part of the stated balance of the loan that exceeds the value of the collateral (net of selling expenses.

It is clarified that accounting write-offs do not involve a legal waiver, and that they reduce the balance of the debt solely in respect of reporting for accounting purposes, while creating a new cost basis for the debt in the books of the Bank.

Disclosure requirements

The Bank applies the disclosure requirements as to the credit quality of debts and as to the provision for credit losses, as determined in Item 310-10 of the Codification with respect to "debts" and in accordance with the disclosure requirements of Item 326-20 of the Codification regarding"financial instruments – credit losses - instruments measured at written-down cost" on a consilidated basis.

See also Note 6 regarding "credit risk, credit to the public and provision for credit losses", as well as Note 12 regarding "additional information regarding credit risk, credit to the public and provision for credit losses" in these interim reports.

The Bank has modified such disclosure to the new disclosure format and to disclosure regarding nonaccrual debts instead of impaired debts, while reclassifying the comparative data in order to modify it to the new disclosure format, excluding the reporting requirements regarding credit quality in accordance with the year of granting the credit, in respect of which presentation of comparative data is not required for periods prior to the initial implementation.

D. New accounting standards and new Directives of the Supervisor of Banks in the period prior to their implementation

Update of Standard ASU 2022-02 regarding restructure of problematic debts and disclosure requirements according to the credit granting year

On March 31, 2022, the US Financial Accounting Standard Board (FASB) published ASU 2022-02 with respect to the restructure of of problematic debts and disclosure requirements according to the credit granting year in the matter of provisions for credit losses (hereinafter – "the update").

The update revokes the instructions dealing with the restructure of problematic debts by lenders, while improving the disclosure requirements relating to borrowers having financial difficulties. Moreover, the update added a disclosure requirement regarding the gross write-off in accordance with the credit granting year.

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

The Bank studies the effect of the new instructions on its financial statements.

E. Immaterial adjustment of comparative data

As of the end of 2020, the Bank held in its securities portfolio nonmarketable shares in a company (hereinafter – "the company") that had been received in the past by two subsidiaries of the Bank (since merged with and into the Bank) within the framework of a debt arrangement with the company. In January 2021, the said company issued shares on a foreign stock exchange. Prior to the issue, the shares of the company (including the shares held by the Bank) had been split. Following the issue, the Bank, in its financial statements for the first and second quarters of the year 2021, adjusted to fair value via profit and loss the value of the company shares held by it. However, due to a specific mishap, the value adjustment of the shares had been made using the par value of the shares prior to the said split and not on the basis of their par value following the split.

The Bank tested the materiality of correcting the comparative data for the relevant periods, and after the examination of the quantitative and qualitative parameters, has reached the conclusion that the materiality of the mistake in question does not require a restatement of the financial statements of the Bank as of March 31, 2021, and for the period of three months ended on that date. Accordingly the correction was made by way of an immaterial adjustment of the comparative data.

Effect of the correction on profit and loss items (unaudited) (in NIS millions)

	Three months ended March 31, 2021		
	As previously reported	Effect of correction	As restated in this report
Non-interest financing income	51	25	76
Provision for taxes on income	153	8	161
Net earnings attributable to shareholders	287	17	304

Effect of correction on comprehensive profit items (in NIS millions)

	Three months ended March 31, 2021		
	As previously reported	Effect of correction	As restated in this report
Net earnings before attribution to non-controlling holders of rights	299	17	316
Comprehensive profit attributable to shareholders	337	17	354

Effect of the correction on balance-sheet items (in NIS millions)

	March 31, 2021		
	As previously reported	Effect of correction	As restated in this report
Securities	14,705	25	14,730
Other liabilities	6,700	8	6,708
Capital attributed to the shareholders of the Bank	9,478	17	9,495

Effect of correction on equity items (in NIS millions)

	March 31, 2021		
	As previously reported	Effect of correction	As restated in this report
Retained earnings	8,684	17	8,701
Total equity	9,885	17	9,902

NOTE 2 - INTEREST INCOME AND EXPENSES

(NIS million)

		For the three months ended March 31 (unaudited)	
		2022	**2021**
A.	**Interest income** (1)		
	From credit to the public	**828**	694
	From credit to the Government	**7**	1
	From deposits with Bank of Israel and cash	**11**	12
	From bonds(2)	**25**	22
	Total interest income	**871**	729
B.	**Interest expenses**		
	On deposits from the public	**84**	42
	On deposits from the Government	**-**	1
	On deposits from banks	**1**	-
	On bonds and subordinated capital notes	**42**	16
	Total interest expenses	**127**	59
	Total interest income, net	**744**	670
C.	**Details on net effect of hedging derivative instruments on interest income and expenses**		
	Interest expenses (3)	**(12)**	(13)
D.	**Details of interest income from bonds on cumulative basis**		
	Held to maturity	**10**	9
	Available for sale	**14**	13
	Held for trading	**1**	-
	Total included in interest income	**25**	22

(1) Including effect of hedging relation.

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

NOTE 3 - NON-INTEREST FINANCING INCOME

(NIS million)

	For the three months ended March 31 (unaudited)	
	2022	**2021**
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	**271**	402
2. From investments in bonds		
Profits from sale of bonds available for sale(2)	**7**	4
Losses from sale of bonds available for sale(2)	**-**	(1)
Total from investment in bonds	**7**	3
3. Net exchange differences	**(262)**	(404)
4. From investment in shares		
Gains from sale of shares not for trading	**-**	2
Losses from sale of shares not for trading	**(5)**	(2)
Dividend from shares not for trading	**17**	13
Unrealized gains (losses)(3)	**(7)**	*49
Total from investment in shares	**5**	62
Total non-interest financing income in respect of non-trading activities	**21**	63

* Immaterial adjustment of comparative data. See Note 1.E.

(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 adjustment of shares in respect of which fair value does not exist.

	For the three months ended March 31 (unaudited)	
	2022	**2021**
B. Net income (expenses) in respect of non-interest financing activity for trading(3)		
Net income in respect of other derivative instruments	**10**	10
Net realized and unrealized gains from adjustments to fair value of bonds held for trading(1)	**4**	-
Net realized and unrealized gains (losses) from adjustments to fair value of shares held for trading(2)	**(1)**	3
Total non-interest financing income from trading activities(4)	**13**	13
Total non-interest financing income	**34**	*76
Details on non-interest financing income (expenses) in respect of trading activities, by risk exposure		
Interest rate exposure	**(10)**	(7)
Exposure to shares	**2**	5
Foreign currency exposure	**21**	15
Total	**13**	13

* Immaterial adjustment of comparative data. See Note 1.E.

(1) No gains/losses exist in respect of trading bonds on hand at balance sheet date for the three months ended March 31, 2022 and March 31, 2021.
(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 interest 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**
Balance as of December 31, 2021 (audited)	**68**	**(264)**	**(196)**	**(15)**	**(181)**
Net change during the period	**(142)**	**87**	**(55)**	**(5)**	**(50)**
Balance as of March 31, 2022 (unaudited)	**(74)**	**(177)**	**(251)**	**(20)**	**(231)**
Balance as of December 31, 2020 (audited)	50	(248)	(198)	(15)	(183)
Net change during the period	7	44	51	1	50
Balance as of March 31, 2021 (unaudited)	57	(204)	(147)	(14)	(133)
Balance as of December 31, 2020 (audited)	50	(248)	(198)	(15)	(183)
Net change during 2021	18	(16)	2	-	2
Balance as of December 31, 2021 (audited)	68	(264)	(196)	(15)	(181)

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 March 31 (unaudited)						For the year ended December 31, 2021 (audited)		
	2022			2021					
	Before tax	Tax effect	After tax	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 minority interests									
Adjustments in respect of presentation of available for sale bonds according to fair value									
Unrealized net losses from adjustments to fair value	**(329)**	**113**	**(216)**	(69)	24	(45)	(81)	28	(53)
Losses in respect of available for sale bonds reclassified to income statement (1)	**113**	**(39)**	**74**	80	(28)	52	108	(37)	71
Net change during the period	**(216)**	**74**	**(142)**	11	(4)	7	27	(9)	18
Employee benefits:									
Net actuarial gain (loss) for the period	**123**	**(41)**	**82**	57	(19)	38	(82)	28	(54)
Net losses reclassified to the statement of profit and loss (2)	**8**	**(3)**	**5**	9	(3)	6	58	(20)	38
Net change during the period	**131**	**(44)**	**87**	66	(22)	44	(24)	8	(16)
Changes in the components of cumulative other comprehensive income attributed to minority interests									
Total change during the period	**(8)**	**3**	**(5)**	1	-	1	-	-	-
Changes in the components of cumulative other comprehensive income (loss) attributed to the Bank's shareholders									
Total change during the period	**(77)**	**27**	**(50)**	76	(26)	50	3	(1)	2

(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)

	March 31, 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	**2,128**	**2,128**	**-**	**24**	**41**	**2,111**
Of financial institutions in Israel	**54**	**54**	**-**	**-**	**-**	**54**
Of others in Israel	(5)**136**	**136**	**-**	**16**	**-**	**152**
Total debentures held to maturity	**2,318**	**2,318**	**-**	**40**	**41**	**2,317**

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	**8,789**	**8,877**	**-**	**55**	**143**	**8,789**
Of foreign governments	**1,909**	**1,924**	**-**	**-**	**15**	**1,909**
Of financial institutions in Israel	**187**	**189**	**-**	**-**	**2**	**187**
Of foreign financial institutions	(6)**251**	**257**	**-**	**-**	**6**	**251**
Of others in Israel	**183**	**183**	**-**	**2**	**2**	**183**
Of foreign others	**41**	**41**	**-**	**-**	**-**	**41**
Total bonds available for sale	**11,360**	**11,471**	**-**	(2)**57**	(2)**168**	**11,360**

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	**891**	**704**	**-**	(3)**189**	(3)**2**	**891**
Of which: shares, the fair value of which is not ready determinable	**182**	**165**	**-**	(3)**17**	(3)**-**	**182**
Total not for trading securities	**14,569**	**14,493**	**-**	**286**	**211**	**14,568**

D. Bonds 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	**281**	**281**	**-**	**1**	**1**	**281**
Total trading bonds	**281**	**281**	**-**	(3)**1**	(3)**1**	**281**
Total securities	**14,850**	**14,774**	**-**	**287**	**212**	**14,849**

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 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 17 million.

NOTE 5 - SECURITIES (CON'T)

(NIS million)

	March 31, 2021 (unaudited)				
A. Bonds held to maturity	**Book value**	**Amortized cost**	**Unrealized gains from adjustment to fair value**	**Unrealized losses from adjustment to fair value**	**Fair value** (1)
Of Israeli government	2,211	2,211	85	5	2,291
Of financial institutions in Israel	77	77	2	-	79
Of others in Israel	(5)181	181	23	-	204
Total bonds held to maturity	2,469	2,469	110	5	2,574

			Cumulative other comprehensive income		
B. Bonds available for sale	**Book value**	**Amortized cost (in shares cost)**	**Profits**	**Losses**	**Fair value** (1)
Of Israeli government	9,576	9,501	81	6	9,576
Of foreign governments	1,268	1,268	-	-	1,268
Of financial institutions in Israel	84	84	-	-	84
Of foreign financial institutions	(6)253	252	2	1	253
Of others in Israel	247	235	12	-	247
Of foreign others	96	95	1	-	96
Total bonds available for sale	11,524	11,435	(2)96	(2)7	11,524

C. Investment in not for trading shares	**Book value**	**cost**	**Unrealized gains from adjustment to fair value**	**Unrealized losses from adjustment to fair value**	**Fair value** (1) (4)
Not for trading shares	*393	290	(3)*108	(3)5	393
Of which: shares, the fair value of which is not ready determinable	118	109	(3)9	(3)-	118
Total not for trading securities	14,386	14,194	314	17	14,491

D. Securities held for trading	**Book value**	**Amortized cost (in shares cost)**	**Unrealized gains from adjustment to fair value**	**Unrealized losses from adjustment to fair value**	**Fair value** (1)
Bonds of Israeli government	343	343	-	-	343
Shares	1	1	-	-	1
Total trading securities	344	344	(3)-	(3)-	344
Total securities	14,730	14,538	314	17	14,835

* Immaterial adjustment of comparative data. See Note 1.E.

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 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 19 million.

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

	December 31, 2021 (audited)				
A. Bonds held to maturity	Book value	Amortized cost	Unrealized gains from adjustment to fair value	Unrealized losses from adjustment to fair value	Fair value (1)
Of Israeli government	2,277	2,277	81	4	2,354
Of financial institutions in Israel	54	54	1	-	55
Of others in Israel	(5)157	157	20	-	177
Total bonds held to maturity	2,488	2,488	102	4	2,586

B. Bonds available for sale	Book value	Amortized cost (in shares cost)	Cumulative other comprehensive income		Fair value (1)
			Profits	Losses	
Of Israeli government	9,691	9,589	102	-	9,691
Of foreign governments	1,342	1,345	-	3	1,342
Of financial institutions in Israel	84	84	-	-	84
Of foreign financial institutions	(6)244	244	1	1	244
Of others in Israel	206	200	6	-	206
Of foreign others	72	72	-	-	72
Total bonds available for sale	11,639	11,534	(2)109	(2)4	11,639

C. Investment in not for trading shares	Book value	cost	Unrealized gains from adjustment to fair value	Unrealized losses from adjustment to fair value	Fair value (1) (4)
Not for trading shares	731	537	(3)195	(3)1	731
Of which: shares, the fair value of which is not ready determinable	166	149	(3)17	(3)-	166

Total not for trading securities	14,858	14,559	406	9	14,956

d. Securities held for trading	Book value	Amortized cost (in shares cost)	Unrealized gains from adjustment to fair value	Unrealized losses from adjustment to fair value	Fair value (1)
Of Israeli government	232	230	2	-	232
Shares	1	1	-	-	1
Total trading securities	233	231	(3)2	(3)-	233
Total securities	15,091	14,790	408	9	15,189

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 17 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 bonds being in an unrealized loss position

	March 31, 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 of Israeli government(5)	**990**	**41**	**-**	**41**	**-**	**-**	**-**	**-**
Available for-sale bonds								
Of Israeli government	**5,552**	**143**	**-**	**143**	**-**	**-**	**-**	**-**
Of foreign governments	**1,833**	**15**	**-**	**15**	**-**	**-**	**-**	**-**
Of Israeli financial institutions	**132**	**2**	**-**	**2**	**-**	**-**	**-**	**-**
Of foreign financial institutions	**142**	**2**	**-**	**2**	**49**	**4**	**-**	**4**
Of others in Israel	**67**	**2**	**-**	**2**	**-**	**-**	**-**	**-**
Total bonds available for sale	**7,726**	**164**	**-**	**164**	**49**	**4**	**-**	**4**

	March 31, 2021 (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 of Israeli government(5)	421	5	-	5	-	-	-	-
Available for-sale bonds								
Of Israeli government	2,528	6	-	6	-	-	-	-
Of foreign financial institutions	86	1	-	1	-	-	-	-
Total bonds available for sale	2,614	7	-	7	-	-	-	-

	December 31, 2021 (audited)							
	Less than 12 months(1)				12 months and above(2)			
	Fair Value	Unrealized losses 0-20%(3)	Unrealized losses 20-40%(4)	Total	Fair Value	Unrealized losses 0-20%(3)	Unrealized losses 20-40%(4)	Total
Bonds held for redemption of Israeli government(5)	184	4	-	4	-	-	-	-
Available for-sale bonds								
Of foreign governments	1,342	3	-	3	-	-	-	-
Of foreign financial institutions	136	1	-	1	-	-	-	-
Total bonds available for sale	1,478	4	-	4	-	-	-	-

(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 1,031 million (31.3.21 - NIS 426 million, 31.12.21 - NIS 188 million).

NOTE 6 - CREDIT RISK, CREDIT TO THE PUBLIC AND PROVISION FOR CREDIT LOSSES
(NIS million)

1. Debts(1), credit to the public and provision for credit losses

	March 31, 2022 (unaudited)					
	Credit to the public					
	Commercial (2)	Housing	Other private	Total	Banks Governments and bonds	Total
Recorded balance:						
Debts examined on an individual basis	**44,635**	**-**	**512**	**45,147**	**17,564**	**62,711**
Debts examined on a collective basis	**6,391**	**33,325**	**22,479**	**62,195**	**-**	**62,195**
Total	**51,026**	**33,325**	**22,991**	**107,342**	**17,564**	**124,906**
Of which:						
Nonaccrual debts	**369**	**146**	**107**	**622**	**-**	**622**
Debts in arrears of 90 days or more	**3**	**-**	**13**	**16**	**-**	**16**
Other problematic debts	**690**	**46**	**126**	**862**	**-**	**862**
Total nonaccrual debts	**1,062**	**192**	**246**	**1,500**	**-**	**1,500**
Provision for credit losses:						
In respect of debts examined on an individual basis	**564**	**-**	**46**	**610**	**2**	**612**
In respect of debts examined on a collective basis	**72**	**121**	**285**	**478**	**-**	**478**
Total	**636**	**121**	**331**	**1,088**	**2**	**1,090**
Of which: Nonaccrual debts	**120**	**6**	**31**	**157**	**-**	**157**
Of which: Other problematic debts	**95**	**1**	**26**	**122**	**-**	**122**

	March 31, 2021 (unaudited)					
	Credit to the public					
	Commercial (2)	Housing	Other private	Total	Banks Governments and bonds	Total
Recorded balance:						
Debts examined on an individual basis	36,706	-	412	37,118	17,122	54,240
Debts examined on a collective basis	6,088	29,065	21,310	56,463	-	56,463
Total	42,794	29,065	21,722	93,581	17,122	110,703
Of which:						
Nonaccrual debts	375	-	112	487	-	487
Debts in arrears of 90 days or more	17	169	14	200	-	200
Other problematic debts	892	169	147	1,208	-	1,208
Total problematic debts	1,284	338	273	1,895	-	1,895
Provision for credit losses:						
In respect of debts examined on an individual basis	672	-	40	712	-	712
In respect of debts examined on a collective basis	110	171	267	548	-	548
Total	782	171	307	1,260	-	1,260
Of which: Nonaccrual debts	143	-	36	179	-	179
Of which: Other problematic debts	205	48	29	282	-	282

NOTE 6 - CREDIT RISK, CREDIT TO THE PUBLIC AND PROVISION FOR CREDIT LOSSES (CONT'D)

(NIS million)

	December 31, 2021 (audited)					
	Credit to the public					
	Commercial (2)	Housing	Other private	Total	Banks Governments and bonds	Total
Recorded balance:						
Debts examined on an individual basis	41,141	-	491	41,632	17,548	59,180
Debts examined on a collective basis	6,206	32,260	22,142	60,608	-	60,608
Total	47,347	32,260	22,633	102,240	17,548	119,788
Of which:						
Nonaccrual debts	338	-	103	441	-	441
Debts in arrears of 90 days or more	8	167	22	197	-	197
Other problematic debts	825	108	144	1,077	-	1,077
Total problematic debts	1,171	275	269	1,715	-	1,715
Provision for credit losses:						
In respect of debts examined on an individual basis	530	-	38	568	-	568
In respect of debts examined on a collective basis	72	159	277	508	-	508
Total	602	159	315	1,076	-	1,076
Of which: Nonaccrual debts	129	-	33	162	-	162
Of which: Other problematic debts	150	34	23	207	-	207

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

(2) The balance of commercial debts includes housing loans in the amount of NIS 3,003 million, combined in the framework of transaction and collateral of the commercial borrowers or that have been granted to purchase groups at construction stages (31.3.21 - NIS 3,098 million, 31.12.21 - NIS 2,964 million).

NOTE 6 - CREDIT RISK, CREDIT TO THE PUBLIC AND PROVISION FOR CREDIT LOSSES (CONTD)
(NIS million)

2. Change in provision for credit losses

	For the three months ended March 31, 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 due to effect of initial implementation*	**93**	**(34)**	**4**	**63**	**2**	**65**
Expenses (income) in respect of credit losses	**(11)**	**1**	**10**	**-**	**-**	**-**
- Accounting write-offs	**(24)**	**-**	**(20)**	**(44)**	**-**	**(44)**
- Collection of debts written off accounting wise in previous years	**24**	**1**	**23**	**48**	**-**	**48**
Net accounting write-offs	**-**	**1**	**3**	**4**	**-**	**4**
Provision for credit losses at end of the period(2)	**752**	**127**	**343**	**1,222**	**2**	**1,224**
Of which: (1) In respect of off-balance sheet credit instruments	**68**	**-**	**11**	**79**	**-**	**79**
(2) In respect of off-balance sheet credit instruments	**116**	**6**	**12**	**134**	**-**	**134**

	For the three months ended March 31, 2021 (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)	881	164	318	1,363	-	1,363
Expenses (income) in respect of credit losses	(13)	7	(3)	(9)	-	(9)
- Accounting write-offs	(26)	-	(19)	(45)	-	(45)
- Collection of debts written off accounting wise in previous years	15		24	39	-	39
Net accounting write-offs	(11)	-	5	(6)	-	(6)
Provision for credit losses at end of the period(2)	857	171	320	1,348	-	1,348
Of which: (1) In respect of off-balance sheet credit instruments	72	-	14	86	-	86
(2) In respect of off-balance sheet credit instruments	75	-	13	88	-	88

* Effect of initial implementation of the public reporting instruction regarding expected credit losses, for additional details, see Note 1(c) above.

NOTE 7 - DEPOSITS FROM THE PUBLIC
(NIS million)

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

	March 31, 2022	March 31, 2021	December 31, 2021
		(unaudited)	(audited)
Demand			
- Non- bearing interest	**71,068**	65,129	68,605
- Bearing interest	**28,316**	29,609	31,353
Total demand	**99,384**	94,738	99,958
Fixed-term	**54,654**	51,862	53,489
Total deposits in Israel*	**154,038**	146,600	153,447
* Of which:			
Deposits of private individuals	**75,069**	73,922	73,045
Deposits of institutional entities	**30,522**	30,171	31,872
Deposits of corporates and others	**48,447**	42,507	48,530

B. Deposits of the public by size

	March 31, 2022	March 31, 2021	December 31, 2021
Maximum amount of deposit		(unaudited)	(audited)
Up to 1	**56,737**	56,487	55,956
From 1 to 10	**36,852**	35,986	36,190
From 10 to 100	**19,241**	17,793	18,209
From 100 to 500	**11,053**	7,325	11,644
Over 500	**30,155**	29,009	31,448
Total	**154,038**	146,600	153,447

NOTE 7A - EMPLOTYEE RIGHTS
(NIS million)

A. Composition of benefits:

		March 31,	December 31,
	2022	2021	2021
		(unaudited)	(audited)
Pension and severance pay			
Amount of liability	**907**	912	987
Fair value of assets of the scheme	**(288)**	(343)	(297)
Excess liabilities over assets of the scheme	**619**	569	690
Excess liabilities of the scheme included in the item "other liabilities"	**619**	569	690
Long-service awards - amount of liability	**17**	19	17
Benefit regarding unused sick leave - amount of liability	**30**	32	30
Other post-employment benefits	**9**	8	9
Other post-retirement benefits	**204**	218	236
Vacation pay	**90**	87	78
Other	**266**	156	240
Total			
Excess liabilities regarding employee benefits over assets of the scheme included in the item "other liabilities"	**1,235**	1,089	1,300

NOTE 7A - EMPLOTYEE RIGHTS (CON'T)
(NIS million)

B. Defined benefits severance pay and pension schemes
(1) Liabilities and financing situation

	Severance pay, and pension schemes			Other post-retirement benefits		
	For the three months ended March 31,		For the year ended December 31,	For the three months ended March 31,		For the year ended December 31,
	2022	2021	2021	2022	2021	2021
		(unaudited)	(audited)		(unaudited)	(audited)
						(NIS million)
A. Change in liability regarding anticipated benefits						
Liability regarding anticipated benefit at beginning of period	**987**	960	960	**236**	219	219
Cost of service	**7**	5	20	**1**	1	5
Cost of interest	**5**	4	18	**2**	1	6
Actuarial loss (profit)**	**(79)**	(44)	107	**(34)**	(2)	10
Benefits paid	**(13)**	(13)	(118)	**(1)**	(1)	(4)
Liability regarding anticipated benefit at end of period	**907**	912	987	**204**	218	236
Liability regarding cumulative benefit at end of period	**752**	765	808	**201**	215	233
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	**297**	343	343	**-**	-	-
Actual return on assets of the scheme	**-**	16	44	**-**	-	-
Deposits in the scheme by the Bank	**2**	2	9	**-**	-	-
Benefits paid	**(11)**	(18)	(99)	**-**	-	-
Fair value of assets of the scheme at end of period	**288**	343	297	**-**	-	-
Financing situation - net liability recognized at end of period*	**619**	569	690	**204**	218	236

* Included in the item "other liabilities".
** The actuarial gain in the first three months of the year 2022 derived mainly from an increase in the capitalization interest.

	Severance pay, and pension schemes			Other post-retirement benefits		
	For the three months ended March 31,		For the year ended December 31,	For the three months ended March 31,		For the year ended December 31,
	2022	2021	2021	2022	2021	2021
		(unaudited)	(audited)		(unaudited)	(audited)
						(NIS million)
C. Amounts recognized in the consolidated balance sheet						
Amounts recognized in the item "other liabilities"	**619**	569	690	**204**	**218**	236
Net liability recognized at end of period	**619**	569	690	**204**	**218**	236
D. Amounts recognized in other cumulative comprehensive loss, before the tax effect						
Actuarial loss, net	**204**	205	289	**48**	**75**	83
Closing balance in other cumulative comprehensive income	**204**	205	289	**48**	**75**	83

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 March 31,		For the year ended December 31,	For the three months ended March 31,		For the year ended December 31,
	2022	2021	2021	2022	2021	2021
		(unaudited)	(audited)		(unaudited)	(audited)
						(NIS million)
A. Cost components of net benefit recognized in profit and loss						
Cost of service	**7**	5	20	**1**	1	5
Cost of interest	**5**	4	18	**2**	1	6
Anticipated return on assets of the scheme	**(1)**	(1)	(7)	**-**	-	-
Amortization of non-recognized amounts:						
Net actuarial loss	**5**	5	17	**1**	1	5
Dismissal	**2**	3	36	**-**	-	-
Capitalization of software costs	**(1)**	(1)	(3)	**-**	-	-
Total cost of benefits, net	**17**	15	81	**4**	3	16
B. Changes in assets of the scheme and in liability for benefits recognized in other comprehensive (income) loss, before the tax effect						
Net actuarial loss (gain) for the period	**(78)**	(59)	70	**(34)**	(2)	10
Amortization of actuarial loss	**(5)**	(5)	(17)	**(1)**	(1)	(5)
Dismissal	**(2)**	(3)	(36)	**-**	-	-
Total recognized in other comprehensive loss (income)	**(85)**	(67)	17	**(35)**	(3)	5
Total net cost of benefit	**17**	15	81	**4**	3	16
Total net cost of benefit for the period recognized in other comprehensive loss (income)	**(68)**	(52)	98	**(31)**	-	21

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		
		March 31,	December 31,		March 31,	December 31,
	2022	2021	2021	2022	2021	2021
		(unaudited)	(audited)		(unaudited)	(audited)
						(NIS million)
1. Principal guidelines used to determine the liability for benefits						
Real discounting rate **		0.3	(0.3)		0.8	0.4
Nominal discounting rate **	**3.1**			**3.7**		

	Severance pay, and pension schemes			Other post-retirement benefits		
	For the three months ended March 31,		For the year ended December 31,	For the three months ended March 31,		For the year ended December 31,
	2022	2021	2021	2022	2021	2021
		(unaudited)	(audited)		(unaudited)	(audited)
						(NIS million)
2. Principal guidelines used to measure the net cost of benefits for the period						
Real discounting rate **		0.3	0.0-0.3		0.8	0.6-0.8
Nominal discounting rate **	**2.2**			**3.0**		

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		
		March 31,	December 31,		March 31,	December 31,
	2022	2021	2021	2022	2021	2021
		(unaudited)	(audited)		(unaudited)	(audited)
			(NIS million)			(NIS million)
Discounting rate	**(63)**	(61)	(74)	**(32)**	(37)	(41)

						One percentage point decline
	Severance pay, and pension schemes			Other post-retirement benefits		
		March 31,	December 31,		March 31,	December 31,
	2022	2021	2021	2022	2021	2021
		(unaudited)	(audited)		(unaudited)	(audited)
			(NIS million)			(NIS million)
Discounting rate	**76**	74	90	**41**	50	55

C. Cash flows

(1) Deposits

	Forecast			Actual deposits
		For the three months ended March 31,		For the year ended December 31,
	*2022	2022	2021	2021
	(unaudited)		(unaudited)	(audited)
	(NIS million)			(NIS million)
Deposits	**9**	**2**	2	9

* Assessment of amounts which the Bank expects to deposit with a defined benefit pension scheme during 2022.

** As from 2022, the liability in respect of long-term benefits is computed by a nominal actuarial model while in previous periods, these benefits were calculated by a real actuarial model.

NOTE 8 - CAPITAL ADEQUACY, LEVERAGE AND LIQUIDITY

A. Basel 3 guidelines

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

Basel 3 instructions were implemented as from January 1, 2014, in a gradual manner, in accordance with the transitional instructions stated in Proper Conduct of Banking Business Directive No, 299 in the matter of "measurement and capital adequacy - regulatory capital - transitional instructions". According to the Transitional Instructions, the capital instruments no longer qualified as regulatory capital were recognized since January 1, 2014, up to a maximum of 80% of their balance in the supervisory capital as of December 31, 2013. In each of the following years a until January 1, 2022, this maximum level is being reduced by an additional 10%. Accordingly, in 2021, the maximum level of instruments qualified as regulatory capital amounted to 10%, and on January 1, 2022, the Transitional Instructions expired and it is no longer possible to recognize nonqualified capital instruments as regulatory capital.

(1) Capital adequacy goals

In accordance with Proper Conduct of Banking Business Directives regarding the minimal capital ratios, the Bank, the total assets of which on a consolidated basis does not exceed 24% of total assets of the banking sector in Israel, is required to attain a minimal Tier I equity capital ratio of 9%, and a comprehensive capital ratio of 12.5%.

Furthermore, according to Proper Conduct of Banking Business Directive No. 329 regarding "limitations on the granting of residential loans" the Bank is required to increase the Tier 1 equity capital ratio by 1% of the outstanding balance of residential loans at date of reporting, excluding residential loans granted during the Provisional Instruction period, as stated below.

On the background of the spreading of the Coronavirus and as part of the adjustment to Proper Conduct of Banking Business Directives, The Supervisor of Banks published Proper Conduct of Banking Business Directives No. 250, which includes, inter alia, provisional instruction concerning the update of Directive 201, which includes a reduction of 1% of the minimal capital requirements applying to banks and an update to Directive 329, which cancels the demand for an additional 1% on residential loans for the purpose of purchasing a residential property that were granted during the period from March 19, 2020, and until September 30, 2021, and on residential loans taken not for the purpose of purchase of real estate rights secured by a mortgage on residential property (hereinafter – "loan for any other purpose") granted as from March 19, 2020. All through the period of the crisis, the Supervisor of Banks published updates extending the validity of the Provisional Instruction. On December 27, 2021, the Supervisor of Banks issued a letter, according to which validity of the Provisional Instruction expires on January 1, 2022. Furthermore, the letter amends Proper Conduct of Banking Business Directive No.329 regarding limitations on residential loans, according to which, 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 9.25% 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.

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

(NIS million)

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 apetite.

The internal capital goals, as determined by the Board of Directors, are as follows:

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

(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):

	March 31, 2022	March 31, 2021	December 31, 2021
	(unaudited)	(unaudited)	(audited)
a. Consolidated			
1. Capital for calculation of capital ratio			
Tier 1 capital, after supervisory adjustments and deductions	**10,092**	(3)9,715	10,199
Tier 2 capital after deductions	**2,213**	1,842	1,891
Total overall capital	**12,305**	11,557	12,090
2. Weighted balances of risk assets			
Credit risk	(2)**86,114**	(2)(3)76,317	(2)81,660
Market risk	**623**	919	683
Operational risk	**6,808**	6,759	6,645
Total weighted balances of risk assets	**93,545**	83,995	88,988
			Percentage
3. Ratio of capital to risk assets			
Ratio of tier 1 capital to risk assets	**10.79%**	11.57%	11.46%
Total ratio of capital to risk assets	**13.15%**	13.76%	13.59%
Minimal ratio of equity capital tier 1 required by the Supervisor of banks	(1)**9.25%**	(1)8.28%	(1)8.25%
Minimal ratio of capital required by the Supervisor of Banks	(1)**12.50%**	(1)11.50%	(1)11.50%

			Percentage
B. Significant Subsidiary			
Bank Massad Ltd.			
Ratio of tier 1 capital to risk assets	**14.84%**	14.41%	14.71%
Total ratio of capital to risk assets	**15.97%**	15.52%	15.72%
Minimal ratio of equity capital tier 1 required by the Supervisor of banks	**9.00%**	8.00%	8.00%
Minimal ratio of capital required by the Supervisor of Banks	**12.50%**	11.50%	11.50%

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

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

	March 31, 2022	March 31, 2021	December 31, 2021
	(unaudited)	(unaudited)	(audited)
A. Equity capital tier 1			
Capital attributed to shareholders	**9,851**	(3)9,495	10,003
Differences between capital attributed to shareholders and equity capital tier 1			
Minority interests	**245**	211	220
Total equity capital tier 1 before regulatory adjustments and deductions	**10,096**	9,706	10,223
Regulatory adjustments and deductions:			
Intangible assets	**(98)**	(97)	(96)
Regulatory adjustments and other deductions- equity capital tier 1	**(3)**	(1)	(3)
Total regulatory adjustments and deductions before adjustments in respect of efficiency measures and expected credit losses - Tier 1 equity capital	**(101)**	(98)	(99)
Total adjustments in respect of efficiency measures- Tier 1 equity capital	**69**	107	75
Total adjustments in respect of expected credit losses- Tier 1 equity capital	**28**	-	-
Total Tier 1 equity capital after regulatory adjustments and deductions	**10,092**	9,715	10,199
B. Tier 2 capital			
Tier 2 capital: instruments before deductions	**1,188**	888	907
Tier 2 capital: provisions before deductions	**1,025**	954	984
Total tier 2 capital before deductions	**2,213**	1,842	1,891
Deductions:			
Total deductions- tier 2 capital	**-**	-	-
Total tier 2 capital	**2,213**	1,842	1,891

(4) Effect of efficiency measures on Tier 1 equity capital ratio

	March 31, 2022	March 31, 2021	December 31, 2021
	(unaudited)	(unaudited)	(audited)
Ratio of capital to risk assets			
Ratio of Tier 1 equity capital to risk assets before effect of adjustments in respect of efficiency measures and of expected credit losses	**10.68%**	11.42%	11.37%
Effect of adjustments in respect of efficiency measures	**0.08%**	0.15%	0.09%
Effect of adjustments in respect of expected credit losses	**0.03%**	-	-
Ratio of Tier 1 equity capital to risk assets	**10.79%**	11.57%	11.46%

(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 I 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, as from March 2020 and until December 31, 2021, the minimal Tier 1 equity capital ratio and minimal comprehensive capital ratio were 8% and 11.5%, respectively. Likewise, no additional capital requirement at the rate of 1% was required in respect of loans for residential purposes granted as from the beginning of the Provisional Instruction period (March 19, 2020) and until September 30, 2021, and on any purpose residential loans granted as from the beginning of the Provisional Instruction period (March 19, 2020). The data for March 31, 2021, were updated in light of the clarifications by the Supervision of Banks, according to which the additional capital demand in respect of residential loans will be added to Tier 1 equity capital alone.

(2) An amount of NIS 93 million was deducted from the total average balances of risk assets in respect of adjustments regarding the efficiency measures (March 31, 2021 – NIS 141 million; December 31, 2021 – NIS 100 million 31).

(3) An immaterial restatement of the comparative data, see Note 1(e).

* The data in this Note are presented in accordance with Proper Conduct of Banking Business Directive No. 202 regarding "measurement and capital adequacy- regulatory capital". In addition, the said data include adjustments in respect of efficiency measures, as stated in the letter of the Supervisor of Banks dated January 12, 2016, in the matter of "operational efficiency of the banking sector in Israel" (hereinafter - "adjustments in respect of efficiency measures"), which are being reduced gradually over 5 years period.
For additional details in respect of the effect of the Transitional Instructions and the effect of adjustments regarding efficiency measures see (4) above.

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.

(a) In the course of the third quarter of 2018, a merger decision was taken, and on January 1, 2019, Otsar Hahayal was merged with and into the Bank. In respect of these actions the Group recorded a provision for increased severance compensation in the amount of NIS 82 million (net amount of NIS 53 million after the tax effect).

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 March 31, 2022 to be lower by 0.02%.

(b) On July 28, 2020 and on November 3, 2020, the Board of Directors approved an efficiency plan, according to which 60 regular employees of the Bank, belonging to the defined target population, will be allowed to opt for early retirement under preferential terms.

The plan increased other comprehensive loss (gross) in an amount of NIS 48 million in respect of severance compensation liability and post-retirements benefits.

In addition, in the fourth quarter of the year 2020, an additional provision for enlarged severance compensation was recorded, in an amount of NIS 50 million, in respect of another early retirement anticipated in the upcoming years. Total net effect, after tax in respect of these actions amounted to NIS 65 million.

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 March 31, 2022 to be lower by 0.06%.

(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 March 31, 2022, the implementation would have resulted in an additional decrease of 0.03% in the capital adequacy ratios.

For details of the initial implementation, see Note 1(c) above.

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

(7) The standard approach to the computation of exposure to counterparty credit risk (SA-CCR)

In March 2014, The Basel Committee on Banking Supervision published updates to Basel 3 instructions, among which was a new instruction regarding "the standard approach for the computation of exposure to counterparty credit risk" (SA-CCR). On December 1, 2021, the Supervisor of Banks published a letter updating Proper Conduct of Banking Business Directives, which included, inter alia, the addition of Proper Conduct of Banking Business Directive No. 203A in the matter of the treatment of counterparty credit risk in accordance with SA-CCR, replacing approaches existing at the present time within the framework of Directive 203 for the computation of exposure to a counterparty in the event of failure. According to the letter, implementation of the Directive begins on July 1, 2022, and accordingly, the Bank is preparing for the implementation of the Directive.

(8) Draft letter regarding an additional allocation of capital in respect of highly leveraged financing of the acquisition of land

In March 2022, the Supervisor of Banks published a draft letter updating Proper Conduct of Banking Business Directive No. 203 (Measurement and capital adequacy) designated to treat exposure in the construction and real estate sector. According to this draft, loans extended to finance the acquisition of land for development or construction purposes, of a ratio exceeding 75% of the value of the purchased property (LTV), shall be weighted at an increased weight of 150%, with the exception of loans financing the purchase of agricultural land that has no zoning outlook or in respect of which there is no intention of applying for a change in status.

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

(9a.) 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 March 31, 2022:

	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)	**0.11**	**0.11**
Massad Bank	**1.67**	**2.12**

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

The Bank implements Proper Banking Management 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.

	March 31, 2022 (unaudited)	March 31, 2021 (unaudited)	December 31, 2021 (audited)
	NIS million		
1. Consolidated			
Tier 1 capital*	**10,092**	(1)9,715	10,199
Total exposures	**191,763**	182,534	191,042
			percent
Leverage ratio	**5.26%**	5.32%	5.34%
2. Significant Subsidiary			
Bank Massad Ltd.			
Leverage ratio	**7.61%**	7.32%	7.68%
Minimal Leverage ratio required by the Supervisor of banks	**4.50%**	4.50%	4.50%

* For the effect in respect of the efficiency program and of the initial application of accounting principles regarding expected credit losses, see note A(4) above.

(1) An immaterial restatement of the comparative data, see Note 1(e).

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

C. 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		For the year ended
	March 31,	March 31,	December 31
	2022	2021	2021
	(unaudited)	(unaudited)	(audited)
			percent
1. Consolidated*			
Liquidity coverage ratio	**126%**	140%	128%
2. Significant Subsidiary*			
Bank Massad Ltd.			
Liquidity coverage ratio	**264%**	218%	248%
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.

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

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 stated 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 maturity of the different assets held by that corporation, as well as its off-balance sheet exposure.

In accordance with the Directive, the required net stable funding ratio is 100%.

The net stable funding ratio of the Bank and of its significant subsidiary companies in Israel, is computed in accordance with the provisions of Proper Conduct of Banking Business Directive No. 222 regarding "net stable funding ratio".

		For March 31,	For March 31,
		2022	2021
		(unaudited)	(unaudited)
			percent
1.	**Consolidated**		
	Net stable funding ratio	**137%**	*139%
2	**Significant Subsidiary**		
	Bank Massad Ltd.		
	Net stable funding ratio	**152%**	151%
	Minimal net stable funding ratio required by the Supervisor of banks	**100%**	100%

* Restated

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

E. Dividends

	For the three months ended		For the year ended
	March 31,	March 31,	December 31
	2022	2021	2021
	(unaudited)	(unaudited)	(audited)
			NIS million
Dividend declared and paid by the Bank	**380**	-	545

On December 27, 2021, the Supervisor of Banks stated his position, according to which, banking corporation should continue taking care in everything relating to the decision to distribute dividends, and take into account, on background of the Corona crisis, that a certain extent of uncertainty still exists in the markets. In accordance with the dividend distribution policy of the Bank regarding an annual dividend distribution of up to 50% of net earnings, as stated above, and considering also the position of the Supervisor as described above, the Board of Directors of the Bank resolved on May 24, 2022, to approve a dividend distribution in cash to the Bank's shareholders in a total amount of NIS 160 million (gross), comprising approximately 50% of net earnings according to the financial statements of the Bank for the first quarter of 2022.
The ex-dividend date was fixed for June 1, 2022, and date of payment of the dividend was fixed for June 12, 2022. The amount of the dividend is prior to any deduction of tax, including withholding tax deductible by the Bank under any law.

In addition, and over and above the said dividend distribution, it is noted that the Bank had applied and accepted the position of Bank of Israel, according to which, nothing avoids considerations by the Bank for the distribution of a one-time dividend, which includes an amount of NIS 150 million (completing the distribution of 50% of net earnings of 2020, in accordance with the dividend policy) and an additional one-time amount of dividend of up to NIS 350 million. It is noted that no decision in the matter had been taken, and that as of date of publication of the financial report, there is no certainty for such one-time dividend distribution, as stated, its timing and scope. Distribution of such one-time dividend, if at all, is subject, inter alia, to approval by the Board of Directors of the Bank and to the existence of all terms relevant to the distribution of dividend. If approval by the Board for the one-time distribution of a dividend, as stated, in part or in full, is obtained, the Bank will publish a report attaching all the required data, in accordance with the provisions of the law.

NOTE 9 - COMMITMENTS AND CONTINGENT LIABILITIES

(NIS million)

Other contingent liabilities and special commitments

		March 31, 2022 (unaudited)	March 31, 2021 (unaudited)	December 31 2021 (audited)
A.	Improvements to premises and acquisition of new premises, equipment and software	**12**	6	13
	Commitments to invest in private investment funds	**87**	51	83

B. The Bank and its investees have leased premises and equipment on a long-term basis. The rentals payable in the future subject to linkage terms (partly to the CPI and partly to foreign currency), are as follows:

	March 31, 2022 (unaudited)	March 31, 2021 (unaudited)
First year	***51**	*52
Second year	**64**	63
Third year	**59**	55
Fourth year	**57**	50
Fifth year	**50**	48
Sixth year and thereafter	**178**	174
Total	**459**	442

* For the period until the end of the calendar year

C. 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 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.

For legal actions, including motion for approval of class actions, see Note 25(g) to the financial statements for 2021.

Following are details of changes made to a motion for approval of a class action that had been filed against the Bank in the past, as compared with the details stated in the financial statements for 2021:

On September 13, 2021, the Bank received notice of a motion for approval of a class action. The action had been filed against the five major banks, including the Bank (hereinafter together- "the banks"). The Claimants argue that banks' fees published in the foreign currency pricelists (and not in NIS) are in contradiction to the law, especially, as the computation of the fees is made by a theoretical conversion to NIS, at high exchange rates. Accordingly, as argued by the Claimants, the banks should be ordered to reimburse the members of the class with all amounts collected in respect of fees presented or denominated in foreign currency in the pricelists during the last 7 years. Alternatively, the banks should be ordered to refund to the members of the class the conversion differences in respect of these fees. On May 9, 2022, the Court approved the agreed withdrawal submitted by the Claimants, thus terminating the proceedings.

The amount of the additional exposure of the Bank and of its subsidiaries as of March 31, 2022, in respect of pending claims, which according to Management's assessment, the realization of which, in part or in full, is not remote, and in respect of which no provision has been recognized, amounts to NIS 53 million.

D. Moreover, pending against the Bank is a motion for approval of a class action, the amount of which is material. As detailed below, 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 this claim, and therefore no provision is recorded in respect thereof.

On April 13, 2022, the Bank received notice of a motion for approval of a class action submitted against the Bank, in the matter of "commission regarding credit handling and collateral for loans in Israeli and in foreign currency", charged by the Bank upon granting a loan for any other purpose. The Claimants argue that this commission is charged in contradiction to the provisions of Regulation 3 of the regulations pertaining to off-banking loans (Exclusion of certain types of credit transactions from the implementation of the Act, and exclusion of expenses from the boundaries of the "Addendum"), 2019 (hereinafter – "the Regulations"), which Regulations limit the price that a bank may charge in respect of each loan. The motion and the action itself do not state the amount of damages claimed for the class.

E. 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) On June 8, 2016, an amended motion for approval of an action as a class action was filed with the Central District Court 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.

Perusal of the economic opinion, to which the amended motion refers, reveals that the amount of the claim is composed of the following main types of damage: an amount of NIS 13.5 million per year for the years 2007-2015 in respect of the damage stemming from the existence of an alleged cartel arrangement regarding the amount of the cross commission payable in immediate debit card transactions; an amount of NIS 5.3 million per year, for the years 2007-2015, in respect of the damage stemming from the existence of an alleged cartel arrangement regarding the date for the transfer of funds to trading houses in respect of immediate debit card transactions; an amount of between NIS 418 million and NIS 683 million per year for the years 2007-2015, in respect of the damage stemming from underuse of immediate debit cards due to the alleged two cartel arrangements, as above.

On March 12, 2017, a preliminary hearing of the motion was held. In its decision, the Court stated that the matter of the cross-commission in respect of the "debit" and the "pre-paid" cards, is apparently included in a verdict given by the Competition Tribunal (formerly "Anti-Trust Tribunal"), and therefore any claim raised against the determination of the cross-commission, should be raised using procedures relating to the said verdict. In view of this, the Court deferred the hearing of the motion for a class action until after the matter is settled by the Competition Tribunal.

On October 16, 2017, an action requesting declaratory relief was filed with the Competition Tribunal. Within the framework of this action, the Tribunal is requested to state that when giving the verdict which approved the cross-commission arrangement, such arrangement did not include immediate debit cards and prepaid cards. The credit card companies, including ICC, have filed a motion for the in limine dismissal of the action, and on October 16, 2018, the Court ruled that the motion for in limine dismissal of the action requesting declaratory relief Order is admitted.

On November 29, 2018, an appeal was filed with the Supreme Court against the verdict of the Competition Tribunal.

On December 23, 2018, the Plaintiffs filed a plea with the Supreme Court sitting as a high Court of Justice, against the Competition Commissioner (formerly "Anti-Trust commissioner"), in which the Court is requested to instruct the Commissioner to act in order to clarify, cancel or change the verdict of the Competition Tribunal. The State filed its response on May 22, 2019. The hearing of the Plea was held on July 16, 2020, in which the arguments of the parties were heard at length. On the same day, the Court ruled for the rejection of the Plea with no order for costs. It was stated in the verdict that the Court does not voice an opinion regarding the question at the heart of the Plea for approval of the action as a class action. Accordingly, the class action proceedings will continue at the District Court. On April 12, 2021, a pre-trial was held in which the parties stated their arguments, at the end of the hearing, the Court suggested to the parties to refer the question of date of accountability to mediation. On July 6, 2021, the parties jointly informed the Court of their acceptance of the Court's suggestion to conduct mediation proceedings in the matter. A first mediation meeting was held on November 1, 2021. Additional meetings are fixed for May 2022.

(b) On May 2, 2018, ICC received notice of an action and a motion for its approval as a class action suit, filed with the Tel Aviv District Court.

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. A preliminary hearing of the case was held on January 15, 2020. In the meantime, the parties have accepted the recommendation of the Court to refer the matter to mediation. On October 28, 2020, the Plaintiffs informed the Court that the mediation process had failed and accordingly, they request the continuation of the proceedings at the Court. A pre-trial hearing was held on December 17, 2020. A further pre-trial hearing was held on July 13, 2021. On July 27, 2021, the Court accepted in part the motion of the Plaintiffs for the disclosure of documents, and dates were fixed for submission of summing-up briefs on behalf of the parties. Concurrently, the parties are trying to reinstate the mediation proceedings.

(c) On July 22, 2018, an action was filed with the Tel Aviv District Court together with 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 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. The Defendants submitted their response to the motion on March 24, 2019. A pre-trial hearing of the case was held on January 7, 2020, at the conclusion of which, the Court instructed the representative of the Plaintiff to prepare a shortlist of the document required for disclosure and perusal. On January 26, 2020, the Plaintiff submitted the shortlist, and on March 8, 2020, ICC submitted its response to the shortlist. The Plaintiff submitted on October 6, 2020, its reaction to the response to the amended motion for disclosure. On March 3, 2021, the Court decided to dismiss the motion for disclosure. An additional pre-trial hearing was held on June 2, 2021. An additional hearing was fixed for October 21, 2021. On June 11, 2021, the Court ordered the delivery of the argument briefs to the Attorney General to the Government, in order for him to decide whether to take part in the proceedings. On December 27, 2021, the Attorney General to the Government informed of his appearance in the proceedings, and has submitted a position on his behalf. 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 the same date, the Court fixed dates for submission by the parties of the summing-up briefs.

(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. A pre-trial hearing of the case was held on April 7, 2021. The Court recommended that the parties conduct negotiations in order to reach an agreed arrangement. Whereas the negotiations between the parties did not reach a compromise, the parties submitted on June 6, 2021, a joint request for the fixing of a date for the hearing of evidence. A further pre-trial hearing was held for April 7, 2022, at the end of which, the Court recommended that the parties renew the negotiations between them, either directly or through a mediator.

(e) On December 8, 2020, an action was filed against Isracard Ltd., Europay (EuroCard) Israel Ltd., Premium Express Ltd., ICC and Diners Club Israel Ltd., with the Tel Aviv District Court together with a motion for approval of the action as a class action ("the approval motion"). The Plaintiff argues that the 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 June 27, 2021, ICC and Diners submitted their response to the approval motion, and on September 29, 2021, the reaction of the Plaintiff to the response of the Respondents was submitted. A pre-trial hearing was fixed for September 6, 2022.

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 228 million.

3. An action is pending against ICC together with a motion for its approval as a class action, as detailed below. In the opinion of Management of ICC, which is based upon Counsel's opinion, it is not possible at this stage to estimate the prospects of the action, and therefore no provision has been recorded in respect thereof.

   On October 26, 2021, an action was filed with the Tel Aviv District Court against ICC and against additional credit card companies, together with a motion for its approval as a class action ("the approval motion"). The class, on behalf of which, the Plaintiff applies to conduct the action as a class action, is defined as "all customers of the Respondents who had accumulated rights and/or flight points by using credit cards, and these were erased without making the customers properly aware and without sending the customers an appropriate notice in accordance with the law."

   The Plaintiff did not state an amount in respect of the claim for the class, but based on the financial statements of the Respondents, the Plaintiff estimates the claim at NIS tens of millions.

4. Note 25(i)4 to the financial statements for 2021, included a description of appeal proceedings against VAT assessments, which are being conducted at the Tel Aviv District Court, with respect to ICC and to additional credit card companies. ICC estimates the amount of exposure in respect of which no provision is included in its financial statements regarding this matter, at NIS 192 million. Hearing of evidence is fixed for June and July 2022.

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

(NIS million)

A. Volume of activity on a consolidated basis

1. For value of derivatives

	March 31, 2022 (unaudited)			March 31, 2021 (unaudited)			December 31, 2021 (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	**978**	**3,341**	**4,319**	439	1,929	2,368	661	1,550	2,211
Options written	**-**	**-**	**-**	-	13	13	-	40	40
Options purchased	**-**	**-**	**-**	-	13	13	-	40	40
SWAPS(1)	**3,695**	**12,507**	**16,202**	4,521	11,420	15,941	4,083	11,841	15,924
Total(2)	**4,673**	**15,848**	**20,521**	4,960	13,375	18,335	4,744	13,471	18,215
Of which: Hedging derivatives(3)	**3,256**	**-**	**3,256**	3,606	-	3,606	3,245	-	3,245
Foreign currency contracts									
Forward and Futures Contracts(4)	**20,684**	**27,924**	**48,608**	22,236	26,376	48,612	22,501	22,824	45,325
Options written	**-**	**12,475**	**12,475**	-	17,325	17,325	-	14,084	14,084
Options purchased	**-**	**12,423**	**12,423**	-	17,598	17,598	-	13,866	13,866
SWAPS	**52**	**-**	**52**	180	-	180	51	-	51
Total	**20,736**	**52,822**	**73,558**	22,416	61,299	83,715	22,552	50,774	73,326
Contracts on shares									
Forward and Futures Contracts	**-**	**30,863**	**30,863**	-	30,923	30,923	38	34,252	34,290
Options written	**-**	**17,404**	**17,404**	-	15,602	15,602	-	19,211	19,211
Options purchased(5)	**1**	**17,402**	**17,403**	-	15,596	15,596	1	19,209	19,210
Total	**1**	**65,669**	**65,670**	-	62,121	62,121	39	72,672	72,711
Commodities and other contracts									
Forward and Futures Contracts	**-**	**251**	**251**	-	132	132	-	279	279
Options written	**-**	**-**	**-**	-	-	-	-	419	419
Options purchased	**-**	**-**	**-**	-	-	-	-	419	419
Total	**-**	**251**	**251**	-	132	132	-	1,117	1,117
Total face value	**25,410**	**134,590**	**160,000**	27,376	136,927	164,303	27,335	138,034	165,369

(1) Of which: SWAPS the Bank is paying fixed interest in an amount of NIS 9,749 million (31.3.21 - NIS 9,834 million, 31.12.21 - NIS 9,495 million).

(2) Of which: NIS-CPI swap contracts in an amount of NIS 771 million (31.3.21 - NIS 566 million, 31.12.21 - NIS 668 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 2,738 million (31.3.21 - NIS 1,315 million, 31.12.21 - NIS 1,336 million).

(5) Of which: Traded on the Stock Exchange in an amount of NIS 17,401 million (31.3.21 - NIS 15,589 million, 31.12.21 - NIS 19,208 million).

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

(NIS million)

A. Volume of activity on a consolidated basis (CONT'D)

.2 Gross fair value of derivative instruments

	March 31, 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	**56**	**170**	**226**	**35**	**170**	**205**
Of which: Hedging derivatives	**52**	**-**	**52**	**14**	**-**	**14**
Foreign currency contracts	**26**	**479**	**505**	**95**	**460**	**555**
Contracts on shares	**1**	**1,598**	**1,599**	**-**	**1,598**	**1,598**
Commodities and other contracts	**-**	**2**	**2**	**-**	**2**	**2**
Total assets/liabilities in respect of derivatives gross(1)	**83**	**2,249**	**2,332**	**130**	**2,230**	**2,360**
Amounts offset in the balance sheet	**-**	**-**	**-**	**-**	**-**	**-**
Balance sheet balance	**83**	**2,249**	**2,332**	**130**	**2,230**	**2,360**
Of which: not subject to net settlement arrangement or similar arrangements	**-**	**-**	**-**	**-**	**-**	**-**

	March 31, 2021 (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	18	198	216	166	186	352
Of which: Hedging	18	-	18	151	-	151
Foreign currency contracts	105	604	709	49	476	525
Contracts on shares	-	675	675	-	675	675
Commodities and other contracts	-	3	3	-	3	3
Total assets/liabilities in respect of derivatives gross(1)	123	1,480	1,603	215	1,340	1,555
Amounts offset in the balance sheet	-	-	-	-	-	-
Balance sheet balance	123	1,480	1,603	215	1,339	1,554
Of which: not subject to net settlement arrangement or similar arrangements	-	-	-	-	-	-

	December 31, 2021 (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	15	142	157	126	130	256
Of which: Hedging	14	-	14	110	-	110
Foreign currency contracts	40	515	555	59	726	785
Contracts on shares	-	951	951	-	951	951
Commodities and other contracts	-	46	46	-	46	46
Total assets/liabilities in respect of derivatives gross(1)	55	1,654	1,709	185	1,853	2,038
Amounts offset in the balance sheet	-	-	-	-	-	-
Balance sheet balance	55	1,654	1,709	185	1,853	2,038
Of which: not subject to net settlement arrangement or similar arrangements	-	-	-	-	-	-

(1) Of which: 31.3.21 Gross fair value of liabilities in respect of embedded derivatives in an amount of NIS 1 million.

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

(NIS million)

B. Accounting Hedge

General

The Bank is exposued to market risks, including basis risks and interest risks. Basis risk is the exsisting 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 flactuations 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 (swaping fixed interest rate with variable interest rate). The Bank have derivativies 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.

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

(NIS million)

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 currect 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 March 31, 2022	For the three months ended March 31, 2021	For the year ended December 31, 2021
		(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	**(123)**	(85)	(130)
- Hedging derivatives	**111**	72	82

	For the three months ended March 31, 2022 (unaudited)		For the three months ended March 31, 2021 (unaudited)		For the year ended December 31, 2021 (audited)	
		Cumulative fair value adjustments increasing 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	**3,390**	**(45)**	3,893	125	3,544	78

	For the three months ended March 31, 2022	For the three months ended March 31, 2021	For the year ended December 31, 2021
		(unaudited)	(audited)
			Profit (loss) recognized in income (expenses) 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	**1**	(5)	30
Foreign currency contracts	**277**	416	(476)
Contracts on shares	**3**	1	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

	March 31, 2022 (unaudited)					
	Exchanges	Banks	Dealers/ brokers	Government and central banks	Others	Total
Balance sheet balance of assets in respect of derivative instruments	**184**	**750**	**855**	**9**	**534**	**2,332**
Gross amounts not offset in the balance sheet:						
Credit risk mitigation in respect of financial instruments[1]	**-**	**(208)**	**(35)**	**-**	**(232)**	**(475)**
Credit risk mitigation in respect of cash collateral received	**-**	**(19)**	**-**	**-**	**(193)**	**(212)**
Net amount of assets in respect of derivative instruments	**184**	**523**	**820**	**9**	**109**	**1,645**
Off balance sheet credit risk in respect of derivative instruments [2]	**-**	**281**	**45**	**14**	**1,690**	**2,030**
Off balance sheet credit risk mitigation	**-**	**(150)**	**(12)**	**-**	**(1,239)**	**(1,401)**
Net off balance sheet credit risk in respect of derivative instruments	**-**	**131**	**33**	**14**	**451**	**629**
Total credit risk in respect of derivative instruments	**184**	**654**	**853**	**23**	**560**	**2,274**
Balance sheet balance of liabilities in respect of derivative instruments	**146**	**323**	**181**	**-**	**1,710**	**2,360**
Gross amounts not offset in the balance sheet:						
Financial instruments	**-**	**(208)**	**(35)**	**-**	**(186)**	**(429)**
Cash collateral which was attached by a lien	**-**	**(49)**	**(5)**	**-**	**(2)**	**(56)**
Net amount of liabilities in respect of derivative instruments	**146**	**66**	**141**	**-**	**1,522**	**1,875**

	March 31, 2021 (unaudited)					
	Exchanges	Banks	Dealers/ brokers	Government and central banks	Others	Total
Balance sheet balance of assets in respect of derivative instruments	131	373	327	2	770	1,603
Gross amounts not offset in the balance sheet:						
Credit risk mitigation in respect of financial instruments[1]	-	(189)	(45)	-	(333)	(567)
Credit risk mitigation in respect of cash collateral received	-	(9)	-	-	(268)	(277)
Net amount of assets in respect of derivative instruments	131	175	282	2	169	759
Off balance sheet credit risk in respect of derivative instruments [2]	-	315	50	2	1,784	2,151
Off balance sheet credit risk mitigation	-	(148)	(30)	-	(1,292)	(1,470)
Net off balance sheet credit risk in respect of derivative instruments	-	167	20	2	492	681
Total credit risk in respect of derivative instruments	131	342	302	4	661	1,440
Balance sheet balance of liabilities in respect of derivative instruments	158	397	370	-	630	1,555
Gross amounts not offset in the balance sheet:						
Financial instruments	-	(189)	(45)	-	(227)	(461)
Cash collateral which was attached by a lien	-	(115)	(24)	-	(14)	(153)
Net amount of liabilities in respect of derivative instruments	158	93	301	-	389	941

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, 2021 (audited)					
	Exchanges	Banks	Dealers/ brokers	Government and central banks	Others	Total
Balance sheet balance of assets in respect of derivative instruments	297	427	357	-	628	1,709
Gross amounts not offset in the balance sheet:						
Credit risk mitigation in respect of financial instruments(1)	-	(205)	(38)	-	(294)	(537)
Credit risk mitigation in respect of cash collateral received	-	(49)	(5)	-	(189)	(243)
Net amount of assets in respect of derivative instruments	297	173	314	-	145	929
Off balance sheet credit risk in respect of derivative instruments (2)	-	285	64	-	1,828	2,177
Off balance sheet credit risk mitigation	-	(136)	(28)	-	(1,382)	(1,546)
Net off balance sheet credit risk in respect of derivative instruments	-	149	36	-	446	631
Total credit risk in respect of derivative instruments	297	322	350	-	591	1,560
Balance sheet balance of liabilities in respect of derivative instruments	173	341	315	-	1,209	2,038
Gross amounts not offset in the balance sheet:						
Financial instruments	-	(205)	(38)	-	(171)	(414)
Cash collateral which was attached by a lien	-	(45)	(5)	-	-	(50)
Net amount of liabilities in respect of derivative instruments	173	91	272	-	1,038	1,574

(1) The fair value of derivative instruments subject to netting agreements NIS 429 million, government bonds received as collateral NIS 13 million, shares received as collateral NIS 32 million and corporate bonds received as collateral NIS 1 million (31.3.21 - derivative instruments subject to netting agreements NIS 461 million, government bonds received as collateral NIS 89 million shares received as collateral NIS 15 million and in corporate bonds NIS 2 million, 31.12.21 - derivative instruments subject to netting agreements NIS 414 million, government bonds received as collateral NIS 95 million, shares received as collateral NIS 26 million and corporate bonds received as collateral NIS 2 million).

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

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

(NIS million)

D. Maturity dates (stated value amounts): Balance on consolidated basis

	March 31, 2022 (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	**-**	**302**	**470**	**-**	**772**
- Other	**816**	**5,020**	**10,698**	**3,215**	**19,749**
Foreign currency contracts	**61,895**	**11,030**	**633**	**-**	**73,558**
Contracts of shares	**32,270**	**33,193**	**207**	**-**	**65,670**
Commodities and other contracts	**92**	**159**	**-**	**-**	**251**
Total	**95,073**	**49,704**	**12,008**	**3,215**	**160,000**

	March 31, 2021 (unaudited)				
	Up to 3 months	from 3 months to 1 year	From 1 to 5 years	Over 5 years	Total
Total	129,171	20,720	11,023	3,389	164,303

	December 31, 2021 (audited)				
	Up to 3 months	from 3 months to 1 year	From 1 to 5 years	Over 5 years	Total
Total	132,181	17,592	12,291	3,305	165,369

NOTE 11 - SUPERVISORY SEGMENTS OF OPERATION

A. Classification of customers to the supervisory segments of operations is in accordance to the format and classification set in the Reporting to the Public directives of the Supervisor of Banks, as detailed in the financial statements for the year 2021.

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

B. Operational supervision segment information

	For the three months ended March 31, 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	428	295	5	1	193	52	145	7	45	871
Interest expense from external	40	-	-	5	13	3	49	14	3	127
Net interest income										
- From external	388	295	5	(4)	180	49	96	(7)	42	744
- Inter - segment	(76)	(182)	(2)	9	(22)	(8)	(19)	17	99	-
Total net interest income	312	113	3	5	158	41	77	10	141	744
Non-interest income	157	3	24	25	100	18	34	55	37	426
Total income	469	116	27	30	258	59	111	65	178	1,170
Expenses (income) from credit losses	11	1	-	-	(10)	7	(8)	-	-	-
Operating and other expenses	359	52	6	19	171	27	46	41	21	684
Operating profit before taxes	99	63	21	11	97	25	73	24	157	486
Provision for taxes on operating profit	34	22	7	4	33	9	26	9	54	169
Operating profit after taxes	65	41	14	7	64	16	47	15	103	317
Bank's share in operating profit of investee company after tax effect	-	-	-	-	-	-	-	-	17	17
Net profit:										
Before attribution to non-controlling interests	65	41	14	7	64	16	47	15	120	334
Attributed to non-controlling interests	(7)	-	(1)	-	(1)	(1)	-	-	(3)	(12)
Net profit attributed to shareholders of the Bank	58	41	13	7	63	15	47	15	117	322
Average balance of assets(1)	54,669	32,924	2,892	92	21,103	6,246	19,421	1,510	78,489	181,530
of which: Investee Company(1)	-	-	-	-	-	-	-	-	727	727
of which: Average balance of credit to the public(1)	54,669	32,924	2,892	92	21,103	6,246	19,421	1,510	-	103,041
Balance of credit to the public	56,309	(4)33,325	3,839	109	21,947	6,714	20,672	1,591	-	107,342
Balance of nonaccrual debts	253	146	-	-	239	77	53	-	-	622
Balance in arrears over 90 days	13	-	-	-	3	-	-	-	-	16
Average balance of liabilities(1)	64,634	212	33	9,528	26,447	7,141	16,263	31,403	15,711	171,127
of which: Average balance of deposits from the public(1)	64,438	-	-	9,525	26,279	7,071	15,702	31,372	-	154,387
Balance of deposits from the public	65,391	-	-	9,678	26,487	7,076	14,884	30,522	-	154,038
Average balance of risk assets(1)(2)	35,741	17,436	3,327	269	19,336	7,287	20,441	2,559	5,634	91,267
Balance of risk assets(2)	35,961	17,663	4,061	265	19,139	7,719	21,587	1,608	7,266	93,545
Average balance of assets under management(1)(3)	39,485	-	-	24,326	21,134	3,958	17,896	334,454	-	441,253
Segmentation of net interest income:										
- Earnings from credit - granting activity	284	113	3	-	149	39	74	3	-	549
- Earnings from deposits - taking activity	29	-	-	5	9	2	4	7	-	56
- Other	(1)	-	-	-	-	-	(1)	-	141	139
Total net interest income	312	113	3	5	158	41	77	10	141	744

(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 1,350 million.

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

(NIS million)

B. Operational supervision segment information (CON'T)

	For the three months ended March 31, 2021 (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	286	189	3	(3)	173	47	182	9	35	729
Interest expense from external	30	-	-	5	11	1	16	(2)	(2)	59
Net interest income										
- From external	256	189	3	(8)	162	46	166	11	37	670
- Inter - segment	43	(88)	-	13	(11)	(9)	(90)	(2)	56	-
Total net interest income	299	101	3	5	151	37	76	9	93	670
Non-interest income	159	3	21	23	91	16	24	50	*78	441
Total income	458	104	24	28	242	53	100	59	171	1,111
Expenses (income) from credit losses	4	7	-	-	4	(6)	(10)	(1)	-	(9)
Operating and other expenses	354	46	11	18	163	25	42	42	12	656
Operating profit before taxes	100	51	13	10	75	34	68	18	159	464
Provision for taxes on operating profit	35	18	5	3	26	12	24	6	*55	161
Operating profit after taxes	65	33	8	7	49	22	44	12	104	303
Bank's share in operating loss of investee company after tax effect	-	-	-	-	-	-	-	-	13	13
Net profit:										
Before attribution to non-controlling interests	65	33	8	7	49	22	44	12	117	316
Attributed to non-controlling interests	(7)	-	-	-	(2)	(1)	-	-	(2)	(12)
Net profit attributed to shareholders of the Bank	58	33	8	7	47	21	44	12	115	304
Average balance of assets(1)	49,136	28,747	2,635	57	18,338	5,454	17,441	1,135	77,947	169,508
of which: Investee Company(1)	-	-	-	-	-	-	-	-	642	642
of which: Average balance of credit to the public(1)	49,136	28,747	2,635	57	18,338	5,454	17,441	1,135	-	91,561
Balance of credit to the public	50,784	(4)29,065	3,619	71	18,814	5,481	17,149	1,282	-	93,581
Balance of nonaccrual debts**	112	-	-	-	232	66	77	-	-	487
Balance in arrears over 90 days**	183	169	-	-	25	-	-	-	-	208
Average balance of liabilities(1)	64,153	385	69	9,044	24,270	5,695	12,933	29,577	14,101	159,773
of which: Average balance of deposits from the public(1)	63,296	-	-	9,019	23,800	5,536	12,048	29,479	-	143,178
Balance of deposits from the public	64,630	-	-	9,292	24,465	5,702	12,340	30,171	-	146,600
Average balance of risk assets(1)(2)	33,068	15,471	3,091	228	17,253	6,170	18,011	1,498	*7,677	83,905
Balance of risk assets(2)	33,210	15,607	3,808	229	17,645	6,125	17,728	1,493	*7,565	83,995
Average balance of assets under management(1)(3)	35,903	-	-	20,720	17,277	3,504	15,251	312,971	-	405,626
Segmentation of net interest income:										
- Earnings from credit - granting activity	270	102	3	-	144	35	75	3	-	527
- Earnings from deposits - taking activity	32	-	-	5	8	2	3	6	-	56
- Other	(3)	(1)	-	-	(1)	-	(2)	-	93	87
Total net interest income	299	101	3	5	151	37	76	9	93	670

* Immaterial adjustment of comparative data. See Note 1.E.
** Restated in respect of the new disclosure format on nonaccrual debts instead of impaired debts.
(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 1,294 million.

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

(NIS million)

B. Operational supervision segment information (CON'T)

For the year ended December 31, 2021 (audited)

Activity in Israel

	Households Total	Households Of which: Housing loans	Households 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	1,823	942	17	15	715	150	291	(1)	157	3,150
Interest expense from external	139	-	-	20	41	8	94	36	18	356
Net interest income										
- From external	1,684	942	17	(5)	674	142	197	(37)	139	2,794
- Inter - segment	(473)	(515)	(9)	21	(65)	8	94	70	345	-
Total net interest income	1,211	427	8	16	609	150	291	33	484	2,794
Non-interest income	635	16	96	92	358	64	109	201	297	1,756
Total income	1,846	443	104	108	967	214	400	234	781	4,550
Expenses (income) from credit losses	(5)	(6)	-	1	(115)	(21)	(73)	(3)	-	(216)
Operating and other expenses	1,422	192	41	72	640	100	167	155	96	2,652
Operating profit before taxes	429	257	63	35	442	135	306	82	685	2,114
Provision for taxes on operating profit	148	89	22	12	152	47	105	28	236	728
Operating profit after taxes	281	168	41	23	290	88	201	54	449	1,386
Bank's share in operating profit of investee company after tax effect	-	-	-	-	-	-	-	-	69	69
Net profit:										
Before attribution to non-controlling interests	281	168	41	23	290	88	201	54	518	1,455
Attributed to non-controlling interests	(32)	-	(3)	(1)	(5)	(3)	-	-	(9)	(50)
Net profit attributed to shareholders of the Bank	249	168	38	22	285	85	201	54	509	1,405
Average balance of assets(1)	51,325	30,353	2,807	68	19,325	5,623	16,978	1,139	77,915	172,373
of which: Investee Company(1)	-	-	-	-	-	-	-	-	674	674
of which: Average balance of credit to the public(1)	51,325	30,353	2,807	68	19,325	5,623	16,978	1,139	-	94,458
Balance of credit to the public	54,882	(4)32,260	3,868	95	21,044	6,101	18,571	1,547	-	102,240
Balance of nonaccrual debts*	103	-	-	-	200	69	69	-	-	441
Balance in arrears over 90 days*	189	167	-	-	14	1	1	-	-	205
Average balance of liabilities(1)	64,312	294	50	9,074	24,809	5,949	13,519	30,555	13,905	162,123
of which: Average balance of deposits from the public(1)	63,497	-	-	9,033	24,374	5,813	12,830	30,401	-	145,948
Balance of deposits from the public	63,792	-	-	9,253	25,949	7,028	15,553	31,872	-	153,447
Average balance of risk assets(1)(2)	34,201	16,091	3,193	234	18,470	6,268	18,058	1,601	7,329	86,161
Balance of risk assets(2)	35,600	17,057	3,697	244	19,122	6,800	19,627	1,515	6,080	88,988
Average balance of assets under management(1)(3)	37,986	-	-	22,320	19,213	3,554	17,467	330,622	-	431,162
Segmentation of net interest income:										
- Earnings from credit - granting activity	1,103	431	8	1	583	145	284	11	-	2,127
- Earnings from deposits - taking activity	116	-	-	15	30	6	12	22	-	201
- Other	(8)	(4)	-	-	(4)	(1)	(5)	-	484	466
Total net interest income	1,211	427	8	16	609	150	291	33	484	2,794

* Restated in respect of the new disclosure format on nonaccrual debts instead of impaired debts.
(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 1,338 million.

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

The distribution to segments of activity according to management's approach is based on the type of products and services or on the type of customers. This distribution is used by the chief operating decision maker in the Bank, in order to reach decision and analyze the operating results of the Group. For details regarding the classification of customers to the activity segments according to management approach, see note 28A to the annual financial statements for the year 2021.

	Banking Division				Corporate Division		
	Housing loans	Households	Private banking	Other	Corporate customers	Commercial customers	Other
Net interest income	**115**	**132**	**38**	**106**	**114**	**68**	**13**
Non-interest income	**3**	**55**	**122**	**59**	**70**	**22**	**11**
Total income	**118**	**187**	**160**	**165**	**184**	**90**	**24**
Expenses (income) in respect of credit losses	**1**	**9**	**1**	**(22)**	**13**	**(14)**	**(1)**
Operating and other expenses	**54**	**175**	**129**	**115**	**85**	**46**	**8**
Operating profit before taxes	**63**	**3**	**30**	**72**	**86**	**58**	**17**
Provision for taxes on operating profit	**22**	**1**	**10**	**25**	**30**	**20**	**6**
Operating profit after taxes	**41**	**2**	**20**	**47**	**56**	**38**	**11**
Bank's share in operating profit of investee company after taxes	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Net profit							
Before attribution to non-controlling interests	**41**	**2**	**20**	**47**	**56**	**38**	**11**
Attributed to non-controlling interests	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Attributed to shareholders of the Bank	**41**	**2**	**20**	**47**	**56**	**38**	**11**
Average balance of assets(1)	**32,667**	**15,221**	**4,405**	**11,036**	**27,649**	**10,648**	**1,248**
Balance of credit to the public at the end of the reported period	**33,067**	**15,928**	**4,777**	**12,495**	**29,493**	**11,056**	**1,233**
Balance of deposits from the public at the end of the reported period	**-**	**30,568**	**41,082**	**21,535**	**26,372**	**8,465**	**27,011**

	Banking Division				Corporate Division		
	Housing loans	Households	Private banking	Other	Corporate customers	Commercial customers	Other
Net interest income	102	130	39	100	115	65	10
Non-interest income	3	55	126	52	57	20	4
Total income	105	185	165	152	172	85	14
Expenses (income) in respect of credit losses	7	1	1	4	(16)	3	-
Operating and other expenses	47	172	137	113	78	45	6
Operating profit before taxes	51	12	27	35	110	37	8
Provision for taxes on operating profit	18	4	9	12	38	13	3
Operating profit after taxes	33	8	18	23	72	24	5
Bank's share in operating loss of investee company after taxes	-	-	-	-	-	-	-
Net profit							
Before attribution to non-controlling interests	33	8	18	23	72	24	5
Attributed to non-controlling interests	-	-	-	-	-	-	-
Attributed to shareholders of the Bank	33	8	18	23	72	24	5
Average balance of assets(1)	28,518	14,542	4,019	10,147	24,106	9,302	713
Balance of credit to the public at the end of the reported period	28,841	15,131	4,366	11,277	24,236	9,566	600
Balance of deposits from the public at the end of the reported period	-	28,919	41,903	20,024	31,016	7,141	17,849

* Immaterial adjustment of comparative data. See Note 1.E.

(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 March 31, 2022 (unaudited)					
			Adjustments		
Customer Asset Division	**Financial management**	**Subsidiary companies**	**Total**	**Of which: operation in the capital market products**	**Total**
66	**134**	**63**	**(105)**	**(66)**	**744**
254	**35**	**26**	**(231)**	**(201)**	**426**
320	**169**	**89**	**(336)**	**(267)**	**1,170**
(3)	**-**	**1**	**15**	**3**	**-**
208	**21**	**49**	**(206)**	**(170)**	**684**
115	**148**	**39**	**(145)**	**(100)**	**486**
40	**52**	**14**	**(51)**	**(34)**	**169**
75	**96**	**25**	**(94)**	**(66)**	**317**
-	**17**	**-**	**-**	**-**	**17**
75	**113**	**25**	**(94)**	**(66)**	**334**
-	**-**	**(12)**	**-**	**-**	**(12)**
75	**113**	**13**	**(94)**	**(66)**	**322**
9,162	**75,812**	**9,018**	**(15,336)**	**(9,162)**	**181,530**
9,717	**-**	**5,679**	**(16,103)**	**(9,717)**	**107,342**
147,513	**-**	**9,278**	**(157,786)**	**(147,513)**	**154,038**

For the three months ended March 31, 2021 (unaudited)					
			Adjustments		
Customer Asset Division	**Financial management**	**Subsidiary companies**	**Total**	**Of which: operation in the capital market products**	**Total**
60	90	60	(101)	(60)	670
240	*76	23	(215)	(196)	441
300	166	83	(316)	(256)	1,111
1	-	(2)	(8)	(1)	(9)
205	11	48	(206)	(172)	656
94	155	37	(102)	(83)	464
33	*53	13	(35)	(29)	161
61	102	24	(67)	(54)	303
-	13	-	-	-	13
61	115	24	(67)	(54)	316
-	-	(12)	-	-	(12)
61	115	12	(67)	(54)	304
5,556	75,502	8,516	(11,413)	(5,556)	169,508
5,650	-	5,310	(11,396)	(5,650)	93,581
140,140	-	8,821	(149,213)	(140,140)	146,600

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	431	524	144	401	440	262	42
Non-interest income	16	228	477	217	220	82	37
Total income	447	752	621	618	660	344	79
Expenses (income) in respect of credit losses	(8)	(12)	2	(61)	(94)	(47)	(2)
Operating and other expenses	199	691	531	441	295	174	28
Operating profit before taxes	256	73	88	238	459	217	53
Provision for taxes on operating profit	88	25	30	82	158	75	18
Operating profit after taxes	168	48	58	156	301	142	35
Bank's share in operating profit of investee company after taxes	-	-	-	-	-	-	-
Net profit							
Before attribution to non-controlling interests	168	48	58	156	301	142	35
Attributed to non-controlling interests	-	-	-	-	-	-	-
Attributed to shareholders of the Bank	168	48	58	156	301	142	35
Average balance of assets(1)	30,108	14,857	4,201	10,409	23,851	9,687	1,058
Balance of credit to the public at the end of the reported period	32,012	15,660	4,634	11,992	26,900	10,562	1,073
Balance of deposits from the public at the end of the reported period	-	30,432	39,353	21,641	26,424	8,657	28,439

(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, 2021 (audited)					
			Adjustments		
Customer Asset Division	Financial management	Subsidiary companies	Total	Of which: operation in the capital market products	Total
221	462	245	(378)	(222)	2,794
925	289	101	(836)	(734)	1,756
1,146	751	346	(1,214)	(956)	4,550
(2)	-	(3)	11	2	(216)
804	94	192	(797)	(658)	2,652
344	657	157	(428)	(300)	2,114
118	226	55	(147)	(103)	728
226	431	102	(281)	(197)	1,386
-	69	-	-	-	69
226	500	102	(281)	(197)	1,455
-	-	(50)	-	-	(50)
226	500	52	(281)	(197)	1,405
6,474	75,476	8,667	(12,415)	(6,474)	172,373
9,328	-	5,641	(15,562)	(9,328)	102,240
147,340	-	9,025	(157,864)	(147,340)	153,447

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

(NIS million)

A. Debts** and off-balance sheet credit instruments

1. Change in provision for credit losses

	For the three months ended March 31, 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 due to effect of initial implementation*	**93**	**(34)**	**4**	**63**	**2**	**65**
Expenses (income) in respect of credit losses	**(11)**	**1**	**10**	**-**	**-**	**-**
- Accounting write-offs	**(24)**	**-**	**(20)**	**(44)**	**-**	**(44)**
- Collection of debts written off in accounting in previous years	**24**	**1**	**23**	**48**	**-**	**48**
Net accounting write-offs	**-**	**1**	**3**	**4**	**-**	**4**
Provision for credit losses at end of the period(2)	**752**	**127**	**343**	**1,222**	**2**	**1,224**
Of which: (1) In respect of off-balance sheet credit instruments	**68**	**-**	**11**	**79**	**-**	**79**
(2) In respect of off-balance sheet credit instruments	**116**	**6**	**12**	**134**	**-**	**134**

	For the three months ended March 31, 2021 (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)	881	164	318	1,363	-	1,363
Expenses (income) in respect of credit losses	(13)	7	(3)	(9)	-	(9)
- Accounting write-offs	(26)	-	(19)	(45)	-	(45)
- Collection of debts written off in accounting in previous years	15	-	24	39	-	39
Net accounting write-offs	(11)	-	5	(6)	-	(6)
Provision for credit losses at end of the period(2)	857	171	320	1,348	-	1,348
Of which: (1) In respect of off-balance sheet credit instruments	72	-	14	86	-	86
(2) In respect of off-balance sheet credit instruments	75	-	13	88	-	88

* Effect of initial implementation of the public reporting instruction regarding expected credit losses, for additional details, see Note 1(c) above.

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

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

(NIS million)

A. Debts(1) 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

	March 31, 2022 (unaudited)					
	Credit to the public					
	Commercial	Housing	Other private	Total	Banks, Governments and Bonds	Total
Recorded debt balance of debts						
Examined on an individual basis	**44,635**	**-**	**512**	**45,147**	**17,564**	**62,711**
Examined on a collective basis	**6,391**	**33,325**	**22,479**	**62,195**	**-**	**62,195**
Total debts	**51,026**	**33,325**	**22,991**	**107,342**	**17,564**	**124,906**
Provision for credit losses in respect of debts						
Examined on an individual basis	**564**	**-**	**46**	**610**	**2**	**612**
Examined on a collective basis	**72**	**121**	**285**	**478**	**-**	**478**
Total provision for credit losses	**636**	**121**	**331**	**1,088**	**2**	**1,090**

	March 31, 2021 (unaudited)					
	Credit to the public					
	Commercial	Housing	Other private	Total	Banks, Governments and Bonds	Total
Recorded debt balance of debts						
Examined on an individual basis	36,706	-	412	37,118	17,122	54,240
Examined on a collective basis	6,088	29,065	21,310	56,463	-	56,463
Total debts	42,794	29,065	21,722	93,581	17,122	110,703
Provision for credit losses in respect of debts						
Examined on an individual basis	672	-	40	712	-	712
Examined on a collective basis	110	171	267	548	-	548
Total provision for credit losses	782	171	307	1,260	-	1,260

	December 31, 2021 (audited)					
	Credit to the public					
	Commercial	Housing	Other private	Total	Banks, Governments and Bonds	Total
Recorded debt balance of debts						
Examined on an individual basis	41,141	-	491	41,632	17,548	59,180
Examined on a collective basis	6,206	32,260	22,142	60,608	-	60,608
Total debts	47,347	32,260	22,633	102,240	17,548	119,788
Provision for credit losses in respect of debts						
Examined on an individual basis	530	-	38	568	-	568
Examined on a collective basis	72	159	277	508	-	508
Total provision for credit losses	602	159	315	1,076	-	1,076

(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)

1. Credit quality and arrears

	March 31, 2022 (unaudited)					
		Problematic(2)			Accrual debts - additional information	
	Non-problematic	Accrual	Nonaccrual(3)	Total	In arrears of 90 days or more(4)	In arrears of 30 to 89 days(5)
Borrower activity in Israel						
Public - commercial						
Construction and real estate - construction	**7,540**	**37**	**52**	**7,629**	**-**	**3**
Construction and real estate - real estate activities	**6,540**	**5**	**45**	**6,590**	**-**	**3**
Financial services	**10,013**	**2**	**5**	**10,020**	**-**	**23**
Commercial - other	**25,376**	**650**	**265**	**26,291**	**3**	**21**
Total commercial	**49,469**	**694**	**367**	**50,530**	**3**	**50**
Private individuals - housing loans	**33,133**	**46**	**146**	**33,325**	**-**	**165**
Private individuals - others	**22,746**	**138**	**107**	**22,991**	**13**	**45**
Total activity in Israel	**105,348**	**878**	**620**	**106,846**	**16**	**260**
Borrower activity abroad						
Public - commercial						
Construction and real estate	**21**	**-**	**-**	**21**	**-**	**-**
Other commercial	**473**	**-**	**2**	**475**	**-**	**5**
Total commercial	**494**	**-**	**2**	**496**	**-**	**5**
Private individuals	**-**	**-**	**-**	**-**	**-**	**-**
Total activity abroad	**494**	**-**	**2**	**496**	**-**	**5**
Total credit to the public	**105,842**	**878**	**622**	**107,342**	**16**	**265**

(1) Nonaccrual, substandard or special supervision credit to the public.
(2) Classified as problematic debt accruing interest income.
(3) Accruing interest income. Debts in default for 30 and up to 89 days, in the amount of NIS 85 million (March 31, 2021 – NIS 117 million) 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)

1. Credit quality and arrears (Cont'd)

	March 31, 2021 (unaudited)*					
		Problematic(2)			Accrual debts - additional information	
	Non-problematic	Accrual	Nonaccrual(3)	Total	In arrears of 90 days or more(4)	In arrears of 30 to 89 days(5)
Borrower activity in Israel						
Public - commercial						
Construction and real estate - construction	5,599	44	39	5,682	6	4
Construction and real estate - real estate activities	5,332	21	44	5,397	-	16
Financial services	7,667	3	8	7,678	1	7
Commercial - other	22,215	841	284	23,340	10	28
Total commercial	40,813	909	375	42,097	17	55
Private individuals - housing loans	28,727	338	-	29,065	169	169
Private individuals - others	21,449	161	112	21,722	14	36
Total activity in Israel	90,989	1,408	487	92,884	200	260
Borrower activity abroad						
Public - commercial						
Construction and real estate	14	-	-	14	-	-
Other commercial	683	-	-	683	-	-
Total commercial	697	-	-	697	-	-
Private individuals	-	-	-	-	-	-
Total activity abroad	697	-	-	697	-	-
Total credit to the public	91,686	1,408	487	93,581	200	260

* Restated in respect of the new disclosure format on nonaccrual debts instead of impaired 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)

	December 31, 2021 (audited)*					
		Problematic(2)			Accrual debts - additional information	
	Non-problematic	Accrual	Nonaccrual(3)	Total	In arrears of 90 days or more(4)	In arrears of 30 to 89 days(5)
Borrower activity in Israel						
Public - commercial						
Construction and real estate - construction	7,219	51	47	7,317	3	5
Construction and real estate - real estate activities	5,962	12	38	6,012	-	2
Financial services	9,224	5	5	9,234	-	10
Commercial - other	23,192	763	248	24,203	5	14
Total commercial	45,597	831	338	46,766	8	31
Private individuals - housing loans	31,985	275	-	32,260	167	159
Private individuals - others	22,364	166	103	22,633	22	44
Total activity in Israel	99,946	1,272	441	101,659	197	234
Borrower activity abroad						
Public - commercial						
Construction and real estate	19	-	-	19	-	-
Other commercial	560	2	-	562	2	3
Total commercial	579	2	-	581	2	3
Private individuals	-	-	-	-	-	-
Total activity abroad	579	2	-	581	2	3
Total credit to the public	100,525	1,274	441	102,240	199	237

* Restated in respect of the new disclosure format on nonaccrual debts instead of impaired debts.

(1) Credit risk that is impaired, substandard, or under special supervision.
(2) Classified as unimpaired problematic debts, accruing interest income.
(3) Accruing interest income. Debts in arrears of 30 to 89 days, in the amount of approximately NIS 85 million were classified as unimpaired 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

	March 31, 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	3,819	5,192	1,761	880	458	591	1,518	14,219
Credit having a credit granting rating	3,667	4,814	1,684	840	442	576	1,416	13,439
Credit not having credit granting rating and is not problematic	149	350	64	14	15	9	40	641
Accrual problematic credit	2	16	6	3	1	3	11	42
Non accrual credit	1	12	7	23	-	3	51	97
Other commercial	10,842	6,629	4,508	2,005	985	1,595	9,747	36,311
Credit having a credit granting rating	10,661	6,211	4,248	1,928	918	1,500	8,972	34,440
Credit not having credit granting rating and is not problematic	116	209	141	45	33	32	379	955
Accrual problematic credit	53	147	88	22	25	47	266	648
Non accrual credit	12	62	31	10	9	16	130	270
Private individuals - residential loans	2,414	8,414	5,642	3,325	2,581	10,949	-	33,325
LTV of up to 60%	1,530	5,512	3,836	2,357	1,884	8,044	-	23,163
LTV of over 60% and up to 75%	870	2,840	1,753	936	662	2,341	-	9,402
LTV of over 75%	14	62	53	32	35	564	-	760
Credit not in default, having a credit granting rating	2,411	8,354	5,572	3,289	2,536	10,621	-	32,783
Credit not in default, not having a credit granting rating	2	37	47	16	16	122	-	240
In arrears for 30 to 89 days	1	21	19	15	19	95	-	170
In arrears for over 90 days	-	2	4	5	10	111	-	132
Nonaccrual credit	1	3	5	7	11	119	-	146
Private individuals - others	5,723	5,648	3,768	2,335	1,514	2,190	1,813	22,991
Credit not in default, having a credit granting rating	5,639	5,445	3,583	2,231	1,439	2,080	1,703	22,120
Credit not in default, not having a credit granting rating	77	167	161	92	68	97	100	762
In arrears for 30 to 89 days	7	26	16	7	4	8	7	75
In arrears for over 90 days	-	10	8	5	3	5	3	34
Nonaccrual credit	16	34	24	12	6	11	4	107
Total Credit to the public - activity in Israel	22,798	25,883	15,679	8,545	5,538	15,325	13,078	106,846
Total Credit to the public - activity abroad	236	66	1	-	10	-	183	496
Performing credit	236	66	1	-	10	-	181	494
Accrual problematic credit	-	-	-	-	-	-	-	-
Non accrual credit	-	-	-	-	-	-	2	2
Total Credit to the public	23,034	25,949	15,680	8,545	5,548	15,325	13,261	107,342

* 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 nonaccrual debts:

						March 31, 2022 (unaudited)
	Balance(1) of provided for nonaccrual debts	Balance of provision	Balance(1) of not provided for nonaccrual debts	Total Balance(1) of nonaccrual debts	Balance of contractual principal of nonaccrual debts	Recognized interest income(2)
Borrower activity in Israel						
Construction and real estate	78	9	19	97	1,901	-
Commercial - other	234	109	36	270	3,566	-
Total commercial	312	118	55	367	5,467	-
Private individuals - residential loans	146	6	-	146	157	-
Private individuals - others	95	31	12	107	353	-
Total Credit to the public - activity in Israel	553	155	67	620	5,977	-
Borrower activity abroad						
Total Credit to the public - activity abroad	2	2	-	2	-	-
Total *	555	157	67	622	5,977	-
(*) Of which:						
Measured by present value of cash flows	404	151	43	447		
Measured specifically according to present value of collateral	-	-	16	16		
Measured on a collective basis	151	6	8	159		

Had the nonaccrual debts accrued interest according to the original terms, interest income of NIS 9 million would have been recognized.

(1) Stated balance of debt.

(2) Amount of interest income recognized in the reported period, in respect of the average balance of nonaccrual debts, during the period of time in which the debts had been classified as nonaccrual.
Additional information: the total stated average debt balance of nonaccrual debts was NIS 652 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 nonaccrual debts: (Cont'd)

	March 31, 2021 (unaudited)*					
	Balance[1] of provided for nonaccrual debts	**Balance of provision**	**Balance[1] of not provided for nonaccrual debts**	**Total Balance[1] of nonaccrual debts**	**Balance of contractual principal of nonaccrual debts**	**Recognized interest income[2]**
Borrower activity in Israel						
Construction and real estate	64	16	19	83	1,739	-
Commercial - other	256	127	36	292	3,174	-
Total commercial	320	143	55	375	4,913	-
Private individuals - housing loans	-	-	-	-	-	-
Private individuals - others	98	36	14	112	460	-
Total Credit to the public - activity in Israel	418	179	69	487	5,373	-
Borrower activity abroad						
Total Credit to the public - activity abroad	-	-	-	-	14	-
Total *	418	179	69	487	5,387	-
(*) Of which:						
Measured by present value of cash flows	418	179	41	459		
Measured specifically according to present value of collateral	-	-	20	20		
Measured on a collective basis	-	-	8	8		

* Restated in respect of the new disclosure format on nonaccrual debts instead of impaired debts.

Had the nonaccrual debts accrued interest according to the original terms, interest income of NIS 7 million would have been recognized.

(1) Stated balance of debt.

(2) Amount of interest income recognized in the reported period, in respect of the average balance of nonaccrual debts, during the period of time in which the debts had been classified as nonaccrual.
Additional information: the total stated average debt balance of nonaccrual debts was NIS 599 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 nonaccrual debts: (Cont'd)

	December 31, 2021 (audited)*					
	Balance(1) of provided for nonaccrual debts	**Balance of provision**	**Balance(1) of not provided for nonaccrual debts**	**Total Balance(1) of nonaccrual debts**	**Balance of contractual principal of nonaccrual debts**	**Recognized interest income(2)**
Borrower activity in Israel						
Construction and real estate	65	11	20	85	1,814	-
Commercial - other	221	118	32	253	3,395	1
Total commercial	286	129	52	338	5,209	1
Private individuals - housing loans	-	-	-	-	-	-
Private individuals - others	92	33	11	103	458	1
Total Credit to the public - activity in Israel	378	162	63	441	5,667	2
Borrower activity abroad						
Total Credit to the public - activity abroad	-	-	-	-	14	-
Total *	378	162	63	441	5,681	2
(*) Of which:						
Measured by present value of cash flows	378	162	38	416		
Measured specifically according to present value of collateral	-	-	17	17		
Measured on a collective basis	-	-	8	8		

* Restated in respect of the new disclosure format on nonaccrual debts instead of impaired debts.

Had the nonaccrual debts accrued interest according to the original terms, interest income of NIS 28 million would have been recognized.

(1) Stated balance of debt.

(2) Amount of interest income recognized in the reported period, in respect of the average balance of nonaccrual debts, during the period of time in which the debts had been classified as nonaccrual.
Additional information: the total stated average debt balance of nonaccrual debts was NIS 478 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:

	March 31, 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
Borrower activity in Israel					
Public - commercial					
Construction and real estate	**8**	**-**	**-**	**1**	**9**
Commercial - other	**56**	**-**	**-**	**4**	**60**
Total commercial	**64**	**-**	**-**	**5**	**69**
Private individuals - residential loans	**15**	**-**	**-**	**4**	**19**
Private individuals - others	**71**	**-**	**-**	**7**	**78**
Total Credit to the public - activity in Israel	**150**	**-**	**-**	**16**	**166**
Borrower activity abroad					
Total Credit to the public - activity abroad	**-**	**-**	**-**	**-**	**-**
Total	**150**	**-**	**-**	**16**	**166**

	March 31, 2021 (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
Borrower activity in Israel					
Public - commercial					
Construction and real estate	14	-	-	4	18
Commercial - other	75	-	-	15	90
Total commercial	89	-	-	19	108
Private individuals - residential loans	-	-	-	-	-
Private individuals - others	74	-	-	34	108
Total Credit to the public - activity in Israel	163	-	-	53	216
Borrower activity abroad					
Total Credit to the public - activity abroad	-	-	-	-	-
Total	163	-	-	53	216

(1) Accruing interest income.
(2) As at March 31, 2022, debts of NIS 130 million, that had been restructured are classified as problematic debts (as of March 31, 2021 – NIS 166 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, 2021 (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
Borrower activity in Israel					
Public - commercial					
Construction and real estate	9	-	-	5	14
Commercial - other	58	-	-	19	77
Total commercial	67	-	-	24	91
Private individuals - others	69	-	-	33	102
Total Credit to the public - activity in Israel	136	-	-	57	193
Borrower activity abroad					
Total Credit to the public - activity abroad	-	-	-	-	-
Total	136	-	-	57	193

(1) Accruing interest income.
(2) As at December 31, 2021, debts of NIS 174 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 March 31					
	2022			2021		
				(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	**6**	**1**	**1**	11	1	1
Commercial - other	**50**	**8**	**8**	51	8	8
Total commercial	**56**	**9**	**9**	62	9	9
Private individuals - housing loans	**-**	**-**	**-**	-	-	-
Private individuals - others	**347**	**14**	**14**	225	11	11
Total credit to the public - activity in Israel	**403**	**23**	**23**	287	20	20

	Restructuring made and failed (1)			
	For the three months ended March 31			
	2022		2021	
			(unaudited)	
	Number of contracts	Balance of debt recorded	Number of contracts	Balance of debt recorded
Borrower activity in Israel				
Public - commercial				
Construction and real estate	**9**	**1**	1	-
Commercial - other	**24**	**4**	46	2
Total commercial	**33**	**5**	47	2
Private individuals - housing loans	**4**	**1**	-	-
Private individuals - others	**132**	**4**	159	3
Total credit to the public - activity in Israel	**169**	**10**	206	5

(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 nonaccrual credit in arrears

	March 31, 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	**273**	**25**	**20**	**43**	**8**	**-**	**-**	**369**
Residential loans	**14**	**63**	**38**	**15**	**12**	**3**	**1**	**146**
Private individuals - others	**99**	**3**	**2**	**3**	**-**	**-**	**-**	**107**
Total	**386**	**91**	**60**	**61**	**20**	**3**	**1**	**622**

	March 31, 2021 (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	262	11	55	37	10	-	-	375
Residential loans	-	-	-	-	-	-	-	-
Private individuals - others	102	3	2	5	-	-	-	112
Total	364	14	57	42	10	-	-	487

	December 31, 2021 (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	251	15	20	45	7	-	-	338
Residential loans	-	-	-	-	-	-	-	-
Private individuals - others	97	2	1	3	-	-	-	103
Total	348	17	21	48	7	-	-	441

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

	March 31, 2022 (unaudited)			
	Balance of housing loans			Total Off-balance sheet credit risk
	Total	Of which: bullet and balloon	OF which: floating interest rate	
First lien financing rate				
- Up to 60%	**22,686**	**213**	**13,374**	**2,192**
- Over 60%	**10,161**	**70**	**6,148**	**1,703**
Secondary lien or no lien	**478**	**77**	**409**	**-**
Total	**33,325**	**360**	**19,931**	**3,895**

	March 31, 2021 (unaudited)			
	Balance of housing loans			Total Off-balance sheet credit risk
	Total	Of which: bullet and balloon	OF which: floating interest rate	
First lien financing rate				
- Up to 60%	20,066	232	11,779	2,098
- Over 60%	8,520	81	5,189	1,401
Secondary lien or no lien	479	105	402	-
Total	29,065	418	17,370	3,499

	December 31, 2021 (audited)			
	Balance of housing loans			Total Off-balance sheet credit risk
	Total	Of which: bullet and balloon	OF which: floating interest rate	
First lien financing rate				
- Up to 60%	22,020	227	12,965	2,053
- Over 60%	9,770	73	5,903	1,525
Secondary lien or no lien	470	76	398	-
Total	32,260	376	19,266	3,578

* Ratio of the approved credit facility, when the facility was provided, to the value of the asset, as approved by the Bank when the facility was provided. The LTV ratio constitute an additional indication of the Bank for assessing the customer's risk in time of approving the credit facility.

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

	Balance of contracts(1)			Balance of provision for credit losses		
	31.3.22	**31.3.21**	**31.12.21**	**31.3.22**	**31.3.21**	**31.12.21**
	(unaudited)	(unaudited)	(audited)	(unaudited)	(unaudited)	(audited)
Transactions the balance of which represents credit risk:						
Documentary credit	**378**	275	179	**1**	1	-
Guarantees securing credit	**997**	869	949	**7**	13	12
Guarantees to home purchasers	**3,848**	2,279	3,282	**6**	5	5
Guarantees and other liabilities	**4,657**	3,775	4,581	**33**	26	24
Unutilized credit lines for derivatives instruments	**2,856**	2,687	2,715	**-**	-	-
Unutilized revolving credit and other on-call credit facilities	**11,175**	11,135	11,738	**38**	23	20
Irrevocable commitments to grant credit, not yet executed	**7,213**	6,886	7,267	**39**	9	9
Unutilized credit lines for credit card facilities	**8,886**	8,207	8,650	**8**	6	5
Facilities for the lending of securities	**440**	286	548	**-**	-	-
Required guarantees and collateral in respect of the Stock Exchange and Maof Clearing Houses	**300**	329	324	**-**	-	-
Commitments to issue guarantees	**1,445**	1,488	1,565	**2**	5	4

(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)

	March 31, 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	**51,237**	**-**	**2,111**	**421**	**210**	**-**	**53,979**
Securities	**7,494**	**333**	**4,792**	**1,340**	**-**	**891**	**14,850**
Securities which were borrowed	**322**	**-**	**-**	**-**	**-**	**-**	**322**
Credit to the public, net[3]	**88,134**	**13,161**	**2,856**	**981**	**88**	**1,034**	**106,254**
Credit to the government	**93**	**739**	**11**	**-**	**-**	**-**	**843**
Investee company	**-**	**-**	**-**	**-**	**-**	**740**	**740**
Premises and equipment	**-**	**-**	**-**	**-**	**-**	**912**	**912**
Intangible assets and goodwill	**-**	**-**	**-**	**-**	**-**	**297**	**297**
Assets in respect of derivative instruments	**383**	**15**	**302**	**17**	**14**	**1,601**	**2,332**
Other assets	**845**	**3**	**16**	**2**	**-**	**618**	**1,484**
Total assets	**148,508**	**14,251**	**10,088**	**2,761**	**312**	**6,093**	**182,013**
Liabilities							
Deposits from the public	**121,814**	**6,692**	**19,809**	**3,506**	**1,183**	**1,034**	**154,038**
Deposits from banks	**5,109**	**-**	**1,089**	**124**	**182**	**-**	**6,504**
Deposits from the Government	**358**	**76**	**40**	**1**	**1**	**-**	**476**
Bonds and subordinated capital notes	**4**	**3,671**	**-**	**-**	**-**	**-**	**3,675**
Liabilities in respect of derivative instruments	**503**	**29**	**203**	**13**	**12**	**1,600**	**2,360**
Other liabilities	**4,226**	**70**	**52**	**29**	**2**	**293**	**4,672**
Total liabilities	**132,014**	**10,538**	**21,193**	**3,673**	**1,380**	**2,927**	**171,725**
Difference	**16,494**	**3,713**	**(11,105)**	**(912)**	**(1,068)**	**3,166**	**10,288**
Non-hedging derivatives							
Derivative instruments (not including options)	**(11,369)**	**(202)**	**9,719**	**786**	**1,066**	**-**	**-**
Options in the money, net (in terms of underlying asset)	**(821)**	**-**	**728**	**93**	**-**	**-**	**-**
Options out of the money, net (in terms of underlying asset)	**(494)**	**-**	**506**	**(10)**	**(2)**	**-**	**-**
Total	**3,810**	**3,511**	**(152)**	**(43)**	**(4)**	**3,166**	**10,288**
Options in the money, net (present value of stated amount)	**(1,352)**	**-**	**1,200**	**152**	**-**	**-**	**-**
Options out of the money, net (present value of stated amount)	**(1,572)**	**-**	**1,594**	**(17)**	**(5)**	**-**	**-**

(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)

	March 31, 2021 (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	57,048	-	2,062	140	221	-	59,471
Securities	8,287	272	4,215	1,562	-	*394	14,730
Securities which were borrowed	244	-	-	-	-	-	244
Credit to the public, net(3)	76,139	11,357	3,053	1,077	120	575	92,321
Credit to the government	38	621	-	-	-	-	659
Investee company	-	-	-	-	-	648	648
Premises and equipment	-	-	-	-	-	954	954
Intangible assets and goodwill	-	-	-	-	-	265	265
Assets in respect of derivative instruments	261	50	547	38	29	678	1,603
Other assets	824	2	57	1	-	721	1,605
Total assets	142,841	12,302	9,934	2,818	370	4,235	172,500
Liabilities							
Deposits from the public	115,429	5,113	20,219	3,558	1,705	576	146,600
Deposits from banks	3,080	-	174	39	33	-	3,326
Deposits from the Government	616	-	76	1	1	-	694
Bonds and subordinated capital notes	6	3,710	-	-	-	-	3,716
Liabilities in respect of derivative instruments	271	13	461	108	24	677	1,554
Other liabilities	*6,187	68	54	3	9	387	6,708
Total liabilities	125,589	8,904	20,984	3,709	1,772	1,640	162,598
Difference	17,252	3,398	(11,050)	(891)	(1,402)	2,595	9,902
Non-hedging derivatives							
Derivative instruments (not including options)	(12,278)	(323)	10,303	880	1,418	-	-
Options in the money, net (in terms of underlying asset)	(314)	-	310	4	-	-	-
Options out of the money, net (in terms of underlying asset)	(259)	-	214	52	(7)	-	-
Total	4,401	3,075	(223)	45	9	2,595	9,902
Options in the money, net (present value of stated amount)	(347)	-	348	(2)	1	-	-
Options out of the money, net (present value of stated amount)	(2,204)	-	1,751	471	(18)	-	-

* Immaterial adjustment of comparative data. See Note 1.E.

(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, 2021 (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	53,496	-	3,504	266	104	-	57,370
Securities	8,323	241	4,390	1,405	-	732	15,091
Securities which were borrowed	845	-	-	-	-	-	845
Credit to the public, net(3)	84,013	12,634	2,880	844	95	698	101,164
Credit to the government	48	763	-	-	-	-	811
Investee company	-	-	-	-	-	713	713
Premises and equipment	-	-	-	-	-	931	931
Intangible assets and goodwill	-	-	-	-	-	300	300
Assets in respect of derivative instruments	526	11	149	8	18	997	1,709
Other assets	843	5	24	2	-	662	1,536
Total assets	148,094	13,654	10,947	2,525	217	5,033	180,470
Liabilities							
Deposits from the public	120,343	6,298	21,870	3,158	1,080	698	153,447
Deposits from banks	4,751	-	330	36	27	-	5,144
Deposits from the Government	857	-	101	1	1	-	960
Bonds and subordinated capital notes	6	3,350	-	-	-	-	3,356
Liabilities in respect of derivative instruments	793	18	182	42	6	997	2,038
Other liabilities	4,560	121	42	5	2	358	5,088
Total liabilities	131,310	9,787	22,525	3,242	1,116	2,053	170,033
Difference	16,784	3,867	(11,578)	(717)	(899)	2,980	10,437
Non-hedging derivatives							
Derivative instruments (not including options)	(11,338)	(213)	10,070	586	895	-	-
Options in the money, net (in terms of underlying asset)	(1,104)	-	957	145	2	-	-
Options out of the money, net (in terms of underlying asset)	(436)	-	447	(11)	-	-	-
Total	3,906	3,654	(104)	3	(2)	2,980	10,437
Options in the money, net (present value of stated amount)	(1,701)	-	1,453	247	1	-	-
Options out of the money, net (present value of stated amount)	(1,975)	-	1,909	64	2	-	-

(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)

					March 31, 2022 (unaudited)
	Stated in the				Fair value[1]
	Balance Sheet	(1)	(2)	(3)	Total
Financial assets					
Cash and deposits with banks	**53,979**	**643**	**53,334**	**2**	**53,979**
Securities[2]	**14,850**	**8,422**	**6,332**	**95**	**14,849**
Securities which were borrowed	**322**	**-**	**322**	**-**	**322**
Credit to the public, net	**106,254**	**6,754**	**1**	**98,458**	**105,213**
Credit to the government	**843**	**-**	**80**	**771**	**851**
Assets in respect of derivative instruments	**2,332**	**1,738**	**347**	**247**	**2,332**
Other financial assets	**506**	**261**	**-**	**245**	**506**
Total financial assets	[3]**179,086**	**17,818**	**60,416**	**99,818**	**178,052**
Financial liabilities					
Deposits from the public	**154,038**	**5,659**	**111,206**	**35,536**	**152,401**
Deposits from Banks	**6,504**	**-**	**2,299**	**4,081**	**6,380**
Deposits from the Government	**476**	**-**	**448**	**31**	**479**
Bonds and non-convertible subordinated capital notes	**3,675**	**3,712**	**-**	**63**	**3,775**
Liabilities in respect of derivative instruments	**2,360**	**1,754**	**577**	**29**	**2,360**
Other financing liabilities	**3,163**	**435**	**-**	**2,724**	**3,159**
Total financial liabilities	[3]**170,216**	**11,560**	**114,530**	**42,464**	**168,554**
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]	**907**	**-**	**-**	**907**	**907**

(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 21,697 million and liabilities of NIS 8,454 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 taking into account the plan assets managed against it.

NOTE 14A - BALANCES AND FAIR VALUE ESTIMATES OF FINANCIAL INSTRUMENTS (CONT'D)

(NIS million)

					March 31, 2021 (unaudited)
	Stated in the				Fair value(1)
	Balance Sheet	(1)	(2)	(3)	Total
Financial assets					
Cash and deposits with banks	59,471	732	58,738	1	59,471
Securities(2)	*14,730	8,732	*6,018	85	14,835
Securities which were borrowed	244	-	244	-	244
Credit to the public, net	92,321	3,710	347	89,721	93,778
Credit to the government	659	-	38	621	659
Assets in respect of derivative instruments	1,603	871	346	386	1,603
Other financial assets	563	375	-	188	563
Total financial assets	(3)169,591	14,420	65,731	91,002	171,153
Financial liabilities					
Deposits from the public	146,600	2,985	107,460	35,819	146,264
Deposits from Banks	3,326	-	815	2,490	3,305
Deposits from the Government	694	240	419	41	700
Bonds and non-convertible subordinated capital notes	3,716	3,732	-	82	3,814
Liabilities in respect of derivative instruments	1,554	860	680	14	1,554
Other financing liabilities	5,257	375	347	4,534	5,256
Total financial liabilities	(3)161,147	8,192	109,721	42,980	160,893
Off balance sheet financial instruments					
Transaction were the balance represents credit risk	31	-	-	31	31
In addition, the liability in respect of employee rights, gross - pension and severance pay(4)	912	-	-	912	912

* Immaterial adjustment of comparative data. See Note 1.E.

(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 17,806 million and liabilities of NIS 5,155 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 taking into account the plan assets managed against it.

NOTE 14A - BALANCES AND FAIR VALUE ESTIMATES OF FINANCIAL INSTRUMENTS (CONT'D)

(NIS million)

	December 31, 2021 (audited)				
	Stated in the Balance Sheet				Fair value(1)
		(1)	(2)	(3)	Total
Financial assets					
Cash and deposits with banks	57,370	665	56,705	-	57,370
Securities(2)	15,091	9,112	5,999	78	15,189
Securities which were borrowed	845	-	845	-	845
Credit to the public, net	101,164	5,817	1	95,569	101,387
Credit to the government	811	-	48	768	816
Assets in respect of derivative instruments	1,709	1,141	319	249	1,709
Other financial assets	546	333	-	213	546
Total financial assets	(3)177,536	17,068	63,917	96,877	177,862
Financial liabilities					
Deposits from the public	153,447	5,009	113,439	34,439	152,887
Deposits from Banks	5,144	-	939	4,175	5,114
Deposits from the Government	960	537	393	34	964
Bonds and non-convertible subordinated capital notes	3,356	3,437	-	84	3,521
Liabilities in respect of derivative instruments	2,038	1,176	844	18	2,038
Other financing liabilities	3,451	641	-	2,809	3,450
Total financial liabilities	(3)168,396	10,800	115,615	41,559	167,974
Off balance sheet financial instruments					
Transaction were the balance represents credit risk	39	-	-	39	39
In addition, the liability in respect of employee rights, gross - pension and severance pay (4)	987	-	-	987	987

(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 20,296 million and liabilities of NIS 8,225 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 taking into account 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 credit risk inherent in the financial instrument.

Determination of fair value, estimated by discounting future cash flows and determining the relative interest rates is subjective. Furthermore, the fair value estimations for most of the financial instruments does not necessarily indicate the realizable value on the reporting date. The estimated fair value was calculated according to interest rates prevailing on balance sheet date and does not consider interest rate fluctuations. Given other interest rate assumptions fair value estimates may differ materially. This is mainly the case where financial instruments have fixed interest rates or do not bear interest.

In addition, in determining fair value, commissions to be received or paid as a result of the said transactions and tax effects, in respect of the gap between the fair value and the balances at the balance sheet, were not taken into consideration.

Furthermore, the difference between the balance sheet and the fair value amounts may not be realized as the Bank may hold the instruments until maturity. As a result of all of these it is necessary to emphasize that the data included in this note does not reflect the net worth of the Bank as a going concern. Also, as a result of the wide range of possible estimation techniques and methods, care should be taken when comparing fair value of different banks.

NOTE 14A - BALANCES AND FAIR VALUE ESTIMATES OF FINANCIAL INSTRUMENTS (CONT'D)

(NIS million)

B. Principal methods and assumptions used for the calculation of the fair value estimates of financial instruments

Marketable securities - 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 of the credit to the public balance 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 nonaccrual debts is assessed using discount rates that reflect the high credit risk inherent in such debts.

Anticipated future cash flows in respect of nonaccrual 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 - 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 have been assessed according to the 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 and 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

	March 31, 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	**5,256**	**6,104**	**-**	**-**	**11,360**
Shares not for trading	**709**	**-**	**-**	**-**	**709**
Trading Securities	**281**	**-**	**-**	**-**	**281**
Assets in respect of derivative instruments	**1,738**	**347**	**247**	**-**	**2,332**
Others	**7,015**	**-**	**-**	**-**	**7,015**
Total assets	**14,999**	**6,451**	**247**	**-**	**21,697**
Liabilities					
Liabilities in respect of derivative instruments	**1,754**	**577**	**29**	**-**	**2,360**
Others	**6,094**	**-**	**-**	**-**	**6,094**
Total liabilities	**7,848**	**577**	**29**	**-**	**8,454**

	March 31, 2021 (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	5,776	5,748	-	-	11,524
Shares not for trading	247	*28	-	-	275
Trading Securities	344	-	-	-	344
Assets in respect of derivative instruments	871	346	386	-	1,603
Others	4,085	-	-	-	4,085
Total assets	11,323	6,122	386	-	17,831
Liabilities					
Liabilities in respect of derivative instruments	860	681	14	-	1,555
Others	3,600	-	-	-	3,600
Total liabilities	4,460	681	14	-	5,155

	December 31, 2021 (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	5,888	5,751	-	-	11,639
Shares not for trading	565	-	-	-	565
Trading Securities	233	-	-	-	233
Assets in respect of derivative instruments	1,141	319	249	-	1,709
Others	6,150	-	-	-	6,150
Total assets	13,977	6,070	249	-	20,296
Liabilities					
Liabilities in respect of derivative instruments	1,176	844	18	-	2,038
Others	6,187	-	-	-	6,187
Total liabilities	7,363	844	18	-	8,225

* Immaterial adjustment of comparative data. See Note 1.E.

NOTE 14B - ITEMS MEASURED AT FAIR VALUE (CONT'D)

(NIS million)

B. Items measured at fair value on a non-recurrent basis

	March 31, 2022 (unaudited)				
	Level 1	Level 2	Level 3	Total fair value	Total profit for the three months ended March 31, 2022
Investment in shares	**-**	**87**	**-**	**87**	**-**
Nonaccrual credit the collection of which is contingent on collateral	**-**	**1**	**16**	**17**	**-**

	March 31, 2021 (unaudited)				
	Level 1	Level 2	Level 3	Total fair value	Total profit for the three months ended March 31, 2021
Investment in shares	-	33	-	33	1
Nonaccrual credit the collection of which is contingent on collateral	-	-	20	20	-

	December 31, 2021 (audited)				
	Level 1	Level 2	Level 3	Total fair value	Total profit for the year ended December 31, 2021
Investment in shares	-	87	-	87	10
Nonaccrual credit the collection of which is contingent on collateral	-	1	16	17	1

NOTE 14C - CHANGES IN ITEMS MEASURED AT FAIR VALUE ON A RECURRENT BASIS INCLUDED IN LEVEL 3

(NIS million)

	For the three months ended March 31, 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 March 31, 2022	Unrealized profits (losses) in respect of instruments held as at March 31, 2022
Assets								
Assets in respect of derivative instruments	**249**	**546**	**19**	**(567)**	**-**	**-**	**247**	**86**
Liabilities								
Liabilities in respect of derivative instruments	**18**	**(11)**	**-**	**-**	**-**	**-**	**29**	**(11)**

	For the three months ended March 31, 2021 (unaudited)							
	Fair value as at December 31, 2020	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 March 31, 2021	Unrealized profits (losses) in respect of instruments held as at March 31, 2021
Assets								
Assets in respect of derivative instruments	376	433	14	(437)	-	-	386	163
Liabilities								
Liabilities in respect of derivative instruments	13	(1)	-	-	-	-	14	(1)

	For the year ended December 31, 2021 (audited)							
	Fair value as at December 31, 2020	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, 2021	Unrealized profits (losses) in respect of instruments held as at December 31, 2021
Assets								
Assets in respect of derivative instruments	376	1,102	49	(1,278)	-	-	249	284
Liabilities								
Liabilities in respect of derivative instruments	13	(9)	-	(4)	-	-	18	(7)

(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 March 31, 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	**5**	**(2.56)**	**(2.85)-(2.02)**
Interest rate contract: other	Discounted cash flow	Counter-party credit risk	**13**	**1.67**	**1.20-1.75**
Foreign currency contracts	Discounted cash flow	1. CPI-linked interest	**10**	**(3.53)**	**(8.59)-(2.04)**
		2. Counter-party credit risk	**219**	**1.49**	**1.00-4.60**
Liabilities					
Liabilities in respect of derivative instruments:					
Interest rate contract: NIS-CPI	Discounted cash flow	CPI-linked interest	**19**	**(1.84)**	**(2.85)-(1.17)**
Foreign currency contracts	Discounted cash flow	CPI-linked interest	**10**	**(3.53)**	**(8.59)-(2.04)**
B. Items measured at fair value on a non-recurrent basis					
Nonaccrual credit the collection of which is contingent on collateral	Collaterals value		**16**		

	As of March 31, 2021 (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	1	(1.26)	(1.26)
Interest rate contract: other	Discounted cash flow	Counter-party credit risk	6	1.63	1.20-1.75
Foreign currency contracts	Discounted cash flow	1. CPI-linked interest	50	(4.68)	(5.48)-(1.52)
		2. Counter-party credit risk	329	1.30	1.00-4.60
Liabilities					
Liabilities in respect of derivative instruments:					
Interest rate contract: NIS-CPI	Discounted cash flow	CPI-linked interest	4	(4.65)	(5.90)-(1.26)
Foreign currency contracts	Discounted cash flow	CPI-linked interest	10	(2.06)	(4.40)-(1.52)
B. Items measured at fair value on a non-recurrent basis					
Nonaccrual credit the collection of which is contingent on collateral	Collaterals value		20		

NOTE 14D - QUANTITATIVE INFORMATION ON ITEMS MEASURED AT FAIR VALUE INCLUDED IN LEVEL 3 (CONT'D)

	As of December 31, 2021 (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	1	(2.19)	(2.32)-(2.09)
Interest rate contract: other	Discounted cash flow	Counter-party credit risk	8	1.61	1.20-1.75
Foreign currency contracts	Discounted cash flow	1. CPI-linked interest	10	(2.73)	(3.64)-(2.39)
		2. Counter-party credit risk	230	1.48	1.00-4.60
Liabilities					
Liabilities in respect of derivative instruments:					
Interest rate contract: NIS-CPI	Discounted cash flow	CPI-linked interest	8	(1.88)	(2.35)-(1.64)
Foreign currency contracts	Discounted cash flow	CPI-linked interest	10	(2.73)	(3.64)-(2.39)
B. Items measured at fair value on a non-recurrent basis					
Nonaccrual credit the collection of which is contingent on collateral	Collaterals value		16		

Qualitative information in respect of items measured at fair value included in level 3

- Interest linked to the CPI- a change in the forecasted inflation rate will affect the fair value of CPI transaction, so an increase (decrease) in the forecasted inflation rate will lead to an increase (decrease) in the fair value in accordance to the Bank's CPI position.
- Counter-party credit risk- a change in the credit risk of the counter-party to the transaction, so when the credit risk of the counter-party will be high/low, the value of the transaction will be low/high.

Corporate Governance, Additional Information and Appendix

LIST OF TABLES

CORPORATE GOVERNANCE

DISCLOSURE OF THE INTERNAL AUDITOR

Details regarding the Internal Auditor of the Bank (which also serves as the Internal Auditor in Massad Bank), including the working plan of the internal auditor department, conduct of the audit and the internal audit reports, were published in the annual financial statements for 2021.
The report of the internal audit for the year 2021 was discussed in the audit committee of the Bank on April 28, 2022.

MEETINGS OF THE BOARD OF DIRECTORS AND ITS COMMITTEES

During January-March 2022, the Bank's Board of Directors held 8 meetings in plenary session and 18 meetings of its various Board Committees.

TRANSACTIONS WITH INTERESTED PARTIES

a. **Amendments to the Securities Regulations (Periodic and immediate reports), 1970 - Reporting of transactions with controling interests**
No changes occurred during the reported period in the rules regarding the reporting of transactions with controlling interests, as detailed in the Chapter on corporate governance, transactions with interested parties, contained in the financial statements for the year 2018.

b. **Determination of criteria regarding transactions of the Bank with interested parties**
No changes occurred during the reported period in the said criteria, as detailed in the Chapter on corporate governance, transactions with interested parties, contained in the financial statements for the year 2018.

c. **Transactions with controlling shareholders, or transactions in which controlling shareholders have a personal interest, which have been approved during the reported period in accordance with Section 270(4) and/ or Section 267A of the Companies Act (including framework transactions that are still in effect at date of the report and transactions approved under the Companies Regulations (Relief respecting transactions with interested parties), 2000 (hereinafter – "the Relief Regulations"):**

For details of transactions, see Chapter "Corporate Governance", interested party transactions, in the financial statements for 2021.
In addition, in March 2022, and in accordance with the Companies Regulations (Rules regarding compensation and reimbursement of expenses to an external Director) (Provisional instruction), 2022 (hereinafter - "the Provisional Instruction"), the Board of Directors of the Bank approved criteria according to which, participation of a Director in a meeting held or to be held during the period of limitations (as defined in the Provisional Instruction) through use of means of communication, as stated in Section 101 of the Companies Act, would be classified as participation in a regular meeting, entitling the participants to full compensation in respect thereof. The said criteria apply to any Director of the Bank entitled to compensation for participation determined according to the Companies Regulations (Rules regarding compensation and reimbursement of expenses to an external Director), 2022 (including Directors belonging to the controlling shareholders of the Bank).

d. Additional information on transactions with interested parties

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, 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)									
March 31, 2022	**176**	**-**	**-**	**176**	**485**	**-**	**-**	**-**	**661**
December 31, 2021	161	-	-	161	520	-	-	-	681

Deposits	March 31, 2022		December 31, 2021	
	Balance on balance-sheet date	Highest balance during period(3)	Balance on balance-sheet date	Highest balance during period(3)
		NIS thousand		NIS thousand
Deposits of others(1)	**4,779**	**5,681**	3,744	16,045

(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.

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 (herinafter - "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. - 11.38 (the holdings of all the controlling shareholders of FIBI comprise its core of control, in accordance with the control permit issued by Bank of Israel).

ADDITIONAL INFORMATION

LEGISLATION AND REGULATORY INITIATIVES

Following are summarized details of the provisions of laws and regulatory initiatives, which were published and/or entered into effect during the reported period, and which materially affect or might affect the operations of the Bank. The Bank is studying the overall significance of the said provisions and initiatives regarding the income and expenses of the Bank, as well as the long-term business and operating implications.

A part of the initiatives may have an adverse effect on the income of the Bank and/or its expenses. This effect cannot be quantified at this stage, due to dependence of different factors, including customer behavior, competitors' activity and additional regulatory changes, and with respect to legislation not yet finalized, it is also not possible to assess whether it would be 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.

A PERIOD OF EMERGENCY – THE CORONAVIRUS CRISIS

On background of the outbreak of the Coronavirus, Bank of Israel and additional Regulators have published, since March 2020, mitigating instructions and special arrangements with the aim of allowing banking corporations the required business flexibility, providing assistance to households and businesses in the evolving exceptional circumstances.

The effective period of most of the said mitigating instructions and arrangements has expired, a small number of which have been permanently approved, and another small part of which are still in effect, mostly within the framework of Proper Conduct of Banking Business Directive No. 250 - amendments of Proper Conduct of Banking Business Directives aimed at confronting the Corona crisis (Provisional instruction), the effect of which expired on December 31, 2021 (hereinafter - "Provisional Instruction"), except for, as stated, certain mitigating instructions the effect of which had been extended. Following are the principal of which that might be relevant to the Bank:

- Reduction in the leverage ratio applying to banking corporations by one-half of a percent.
  In accordance with an update of May 15, 2022, of Proper Conduct of Banking Business Directive No. 250, the validity of the said mitigation with respect to the leverage ratio was extended to June 30, 2024, provided that the leverage ratio shall not be lower than the ratio at December 31, 2023, or lower than the leverage ratio required from the banking corporation prior to the Provisional Instruction, the lower of the two.
- The maximum amount of the credit facilities allocated to the construction and real estate sector (including indebtedness in respect of national infrastructure) has been increased from 24% to 26% of total indebtedness of the public, and the said maximum rate, net of indebtedness in respect of national infrastructure, has been increased from 20% to 22% of total indebtedness of the public. This mitigation remains in effect until the end of twenty-four months from December 31, 2025, provided that during the said 24 months the rate of indebtedness should not exceed the rate existing on December 31, 2025, or the rate of the segmental limitation existing prior to the mitigation, whichever is higher.
- An extension until February 28, 2022, was granted for the submission of financial statements required in accordance with Proper Conduct of Banking Business Directive No. 311, for extending credit to borrowers comprising small and tiny business.
- Due to actual concern regarding damage to public health following the spreading of the Corona virus, a banking corporation was allowed to decide that all banking services would be granted at the branches subject to the prior fixing of an appointment, and that not all branches would be open to the public, subject to certain conditions, and this until February 28, 2022.

BANKING

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, safekeep 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. The update takes effect on January 1, 2023.

Proper Conduct of Banking Business Directive No. 314A - Management of debt arrangements and of collection procedures regarding material problematic debts

The Directive was published on September 30, 2021, with a view of regulating the manner of treatment, reporting and authority relating to problematic debts, the amount of which exceeds NIS 50 million, or which are in lower amounts, matching quantitative or qualitative parameters defined in the matter by the banking corporation. The Directive includes corporate governance instructions in the matter, including the duty to define a policy, goals and an organizational structure that would include a "designated function". The Directive also states the measures that have to be adopted prior to the debt becoming a problematic debt, starting with the underwriting stage and continuing with the early recognition processes and risk reducing measures, before passing on the debt for handling by the designated function. The Directive took effect on April 1, 2022.

Proper Conduct of Banking Business Directive No. 250A - Transition from the LIBOR interest

The Directive was published on September 30, 2021, stating principles for the implementation of the transition to interest bases serving as an alternative to the LIBOR interest, the quotation which for most currencies, was discontinued at the beginning of 2022 (the LIBOR interest in respect of the US dollar would continue to be quoted for certain periods until June 2023). In accordance with the Directive, the Bank is required, inter alia, to discontinue, as early as possible and no later than December 31, 2021, the entry into new LIBOR interest based agreements, to choose alternative interest bases, taking into account the recommendations of the relevant international bodies, and document the reasons for the choise, as well as inform its customers with respect to the discontinuation of the LIBOR interest quotations and its implications. The Bank had completed the transition to the alternative interest bases on January 1, 2022.

CAPITAL MARKET

Proper Conduct of Banking Business Directive No. 460 - presentation of data regarding transactions in a securities deposit

The Directive published on December 23, 2021, 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 takes effect on January 1, 2023.

OPEN BANKING

Proper Conduct of Banking Business Directive No. 368 - application in Israel of the open banking Standard

The Directive was published on February, 24 2020, in continuation to the provisions of the Increase in Competition and Decrease in Centralization in the Banking Market in Israel Act (Legislation amendments), 2017, and with a view of promoting the open banking Reform, giving customers the option of allowing third parties access to their financial information in a digital and secured way.

With respect to information regarding the current account of the customer, the Directive took effect on April 18, 2021. Graded and later effective date were determined in respect of information regarding charge cards and nonrecurring payment orders in shekel; information regarding savings accounts, deposits and credit. No date was fixed with respect to information regarding securities.

The Directive applies to banks and credit card companies and includes provisions in matters of implementation of open banking (both as regards the transfer of information and in respect of payment orders), with respect to corporate governance, the manner in which the consent of the customer for delivery of information or for instructing payment, is obtained, rules regarding the level of service, principles for the management of data protection risk and cyber defense, duties applying to banks and to credit card companies choosing to operate also as a consumer of information or as a payments initiator, the manner of treating approaches by customers and the reports required by the Supervisor.

Following the enactment of the Financial Information Service Act, 2021, (hereinafter - "the Act"), Bank of Israel published of February 23, 2022, an amendment to the Directive, with the aim of modifying it to the provisions of the Act, including expansion of the classes of providers of financial information services, who would be entitled to obtain access to the financial information of a customer, with his consent. Also , on January 17, 2022, Bank of Israel published a letter updating a part of the effective dates that had been fixed by the Directive, with a view of modifying them to the provisions of the Act. On May 15, 2022, Bank of Israel published an additional amendment to the Directive, which includes instructions regarding the consideration received from another entity in respect of the granting of financial information services to the customer. The instructions are intended to avoid concern in respect of conflict of interests, and require, inter alia, determination of rules ensuring that the consideration arrangement with that other party would not affect the quality of service granted to the customer.

Financial Information Service Act, 2021

The Act, which was published on November 18, 2021, creates comprehensive and uniform regulation of the financial information service activity. In accordance with the Act, the providing of this service requires a license or approval by the Regulator relevant to the provider of the service (the Supervisor of Banks in the case of a bank, settling agent and an auxiliary corporation). It is further stated that the provider of the service may not engage in cost comparison services or in brokerage, as defined by law, with respect to financial products and services, which it (or parties related to it) provides to its customers. The Act includes provisions regarding the activity and duties of the entities providing the financial information services and the "sources of information" (which include, in accordance with the Act, banks, settlement agents, auxiliary corporations, institutional bodies [provident funds and insurance companies], the holder of a license for the provision of deposit and credit services, the holder of a license for to provide credit and the holder of a license to operate a credit brokerage system), including in the matter of privacy protection, the use of information, its protection and obtaining consent for making use thereof, collection of consideration, avoidance of conflict of interests and consumer instructions. The Act states gradual implementation dates for sources of information and different types of information, the earliest of which is on June 14, 2022, with respect to information regarding payment accounts and charge cards, originating in a bank, an auxiliary corporation or a settlement agent.

CORPORATE GOVERNANCE

Proper Conduct of Banking Business Directive No. 301 - the Board of Directors

In accordance with an amendment to the Directive published on January 18, 2022, the Board of Directors of the Bank has to determine, within six months from date of publication of the amendment, a policy regarding the ratio for an appropriate representation of the genders on the Board, including the time limit and milestones to achive this goal.

Achievement of the determined goal is to be reached within three years from date of approval of the policy. As required, the Board of Directors has approved such a policy.

Proper Conduct of Banking Business Directive No. 301 – Board of Directors and Directive No. 301A – Compensation policy of a banking corporation

Within the framework of an amendment to this Directive, published on April 10, 2022, it is stated, inter alia, that the Board of Directors has to define the duties and authority of the Chairman of the Board in accordance with those conferred upon him by law, and in a manner that would not belittle or replace the duties of the Board and also should not reduce the duties and responsibilities of the other Directors. The required differentiation between the Board of Directors, the Chaiman of the Board and Management is clarified and emphasized, and it is also stated that the Board of Directors has to define the scope of time that the Chairman of the Board has to devote in order to fulfill his duties. The amendment also points out the existing principle, according to which the compensation payable to the Chairman of the Board shall be determined in relation to the manner of compensation of the other members of the Board. It is noted, that additional rules regarding the compensation of the Chairman of the Board, apply to banking corporations having no control core. The amendment takes effect on date of publication. As to an officiating Chairman of the Board, the amendment shall take effect on date of change of any of the terms of office of the Chairman, or at the end of a period of six months since date of publication of the anedment, whichever is earlier.

MISCELLANEOUS MATTERS

Pricacy protection

In January 2022, the Privacy Ptotection Authority issued a document containing recommendations regarding the appointment of a privacy protection officer, relevant to organizations collecting and processing personal data. The documents provides a set of tools and guidelines regarding everything connected to the areas of responsibility of the privacy protection officer in the organization, states the fields of knowledge and qualification required from whoever officiates in this office, and refers to his position in the organization. The Bank has appointed a privacy protection officer. For additional details, see the Risk Review Chapter.

In January 2022, the Government tabled a proposed Amendment Bill to the Privacy Protection Act (Amendment No. 14), 2022. The Amendment Bill contains, inter alia, a significant reduction in the duty to register data bases, modifications of the definitions contained in the Act to technological and social developments, and expansion of the supervision and enforcement powers of the Privacy Protection Authority, authorizing it to impose monetary penalties in amounts of between NIS 1,000 and up to NIS 3.2 million (depending on the circumstances of processing the information and on the severity of the violation).

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 August 1, 2021, Midrug ratified the evaluation of the Bank's internal financial stability at the rank of aa2.il/stable outlook, the Bank's short-term deposits at the rank of P-1.il, the Bank's long-term deposits and the senior debt at the rank of Aaa.il/stable outlook and its subordinate debt notes with a loss absorption mechanism to Aa3.il (hyb)/stable outlook rating.
- On November 16, 2021, 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 January 4, 2022, S&P Maalot ratified the issuer rating of the Bank at ilAAA/Stable and the rating of the subordinate debt notes with a loss absorption mechanism at ilAA-.

EMPLOYEE COMPENSATION POLICY

For disclosure regarding the employee compensation policy, see the 2021 Risk Report on the Internet site of the Bank.

INVOLVEMENT AND CONTRIBUTION TO THE COMMUNITY

The Bank attributes great importance to the promotion of social values and contribution to the community alongside its business activity. Therefore, the Bank acts within the framework of the flag plan "Believing-in-you", the aim of which is to establish long-term involvement and cooperation in society, inter alia, by means of voluntary activity of its employees and cooperation with factors, organizations and associations assisting the community. Employees of the Bank take part in such projects and contribute their time, experience and skills, in aid of different populations and sectors. Voluntary work is performed while making the necessary adjustments required for the continuity of the voluntary activity under existing limitations, in accordance with guidelines routine operation during the Corona period.

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 eighteen apartments all over the country, equiped 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.

"Adopt a fighter" - Within nthe framework of the "Adopt a Fighter" initiative, the Bank continues to adopt for several years a fighting Regiment, participating in events and social gatherings of the Regiment. The Bank maintains close cooperation with the IDF Invalid Association, escorting IDF invalids at enrichment meetings and tours. In addition the Bank is promoting cooperation with a framework escorting and training soldiers completing their military service, towards employment.

"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.

Financial skills

Professionalism and knowledge of Bank employees allow for cooperation of social involvement and learning in area of financial education. Accordingly, the Bank focuses its activity with youth in risk situations from the geographic and social periphery, and who were expelled from different programs, with a view of enabling them to receive the tools required to change direction towards a normative life in the Israeli society. Through the "Planting Melodies" Association, the Bank has adopted a number of youth groups, residing in youth villages and othe frameworks, providing them with enrichment lectures and tools regarding the financial education world. 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.

The Bank participated this year in providing medical assistance regarding the war in Ukraine, by contributing an advanced mobile imaging machine (X-Ray machine) to the field hospital established in the town of Mustika in West Ukraine by the Shibba Medical Center. The machine is available for treatment of the young and old, injured in the war and requiring treatment.

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 March 31, 2022			For the three months ended March 31, 2021		
	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	**94,448**	**828**	**3.51**	85,491	694	3.25
Total	**94,448**	**828**	**3.51**	85,491	694	3.25
Credit to the Government						
- In Israel	**801**	**7**	**3.50**	648	1	0.62
Total	**801**	**7**	**3.50**	648	1	0.62
Deposits with banks						
- In Israel	**3,437**	**-**	**-**	2,515	-	-
Total	**3,437**	**-**	**-**	2,515	-	-
Deposits with Bank of Israel						
- In Israel	**44,912**	**11**	**0.10**	47,816	12	0.10
Total	**44,912**	**11**	**0.10**	47,816	12	0.10
Securities borrowed						
- In Israel	**574**	**-**	**-**	87	-	-
Total	**574**	**-**	**-**	87	-	-
Held to maturity and available for sale bonds(3)						
- In Israel	**13,565**	**24**	**0.71**	13,551	22	0.65
Total	**13,565**	**24**	**0.71**	13,551	22	0.65
Trading bonds						
- In Israel	**260**	**1**	**1.54**	242	-	-
Total	**260**	**1**	**1.54**	242	-	-
Total assets bearing interest	**157,997**	**871**	**2.20**	150,350	729	1.94
Debtors regarding credit cards non-bearing interest	**2,999**			2,615		
Other assets non-bearing interest(4)	**20,515**			16,463		
Total assets	**181,511**			169,428		
Total assets bearing interest attributed to activity outside Israel	**-**	**-**	**-**	-	-	-

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 March 31, 2022			For the three months ended March 31, 2021		
	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	**31,058**	**1**	**0.01**	27,556	-	-
Fixed-term	**47,252**	**83**	**0.70**	48,705	42	0.34
Total	**78,310**	**84**	**0.43**	76,261	42	0.22
Deposits from the Government						
- In Israel	**167**	**-**	**-**	197	1	2.03
Total	**167**	**-**	**-**	197	1	2.03
Deposits from banks						
- In Israel	**865**	**-**	**-**	1,094	-	-
Total	**865**	**-**	**-**	1,094	-	-
Deposits from Bank of Israel						
- In Israel	**4,195**	**1**	**0.10**	2,028	-	-
Total	**4,195**	**1**	**0.10**	2,028	-	-
Bonds						
- In Israel	**3,356**	**42**	**5.01**	4,058	16	1.58
Total	**3,356**	**42**	**5.01**	4,058	16	1.58
Other liabilities						
- In Israel	**270**	**-**	**-**	9	-	-
Total	**270**	**-**	**-**	9	-	-
Total liabilities bearing interest	**87,163**	**127**	**0.58**	83,647	59	0.28
Deposits from the public non-bearing interest	**76,077**			66,917		
Creditors in respect of credit cards non-bearing interest	**1,401**			2,457		
Other liabilities non-bearing interest (6)	**6,486**			6,752		
Total liabilities	**171,127**			159,773		
Total capital resources	**10,384**			9,655		
Total liabilities and capital resources	**181,511**			169,428		
Interest spread			**1.62**			1.66
Net return on assets bearing interest (7)						
- In Israel	**157,997**	**744**	**1.88**	150,350	670	1.78
- Outside Israel	**-**	**-**	**-**	-	-	-
Total	**157,997**	**744**	**1.88**	150,350	670	1.78
Total liabilities bearing interest attributed to activity outside Israel	**-**	**-**	**-**	-	-	-

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 March 31, 2022			For the three months ended March 31, 2021		
	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	**134,188**	**630**	**1.88**	127,126	596	1.88
Total liabilities bearing interest	**69,516**	**(25)**	**(0.15)**	67,176	(30)	(0.18)
Interest spread			**1.73**			1.70
Israeli currency linked to the CPI						
Total assets bearing interest	**11,530**	**211**	**7.32**	10,853	94	3.46
Total liabilities bearing interest	**7,563**	**(97)**	**(5.13)**	7,902	(25)	(1.27)
Interest spread			**2.19**			2.19
Foreign currency (including linked to f-c)						
Total assets bearing interest	**12,279**	**30**	**0.98**	12,371	39	1.26
Total liabilities bearing interest	**10,084**	**(5)**	**(0.20)**	8,569	(4)	(0.19)
Interest spread			**0.78**			1.07
Total activity in Israel						
Total assets bearing interest	**157,997**	**871**	**2.20**	150,350	729	1.94
Total liabilities bearing interest	**87,163**	**(127)**	**(0.58)**	83,647	(59)	(0.28)
Interest spread			**1.62**			1.66

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 March 31, 2022 compared with the same period last year		
	Increase (decrease) due to the change		Net
	Quantity	Price	change
			NIS million
Interest bearing assets			
Credit to the public			
- In Israel	**79**	**55**	**134**
Total	**79**	**55**	**134**
Other interest-bearing assets			
- In Israel	**(1)**	**9**	**8**
Total	**(1)**	**9**	**8**
Total interest income	**78**	**64**	**142**
Interest bearing liabilities			
Deposits from the public			
- In Israel			
Demand	**-**	**1**	**1**
Fixed-term	**(3)**	**44**	**41**
Total	**(3)**	**45**	**42**
Other interest-bearing liabilities			
- In Israel	**7**	**19**	**26**
Total	**7**	**19**	**26**
Total interest expenses	**4**	**64**	**68**
Total interest income less interest expenses	**74**	**-**	**74**

NOTES:
(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 nonaccrual debts.
(3) From the average balance of available for sale bonds was deducted 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 months ended on March 31, 2022 in the amount of NIS 19 million, (for the three months ended March 31, 2021 balance of NIS 80 million, was deducted).
(4) Including derivative instruments, other non-bearing interest assets and after deduction of provision for credit losses.
(5) Fees in the amount of NIS 49 million and NIS 54 million were included in interest income for the three months ended March 31, 2022 and March 31, 2021, respectively.
(6) Including derivative instruments.
(7) Net return- net interest income to total interest bearing assets.
(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.