



Financial Statements
as of September 30,

2021

CONTENTS

Report of the Board of Directors and Management	4
General Overview, Objectives and Strategy	6
Explanation and Analysis of Results and Business Position	12
Review of Risks	39
Critical Accounting Policies and Estimates	69
Controls and Procedures	72
Certification of the Chief Executive Officer	73
Certification of the Chief Accountant	74
Financial Statements	75
Corporate Governance, Additional Information and Appendix	173
Corporate Governance	174
Additional Information	179
Appendix	186

Report of the Board of Directors and Management

GENERAL OVERVIEW, OBJECTIVES AND STRATEGY	6
Description of the Bank Group's Activity	6
Condensed Principal Financial Information and principal execution indices	8
Principal Risks to which the Bank is exposed	9
Objectives and Strategy	10
EXPLANATION AND ANALYSIS OF RESULTS AND BUSINESS POSITION	12
Trends, Events, Developments and Material Changes	12
Material Developments in Revenues, Expenses and Other Comprehensive Income	16
Composition and Developments of Assets, Liabilities, Capital and Capital Adequacy	20
Supervisory Segments of Activity	32
Principal Investee Companies	38
REVIEW OF RISKS	39
General Description of Risks and Risks Management	39
Credit Risk	41
Market Risk	61
Liquidity Risk	67
Other Risks	68
CRITICAL ACCOUNTING POLICIES AND ESTIMATES	69
CONTROLS AND PROCEDURES	72

LIST OF TABLES -REPORT OF THE BOARD OF DIRECTORS AND MANAGEMENT

1	Condensed principal financial information and principal execution indices	8
2	Condensed statement of income	16
3	The composition of net financing earnings	17
4	Principal data regarding interest rate income and expenses	17
5	Details of expenses from credit losses	18
6	Details of fees income	18
7	Details of operating and other expenses	19
8	Development in the principal balance sheet items	20
9	Developments in the principal off-balance sheet financial instruments	20
10	Information on credit to the public by linkage segments	21
11	Gross credit to the public by supervisory segments of activity	21
12	Distribution of total credit risk to the public by sectors of the economy	22
13	Sector-specific distribution of the six largest borrowers in the group	22
14	Composition of the securities portfolio	23
15	Distribution of the securities portfolio by linkage segments	23
16	Sources for the price quotations which the bank used for determining the fair value of securities	23
17	Details of bonds denominated in and linked to foreign currency by country/continent	24
18	Details on local currency corporate bonds by sector of the economy	24
19	Distribution of deposits from the public by linkage segments	25
20	Deposits from the public by supervisory segments of activity	25
21	Capital and capital adequacy	28
22	Comprehensive capital ratios and the Tier 1 equity capital ratios of the significant subsidiary	28
23	Details regarding dividends distributed by the Bank, as from the year 2018	30
24	Total income by supervisory segments of activity	32
25	Net profit attributed to shareholders of the bank by supervisory segments of activity	33
26	Average balance sheet balances by supervisory segments of activity	33
27	Business Segments - activity in Israel	34
28	Private individuals Segments - household and private banking - activity in Israel	36
29	Additional information regarding debts the terms of which were changed in the framework of coping with the corona virus crisis	42
30	Credit granted with state guarantee in the framework of coping with the corona virus crisis	43
31	Credit quality and problematic credit risk	43
32	Total credit risk according to economic sectors	46
33	Present credit exposures to counter-parties that are foreign financial institution	49
34	Exposure to foreign countries	51
35	Volume of housing loans	52
36	Data on the development of the housing loan portfolio at the bank by linkage segments	54
37	Distribution of Private individuals credit risk in Israel	56
38	Data of credit to the public risk in the construction and real estate field	60
39	Sensitivity analysis of the exposure to changes in the interest rate based on the fair value of financial instruments	62
40	Data of contracts which the Bank possesses that are affected from the LIBOR for periods exceeding 2021	64
41	Description of the actual basis exposure of by linkage segment	65
42	Sensitivity of the bank's capital to theoretical changes in the exchange rates of the principal currencies	65
43	Sensitivity of the Bank's capital to theoretical changes in the CPI	66
44	Volume of activity in derivative financial instruments	66
45	Balance of deposits from the public of the three largest depositors in the group	68

REPORT OF THE BOARD OF DIRECTORS AND MANAGEMENT AS OF SEPTEMBER 30, 2021

The meeting of the Board of Directors held on November 23, 2021, resolved to approve and publish the unaudited consolidated financial statements of the First International Bank of Israel Ltd. (hereinafter - "the Bank") and its consolidated subsidiaries (hereinafter - "the Bank Group"), as of September 30, 2021.

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 private and 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 3, 2021, S&P Maalot ratified the issuer rating of the Bank at iIAAA/Stable and the rating of the subordinate debt notes with a loss absorption mechanism at iIAA-.

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 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 at a rank of Aa3.il (hyb)/stable outlook rating.

FORWARD-LOOKING INFORMATION

Part of the information detailed in these reports which does not refer to historical facts is 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 due to a large number of factors, including changes in legislation and supervisory directives, macroeconomic developments in Israel and abroad and their effect on the liquidity position and stability in the capital markets at business companies in Israel and abroad, exceptional economic developments such as extreme changes in interest rates, exchange rates and inflation, stock prices, bond prices, competitors' behavior and changes in the terms of competition. In respect of which, see also the reservation in the chapter of major risks to which the Bank is exposed- the effect of the spread of the Coronavirus.

Forward-looking information is notable for such words or expressions as: "forecast," "expected," "in the Bank's estimation" and "the Bank intends," as well as expressions 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 table of risk factors presented in this report.

The information in this report is based, among other, on the publication of 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.

CONDENSED PRINCIPAL FINANCIAL INFORMATION AND PRINCIPAL EXECUTION INDICES

Principal financial ratios	For the nine months ended September 30,		For the year ended December 31,
	2021	2020	2020
			in %
Execution indices			
Return on equity attributed to shareholders of the Bank ⁽¹⁾	15.3%	8.4%	8.6%
Return on average assets ⁽¹⁾	0.84%	0.48%	0.49%
Ratio of equity capital tier 1	11.64%	10.93%	11.18%
Leverage ratio	5.54%	5.39%	5.29%
Liquidity coverage ratio	133%	145%	150%
Ratio of total income to average assets ⁽¹⁾	2.6%	2.8%	2.7%
Ratio of interest income, net to average assets ⁽¹⁾	1.6%	1.8%	1.7%
Ratio of fees to average assets ⁽¹⁾	0.8%	0.9%	0.9%
Efficiency ratio	57.9%	61.0%	61.8%
Credit quality indices			
Ratio of provision for credit losses to credit to the public	1.12%	1.35%	1.38%
Ratio of impaired debts or in arrears of 90 days or more to credit to the public	0.84%	1.10%	0.86%
Ratio of provision for credit losses to total impaired credit to the public	181%	168%	221%
Ratio of net write-offs to average total credit to the public ⁽¹⁾	(0.02%)	0.15%	0.10%
Ratio of expenses (income) for credit losses to average total credit to the public ⁽¹⁾	(0.30%)	0.62%	0.52%
Principal data from the statement of income			
	For the nine months ended September 30,		
	2021	2020	
	NIS million		
Net profit attributed to shareholders of the Bank	1,072	540	
Interest Income, net	2,090	1,980	
Expenses (income) from credit losses	(206)	413	
Total non-Interest income	1,281	1,126	
Of which: Fees	1,057	1,026	
Total operating and other expenses	1,953	1,894	
Of which: Salaries and related expenses	1,199	1,138	
Dismissal expenses	8	5	
Primary net profit per share of NIS 0.05 par value (NIS)	10.68	5.38	
Principal data from the balance sheet			
	30.9.21	30.9.20	31.12.20
	NIS million		
Total assets	173,758	159,370	167,778
of which: Cash and deposits with banks	57,083	52,366	57,802
Securities	14,803	12,174	13,105
Credit to the public, net	95,877	89,585	90,970
Total liabilities	163,301	150,042	158,243
of which: Deposits from the public	148,273	135,914	141,677
Deposits from banks	5,471	1,717	2,992
Bonds and subordinated capital notes	2,851	4,384	4,394
Capital attributed to the shareholders of the Bank	10,022	8,944	9,141
Additional data			
	30.9.21	30.9.20	31.12.20
Share price (0.01 NIS)	11,820	7,108	8,514
Dividend per share (0.01 NIS)	225	125	125

(1) Annualized.

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.

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

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

Additional information is detailed in the financial statements for 2020.

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 the strategic/business model risk, regulatory risk, cyber and data protection risks, information technology risk, cross-border risks and fair banking risk, environmental risks, as well as macro-economic risk, which includes the impact of the spreading of the Coronavirus. For additional details regarding developing risks – see the Risk Report on the Internet website of the Bank.

Impact of the spreading of the Coronavirus

The economic recovery trend in most sectors of economic activity continues since the exit from the third lockdown, and stability continues in the rate of unemployment. According to the forecast of the Research Department of Bank of Israel, published in October, the GDP is expected to grow by 7% in 2021 and by 5.5% in 2022.

Towards the end of the third quarter of the year, the rate of morbidity observed in Israel during the fourth wave had declined, principally on background of the vaccination of the population with the third "booster" inoculation. The confrontation of the economy with this wave did not include the imposition of severe restrictions on activity, however, a certain measure of uncertainty still exists with respect to the risks involved in the spreading of the virus, in view of the risk of the outbreak of additional waves of morbidity, discovery of additional variants of the virus and concern regarding the possibility of new significant restrictions being imposed, which may lead to impairment in activity of the Israeli economy.

The Bank continues to follow and monitor the different risks - including those, the probability of their realization has increased as a result of the crisis – their implications and impact upon the Bank, inter alia, credit risk, cyber and data protection risks, money laundering risk, the strategic risk and more.

The Bank strictly continues the application of the guidelines of the Ministry of Health and of Bank of Israel, and the Bank is adopting a series of measures regarding the maintenance of business continuity, while strictly maintaining risk management and control.

On September 30, 2021, Bank of Israel (within the framework of the Provisional Instruction and Proper Conduct of Banking Business Directive No. 250) extended a part of the mitigating terms regarding different issues, for the purpose of confronting the Coronavirus, including mitigation regarding the capital requirements and the leverage ratio. The Provisional Instruction is in effect until December 31, 2021 (a transitional period had been applied in respect of certain of the mitigating terms).

The significant decline at the Bank in the volume of deferred loan repayments continued since the beginning of the year, and the balance of deferred loan repayments due to the Corona crisis, is at an insignificantly low level. The balance of deferred repayments (principal and interest) as at September 30, 2021, amounted to NIS 10 million, comprising 0.01% of the balance of credit to the public, as compared to the balance of deferred loan repayments of NIS 125 million at December

31, 2020, comprising 0.14% of the balance of credit to the public. The rate of debts to which repayment deferral applies at September 30, 2021, amounts to 0.09% of total credit to the public, as compared to 1.9% at December 31, 2020.

Since the outbreak of the Corona crisis and in view of the high uncertainty created by it, and in order to reflect the possible increase in the specific provisions in respect of borrowers impacted by the crisis but not yet identified, the Bank significantly increased during the year 2020, the collective provision for credit losses.

All through the crisis, the Bank monitors developments in the market as well as the relevant data in respect of determination of the provision for credit losses and the adjustment of the collective provision, in order to reflect a possible growth in the specific provisions in respect of borrowers affected by the crisis, but not yet identified.

Within the framework of the considerations respecting the determination of the level of the collective provision as of September 30, 2021, the Bank took into account the increase in economic activity in relation to that reflected during 2020, estimating that despite the risk of a future increase in the rate of morbidity, the risk of impairment in economic activity has declined, in view of the policy for the modification of the economy to the continuation of activity in the period of rising morbidity, the anticipated additional vaccination measures and the Government policy for the management of the crisis at minimal impairment to the economy.

The ratio of the balance of the provision for credit losses to the balance of credit to the public at September 30, 2021, amounted to 1.12%, as compared to 1.38% and 1.05% at the end of the years 2020 and 2019, respectively.

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

For additional details regarding the effect of the spreading of the Coronavirus, see Note 15 to the condensed financial statements and the risk report available on the Internet website of the Bank.

Objectives and Strategy

The Bank operates in accordance with a multi-annual strategic plan that is being validated by the Board of Directors every six months. In November 2019, the Board of Directors of the Bank 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 customers and strives to provide up-to-date banking services, adapted to the needs of its customers, in an efficient, professional and secured manner, while adjusting to the changing banking environment and maintaining a proportional level of risk.

The strategic plan states business focal points, the aim of which is to lead the Bank forward in the competitive environment, under uncertainty conditions. The plan has superior goals in terms of return on equity and efficiency ratio, in which, concurrently with an educated risk management, the Bank focuses on the following issues:

- providing added value to its customers in accordance with the needs of each customer, including in the digital field and technological response;
- focusing of the subsidiary company (Massad) and the brands UBank, PAGI and Otsar Hahayal in their unique operating niches;

- maintaining leadership in the capital market;
- segments focused growth in the corporate sector;
- leading to efficiency in expenses, while improving its manpower position, improving procedures, establishment of a branch operational center, continuing efficiency measures in the branch layout and continuing diversion to the online 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 computing strategy, the digital operation strategy, the aim of which is to provide advanced technological response to customers, and the data strategy, aimed at leveraging the vast amount of data accumulated within the organization, in order to create significant business added value for the Bank and its customers.

The strategic plan has been examined and found relevant and suitable for the Bank, even in the face of the spread of the Coronavirus and its economic implications in Israel and the world over. The Bank continues to follow the effects of the Corona crisis and its implications on the Bank's operations and strategy, and performs adjustments to the work plan of the Bank, as needed.

EXPLENATION AND ANALYSIS OF RESULTS AND BUSINESS POSITION

TRENDS, EVENTS, DEVELOPMENTS AND MATERIAL CHANGES

PRINCIPAL ECONOMIC DEVELOPMENTS

Following are the principal economic development in the first nine months of 2021, which affected the economic environment in which the banking sector in Israel operates.

The Israeli economy is recovering from the Corona crisis at a fast pace, and is now open almost completely, with no material restrictions on economic activity. At the same time, since the middle of June 2021, the number of verified persons infected by the Coronavirus has increased, reaching a record high in September 2021, as a result of the spreading of the "Delta" mutation. The confrontation of the economy with this wave of morbidity was different from previous confrontations and did not include severe restrictions on economic activity. This became possible, inter alia, in view of the vaccination on the population also with the third "booster" shot, which had greatly assisted in the waning of the morbidity wave towards the end of the third quarter, with a decrease in the infection coefficient and in the number of severely sick persons.

Testimony of the ability to conduct continuous economic activity may also be seen in the encouraging growth data of the economy. Notwithstanding this, Bank of Israel estimates that considerable uncertainty still exists with respect to economic activity in the middle-term, mostly in view of the risk of recurrence of additional morbidity waves.

Alongside the growth in economic activity, the manpower survey data indicate encouraging reduction in the rate of the wide unemployment to a level of approximately 7% in the first half of October 2021, as compared to 13% at the beginning of the year. The continuous decrease in the rate of unemployment occurred on background of the opening of the economy and the removal of most restrictions, as well as the termination of the sweeping "unpaid leave" model financed by the State, within the framework of which, unemployment benefits had been promised to every Israeli citizen who was made redundant during the Corona period.

On background of the Corona crisis, Bank of Israel has introduced designated policy tools for the support of the proper operation of the markets, the strengthening of the transmission of the monetary policy and the increase offering loans to small and minute businesses. Among these measures may be mentioned, the outline for the deferral of repayment of bank loans to households and businesses, the reduction in capital required from banks, the plan for loans to banks for the purpose of extending credit to small businesses, the purchase of bonds by Bank of Israel, and more. With the removal of restrictions and the recovery of the economy, the need for the plan for providing long-term loans to banks in order to finance loans granted to small and minute businesses would be reduced and the operation of this tool would be terminated, subject to the decision of Bank of Israel.

The global economy shows signs of recovery, and vaccination in the developed countries has reached a high rate. In the United States, the FDA approved at the end of October the vaccine for children developed by Pfizer Corporation, following which, the Center for Disease Control and Prevention (CDC) has approved the vaccination of children aged 5-11. However, the developed countries, which had obtained the vaccine relatively quickly, and which had also created financial security cushions, allowing them to adopt an expansionary policy, both in respect of the fiscal aspect and in respect of the monetary aspect, are expected to revert to the growth trend and GDP levels existing prior to the pandemic earlier than the developing and poor countries, which are still compelled to confront the pandemic. The developed economies are expected to grow faster than the developing economies (with the exception of China and India).

Growth

The Research Division of Bank of Israel updated on October 7, 2021, its forecasts, according to which the GDP is expected to grow in 2021 at the rate of 7%, a higher growth rate in relation to the previous forecast of July (5.5%), and in 2022, a growth of 5.5% is expected (6.0% according to the July forecast), so that the level of the GDP in 2021 is expected to remain lower than the trend prior to the crisis by approximately 3.6% and lower in 2022 by 2.1%.

The central contribution to the deviation of the GDP from the pre-crisis trend belongs to private consumption, due to the fact that in 2020, private consumption was the most dominant factor shrinking due to lockdowns and restrictions. Accordingly,

the free income of households has grown creating forced savings. Thus, within the range of the forecast, private consumption is expected to grow comprising a significant generator for the growth in the GDP.

The International Monetary Fund, in a forecast published on October 12, 2021, raised the growth rate of the Israeli economy for 2021 to 7.1% (5.0% according to the forecast of April). None the less, the forecast for 2022 was updated downwards to 4.1% (4.3% according to the April forecast), lower than the forecast for 2022 by Bank of Israel, as stated.

Credit risk of the economy

The risk level of the Israeli economy, as reflected by ratings of the rating agencies and by the capital market, is relatively low. The "Fitch" global rating agency ratified at the end of July 2021, the credit rating of the State of Israel at a level of "A+" leaving it with a stable outlook.

The "Moody's" global rating agency ratified on April 27, 2021, the credit rating outlook of the State of Israel at the level of "A1" with a stable outlook. This follows the reduction by the agency at the end of April 2020, of the credit rating outlook of the State of Israel from a level of "A1" with a positive outlook, to a stable outlook.

The S&P global rating agency stated on May 14, 2021 (During the "Guardian of the Walls" operation) that it ratifies again the credit rating of the State of Israel regarding the foreign currency debt, at the level of "AA-" with a stable outlook.

State budget

In October 2021, the Knesset approved in second and third readings, the State budget and the economic plan (the Arrangements Act) for the years 2021-2022. The State budget for 2021 amounts to NIS 432.3 billion, and for 2022 amounts to NIS 452.5 billion. In 2022, the education budget amounts to NIS 70 billion, the Ministry of Defense budget amounts to NIS 60 billion and the health budget amounts to 45 billion.

According to preliminary assessments made by the Accountant General at the Ministry of Finance for the preparation of the budget, published in October 2021, the trend of decline in the Government deficit (in the last twelve months to September 2021) continues, so that the cumulative deficit for the period amounts to NIS 108 billion, comprising 7.4% of the GDP (as compared to approximately 10% in June and 12% in March 2021). The cumulative Government deficit in the first nine months of 2021 recorded a reduction of approximately 50% amounting to NIS 51.5 billion, in comparison to NIS 103.4 billion in the corresponding period last year. Most of the improvement in the deficit since the beginning of the year stems from growth in State revenues, which amounted to NIS 295.0 billion, in comparison with NIS 233.8 billion, an increase of 26% in comparison to the corresponding period last year. Nevertheless, Government expenditure (including expenses of the economic assistance plan for the confrontation with the Corona crisis) increased at the rate of 2.7% amounting to NIS 346.5 billion, in comparison with NIS 337.3 billion in the corresponding period last year, so that despite the positive data on the part of revenues, Government expenditure continues to be high.

The forecast by Bank of Israel published in October 2021, stated that subject to the assumption that the State budget would be approved in its final form until the end of 2021, the deficit is expected to shrink, reaching at the end of 2021, 6.4% of GDP (7.1% according to the forecast of July) and in 2022, 4.0% of GDP (3.8% according to the forecast of July), in contrast to 12% of GDP in 2020. The ratio of debt to GDP is expected to amount to 73.5% and 73.0% in the years 2021 and 2022, respectively.

Inflation

The rate of inflation rose in the first nine months of 2021. The CPI "for the month" rose by 2.5%, as compared to the decrease of 0.7% in the corresponding period last year, whereas the "known" CPI rose by 2.2%, in comparison to a decline of 0.6% in the corresponding period last year. During the past twelve months (the September 2021 CPI "for the month" compared to September 2020) the CPI rose by 2.5%.

In accordance with an update by the Research Department of Bank of Israel of October 2021, inflation in the coming four quarters (ending with the third quarter of 2022), is expected to amount to 1.7%. The anticipated rates for the years 2021 and 2022 are 2.5% and 1.6%, respectively.

In accordance with an updated forecast of the International Monetary Fund, dated October 2021, the expected rates of inflation in Israel for the years 2021 and 2022, amount to 1.4% and 1.8%, respectively.

Housing market

In accordance with the apartment price index of the CBS, published in October 2021, an increase of 9.2% was recorded in prices of apartments in general and 11.8% in the prices of new apartments, for transactions effected in the period July-August 2021, as compared with transactions effected in the months of July-August 2020.

Labor market

The Corona crisis has seriously affected the labor market, which until the outbreak of the crisis demonstrated power. According to the manpower surveys published by the CBS, a reduction in the wide unemployment rate was recorded in the first half of October, to a level of 7.1%, in comparison to 7.9% in the second half of September, and in comparison to 9% in June, 12% in March and 13% in December 2020. The decline in the rate of unemployment occurred on background of the opening of the economy and the removal of most of the Corona restrictions, as well as the termination of the "unpaid leave" model provided by the State, according to which, unemployment benefits were paid to any Israeli citizen who had been made redundant during the Corona period.

According to the update of forecasts by the Research Division of Bank of Israel dated October 7, 2021, a decrease in the rate of wide range of unemployment is anticipated from 16.1% in 2020 to 7.1% in the last quarter of 2021 (8.0% according to the forecast of July), and to 5.2% in the last quarter of 2022 (5.5% according to the forecast of July), a level still higher than that prevailing prior to the crisis (3.8%). The recovery in the GDP level to its position prior to the crisis is expected to be accompanied by a decline in the wide range of unemployment.

According to an open positions survey published by the CBS, the number of open positions in the third quarter of 2021, increased by 6.7% in relation to the previous quarter. Likewise, in September 2021, the number of open positions in the economy (net of seasonality) amounted to approximately 137.5 thousand positions, as compared with 133.8 thousand positions in the previous month. The rate of open positions for september 2021 amounted to 4.9%, as compared with 4.8% in the previous months and with 2.5% in 2020.

Exchange rate

In the first nine months of 2021, the rate of exchange of the shekel as against the US dollar appreciated by 0.4%, while as against the Euro, the exchange rate of the shekel dropped by 5.3%. Most of the reduction (3.6%) occurred in the third quarter of the year.

As of November 12, 2021, the Shekel appreciated sharply as against the US dollar, at a rate of 3.6%, as compared with the end of the third quarter of the year.

In January 2021, Bank of Israel announced that in order to support reaching the goals of Bank of Israel, and support the recovery of the economy from the Corona crisis, and in particular in order to support the export sectors and import alternatives that had suffered from the adverse effect of the decline in the exchange rate of the shekel as against the dollar, Bank of Israel intends to purchase in 2021 an amount of US\$30 billion (in continuation to purchases of US\$21 billion in 2020).

At the beginning of July 2021, Bank of Israel announced that it is not limited to the maximum involvement of up to US\$30 billion in 2021, and that at the completion of the plan, it would act in the foreign currency market in accordance with requirements and considering economic activity in the economy. During the period from January to September 2021, Bank of Israel purchased an amount of approximately US\$28 billion, comprising 94% of the planned annual target.

In a report published by the State Auditor on October 19, 2021, the Auditor notes that the considerable growth during the past decade in the level of foreign currency balances held by Bank of Israel on background of the global economic developments, has led to a deviation of approximately US\$75 billion (as of February 2021) from the upper limit of the advisable level as determined by the Governor, thus increasing the risk of the investment and creating large liabilities in the balance sheet of Bank of Israel, which are mainly attributed to the accumulation of these balances. In order to revert to the advisable level, the State Auditor recommends the preparation of a contingency plan, according to which, the Monetary Committee would examine the realization of the excessive balances in an efficient manner and under appropriate circumstances.

Bank of Israel interest rate

In the first nine months of 2021, Bank of Israel left the interest rate unchanged, at a level of 0.1%. According to an updated assessment of the Research Division of Bank of Israel of October 2021, the interest rate is expected to continue remaining at the level of 0.1% to 0.25% in the coming year, while the previous forecast of July 2021 was 0.1% only.

The global environment

The growth in the rate of vaccination around the world and the efficiency of vaccination assist in the recovery of the global economy. Nevertheless, it seems that the Purchase Managers Index of the developed countries has slowed down, though it continues to indicate economic expansion. The volume of international trade has also slowed down, though it continues operating at high levels of activity.

The inflationary indices in many countries are at high levels, with a number of them exceeding the inflation targets.

In the United States, the Federal Bank (FED) left the interest rate unchanged at its low level, while indicating the reduction of the purchasing plan in the near time-range, and the bringing forward the forecast for the first increase in the interest rate to the end of 2022. In the Eurozone, the European Central Bank (ECB) left the interest unchanged, but announced its intention to slightly slow down its purchasing plan. In England, on background of the rise in the inflation risk, the Central Bank indicated a rise in the interest rate. A slowdown in economic activity and in industrial production in particular, was recorded in China.

In the forecast published by the International Monetary Fund on October 12, 2021, the Fund updated its forecasts for global growth to 5.9% in 2021 (as compared to 6.0% in the forecast published in July) and left unchanged the forecasted growth for 2022 at 4.9%. The growth forecast for 2021 for the developed countries was updated downwards to 5.2% (in comparison with 5.6% in the forecast published in July). This, on background of the growing risk of outbreak of the "Delta" mutation and the increasing disruption in the global supply chains with respect to inputs and raw materials. For 2022, the Fund foresees growth of 4.5% (in comparison with 4.4% in the forecast published in July).

Capital market

Trading on the capital markets around the world, during the first nine months of 2021, reflected a rise in quotations on most leading indices. The NASDAQ and S&P Indices recorded an average rise of 16%, and the Dow Jones Index recorded a rise of 12%. Also the leading Stock Exchanges in Europe presented fair increases in the leading indices.

On the local market, rising quotations were recorded in all leading share indices. The TA-125 Index closed the first nine months of the year with a rise of 18%, and the TA-90 and the TA-SME60 Indices rose by 17% on the average.

Also the segmental indices have also recorded fair increases since the beginning of the year, headed by the TA Bank-5 and the TA-Oil and Gas Index, which rose by an average of 40% (oil prices rising by 55% since the beginning of the year). The TA-Real Estate rose by 27%, on background of the reversal to a high demand environment by the different industries, as a result of the gradual return to routine economic and business activity, and of the continuing demand for residential property. Trading on the bond market was characterized in the first nine months of 2021 by rising prices. Positively outstanding were the foreign currency linked corporate bonds rising by 8.6% due to effect of expectations for the devaluation of the shekel as against the US dollar, inter alia, due to the plan for the purchase of dollars announced by Bank of Israel, and expectations for the early increase in the FED interest rate.

The raising of funds by the Treasury by way of issue of Israel Government bonds continued to decline in the third quarter of 2021, from an average of approximately NIS 14 billion per month in the first quarter of 2021, to NIS 11 billion per month and NIS 5 billion per month in the second and third quarters of 2021, respectively. The continuous slowdown in the scope of the raising of funds by the Treasury since the beginning of the year was supported by the growth in Government revenues, mostly from taxation, by 29% as from the beginning of 2021, in comparison with the corresponding period last year, as reflected in data published by the Ministry of Finance.

MATERIAL DEVELOPMENTS IN REVENUES, EXPENSES AND OTHER COMPREHENSIVE INCOME

PROFIT AND PROFITABILITY

Net profit attributed to the shareholders of the Bank amounted to NIS 1,072 million in the first nine months of 2021, as compared to NIS 540 million in the same period last year, an increase of 98.5%.

The return of net profit to the capital attributed to the shareholders of the Bank (annualized) amounted to 15.3% in the period January-September 2021, as compared to 8.4% in the same period last year and 8.6% in 2020.

Net profit attributed to the shareholders of the Bank in the third quarter of the year amounted to NIS 364 million, compared with NIS 201 million in the same period last year, an increase of 81.1%.

The return of net profit to the capital attributed to the shareholders of the Bank (annualized) amounted to 15.5% in the third quarter of the year, compared with 9.5% in the same period last year.

Condensed statement of income

	For the three months ended September 30,			For the nine months ended September 30,		
	2021	2020	change	2021	2020	change
	NIS million		%	NIS million		%
Net financing earnings ⁽¹⁾	773	698	10.7	2,304	2,077	10.9
Expenses (income) from credit losses	(69)	91	(175.8)	(206)	413	(149.9)
Net financing earnings after Expenses from credit losses	842	607	38.7	2,510	1,664	50.8
Fees and other income	352	336	4.8	1,067	1,029	3.7
Operating and other expenses	645	640	0.8	1,953	1,894	3.1
Profit before taxes	549	303	81.2	1,624	799	103.3
Provision for taxes on profit	193	109	77.1	570	254	124.4
The bank's share in profit of equity-basis investee, after taxes	21	19	10.5	57	24	137.5
Net profit:						
Before attribution to non-controlling interests	377	213	77.0	1,111	569	95.3
Attributed to non-controlling interests	(13)	(12)	8.3	(39)	(29)	34.5
Attributed to shareholders of the Bank	364	201	81.1	1,072	540	98.5
Net return on equity attributed to the Bank's shareholders ⁽²⁾	15.5%	9.5%		15.3%	8.4%	

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

(2) Annualized.

DEVELOPMENT IN INCOME AND EXPENSES

The Net Financing earnings

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:

	2021			2020				First nine months of the year	
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	2021	2020
	NIS million							NIS million	
Interest income	807	856	729	718	731	714	715	2,392	2,160
Interest expenses	97	146	59	61	69	54	57	302	180
Net interest income	710	710	670	657	662	660	658	2,090	1,980
Non-interest financing income (expenses)	63	*75	*76	51	36	64	(3)	214	97
Net reported financing earnings	773	785	746	708	698	724	655	2,304	2,077
Elimination of non-current activities:									
Reconciliations to fair value of derivative instruments	(5)	5	(3)	(6)	-	3	-	(3)	3
Income (expenses) from realization and reconciliations to fair value of bonds	8	10	3	12	5	20	(9)	21	16
Earnings (losses) from investments in shares	46	*45	*65	25	17	4	(48)	156	(27)
Total non-current activities	49	60	65	31	22	27	(57)	174	(8)
Financing earnings from current activity ⁽¹⁾	724	725	681	677	676	697	712	2,130	2,085

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

(1) Of which in respect of changes in the CPI- an income of NIS 83 million in the first nine months of 2021, in comparison with an expense of NIS 20 million in the same period last year (in the third quarter of 2021 - an income of NIS 33 million, in comparison with an income of NIS 48 million in the second quarter and income of NIS 3 million in the third quarter last year).

The financing earnings from current activity amounted to NIS 2,130 million, compared with NIS 2,085 million in the corresponding period last year, an increase of 2.2%. The increase stemmed from the effect of the changes in the CPI and the effect of the rise in the volume of the business activity. This increase was partially offset by an erosion of the spreads as a result of the decrease in the Bank of Israel interest rate and from a decline in the Dollar interest rate compared with the same period last year.

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

	For the nine months ended September 30,	
	2021	2020
	in %	
Income rate on asset bearing interest	2.12	2.18
Expense rate on liabilities bearing interest	0.49	0.33
Total interest spread	1.63	1.85
Ratio between net interest income and assets bearing interest balance	1.85	2.00

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".

Income from credit losses amounted to NIS 206 million in the first nine months of 2021 compared with expenses of NIS 413 million in the same period last year.

Income from credit losses amounted to NIS 69 million in the third quarter of 2021 compared with expenses of NIS 91 million in the same period last year.

The income from credit losses recorded in the first nine months of the year derived mainly from the decrease in the collective provision for credit losses, explained by the improvement in the macro-economic indices and indicators indicating the level of risk latent in the credit portfolio of the Bank and from a continued decline in the volum of debts in repayment deferrals.

In the corresponding period last year, the expenses from credit losses derived mainly from an increase in the collective provision for credit losses, due to the changes in the macro-economic environment, as a result of the spreading of the corona virus and the uncertainty as to its effect on the position of the borrowers and as a result, from an increase in the volume of problematic debts.

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

	For the three months ended September 30,		For the nine months ended September 30,	
	2021	2020	2021	2020
	NIS million		NIS million	
Individual expense in respect of credit losses	25	22	80	129
Decrease in individual expense in respect of credit losses and collection of debts written off in accounting	(37)	(32)	(103)	(82)
Individual expense (income), net in respect of credit losses	(12)	(10)	(23)	47
Collective expense (income) in respect of credit losses	(57)	101	(183)	366
Total expenses (income) in respect of credit losses	(69)	91	(206)	413
Of which:				
Expenses (income) in respect of commercial credit	(37)	64	(182)	295
Expenses(income) in respect of housing credit	(3)	10	(1)	38
Expenses (income) in respect of other private credit	(29)	17	(23)	80
Ratio of individual expense (income) in respect of credit losses to average total credit to the public ⁽¹⁾	(0.05%)	(0.05%)	(0.03%)	0.07%
Ratio of collective expense (income) in respect of credit losses to average total credit to the public ⁽¹⁾	(0.24%)	0.46%	(0.27%)	0.55%
Ratio of total expenses (income) in respect of credit losses to average total credit to the public ⁽¹⁾	(0.29%)	0.41%	(0.30%)	0.62%

(1) Annualized.

Fees totaled NIS 1,057 million in the first nine months of 2021, compared with NIS 1,026 million in the same period last year, an increase of 3.0%. Most of the increase derives from a rise in income from the activity in the capital market, explained by an increase in the volume of securities' portfolio of the customers of the Group.

Set out below are details of fees income:

	For the nine months ended	
	September 30, 2021	September 30, 2020
	NIS million	
Account management	151	157
Credit cards	84	74
Transactions in securities	560	527
Conversion differentials	122	133
Fees from financing transactions	59	59
Other Fees	81	76
Total Fees	1,057	1,026

Operating and other expenses totaled NIS 1,953 million in the first nine months of 2021, compared with NIS 1,894 million in the same period last year, an increase of 3.1%.

Set out below are details of operating and other expenses:

	For the nine months ended	
	September 30, 2021	September 30, 2020
	NIS million	
Salaries and related expenses	1,199	1,138
Maintenance and depreciation of premises and equipment	255	261
Amortization of intangible assets	78	71
Dismissals	8	5
Other expenses except dismissals	413	419
Total operating and other expenses	1,953	1,894

Salaries and related expenses totaled NIS 1,199 million in the first nine months of 2021, compared with NIS 1,138 million in the same period last year, an increase of 5.4%, explained mainly the adjustments of variable compensation components to the return and earning of the Bank.

Maintenance and depreciation of buildings and equipment expenses amounted to NIS 255 million in comparison to NIS 261 million in the same period last year, a decrease of 2.3%, derived mainly from a reduction in the volume of real estate assets in the group, due to the efficiency measures.

Other expenses totaled NIS 421 million in the first nine months of 2021, compared with NIS 424 million in the same period last year, a decrease of 0.7%.

The provision for taxes on operating earnings amounted to NIS 570 million in the first nine months of 2021, compared with NIS 254 million in the same period last year. The effective tax rate as a proportion of earnings before taxes amounted to 35.1%, compared with 31.8% in the same period last year and compared with the statutory rate of tax of 34.2%. The increase in tax expenses and in the effective tax rate derives from income from income taxes in respect of previous years, in the amount of NIS 37 million, recorded in the corresponding period last year.

The Bank's share in the operating earnings of investee company after the tax effect amounted to NIS 57 million, compared with NIS 24 million in the same period last year. The increase in the Bank's share in the operating profit of investee company derives from the increase in the earnings of Israel Credit Cards Ltd, which were affected mainly from a decrease in the provision for credit losses and an increase in the volume of activity.

The total comprehensive profit attributed to the shareholders of the Bank amounted to NIS 1,106 million. This amount was affected by the net profit for the period attributed to the shareholders of the Bank of NIS 1,072 million, by other comprehensive income in respect of employees' benefits in an amount of NIS 36 million and other comprehensive loss in respect of adjustments to reconcile available-for-sale bonds to market value in an amount of NIS 2 million.

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

The consolidated balance sheet as of September 30, 2021 amounted to NIS 173,758 million compared with NIS 167,778 million as of December 31, 2020, an increase of 3.6%.

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

	September 30, 2021	December 31, 2020	Change
		NIS million	%
Credit to the public, net	95,877	90,970	5.4
Securities	14,803	13,105	13.0
Cash and deposits with banks	57,083	57,802	(1.2)
Deposits from the public	148,273	141,677	4.7
Bonds and subordinated capital notes	2,851	4,394	(35.1)
Shareholders' equity	10,022	9,141	9.6

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

	September 30, 2021	December 31, 2020	Change
		NIS million	%
Off-balance sheet financial instruments excluding derivatives:			
Documentary credit	132	177	(25.4)
Guarantees and other liabilities	8,403	7,163	17.3
Unutilized credit lines for derivatives instruments	2,550	2,364	7.9
Unutilized revolving credit and other on-call credit facilities	11,977	10,683	12.1
Unutilized credit lines for credit card facilities and Facilities for the lending of securities	9,218	8,718	5.7
Irrevocable commitments to grant credit, not yet executed and commitments to issue guarantees	8,173	7,797	4.8
Total	40,453	36,902	9.6

Derivative financial instruments:

	September 30, 2021			December 31, 2020		
	Positive fair value	Negative fair value	Face value	Positive fair value	Negative fair value	Face value
						NIS million
Interest contracts	171	299	17,727	221	453	18,914
Currency contracts	408	466	75,669	885	1,071	73,814
Contracts in respect of shares	986	986	70,937	789	789	55,159
Commodities and other contracts	-	-	100	2	2	171
Total	1,565	1,751	164,433	1,897	2,315	148,058

Credit to the public, net as of September 30, 2021 amounted to NIS 95,877 million compared with NIS 90,970 million as of December 31, 2020, an increase of 5.4%.

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

	As of				Segment's share of credit to the public as of	
	September 30, 2021	December 31, 2020	Change		September 30, 2021	December 31, 2020
	NIS million		NIS million	%	%	%
Local currency						
- Non-linked	79,044	75,077	3,967	5.3	82.4	82.5
- CPI-linked	12,424	11,185	1,239	11.1	13.0	12.3
Foreign currency (including f-c linked)	3,667	4,143	(476)	(11.5)	3.8	4.6
Non-monetary items	742	565	177	31.3	0.8	0.6
Total	95,877	90,970	4,907	5.4	100.0	100.0

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

	As of			Change	
	September 30, 2021	September 30, 2020	December 31, 2020	September 30, 2020	December 31, 2020
	NIS million			%	
Large business segment	16,338	16,511	16,724	(1.0)	(2.3)
Medium business segment	5,806	5,509	5,385	5.4	7.8
Small and minute business segment	19,967	18,330	18,876	8.9	5.8
Household segment excluding housing loans	22,158	21,258	21,351	4.2	3.8
Housing loans	31,156	27,469	28,336	13.4	10.0
Private banking segment	88	56	70	57.1	25.7
Institutional entities	1,452	1,677	1,505	(13.4)	(3.5)
Total	96,965	90,810	92,247	6.8	5.1
Of which: consumer credit excluding housing loans and credit cards					
Household segment	18,554	17,950	17,889	3.4	3.7
Private banking segment	50	27	39	85.2	28.2
Total	18,604	17,977	17,928	3.5	3.8

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 137,330 million on September 30, 2021 compared with NIS 129,440 million on December 31, 2020, an increase of 6.1%.

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

Sector	As of September 30, 2021		As of December 31, 2020		Change
	Total credit risk	Sector's share in total credit risk	Total credit risk	Sector's share in total credit risk	
	NIS million	%	NIS million	%	
Financial services (including holding companies)	17,461	12.7	15,591	12.0	12.0
Construction and real estate	19,140	13.9	17,062	13.2	12.2
Industry	10,365	7.5	10,263	7.9	1.0
Commerce	7,240	5.3	7,368	5.7	(1.7)
Private customer, including housing loans	68,862	50.1	65,820	50.9	4.6
Others	14,262	10.5	13,336	10.3	7.0
Total	137,330	100.0	129,440	100.0	6.1

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):

Borrower no.	Sector of the economy	As of September 30, 2021			
		Balance-sheet credit risk (*)	Off-balance-sheet credit risk	Aggregate credit risk	Aggregate credit risk after permitted deductions
					NIS million
1.	Financial services	676	474	1,150	724
2.	Industry	19	993	1,012	1,012
3.	Financial services	-	1,000	1,000	1,000
4.	Industry	224	335	559	559
5.	Construction	190	369	559	551
6.	Financial services	281	225	506	506

Borrower no.	Sector of the economy	As of December 31, 2020			
		Balance-sheet credit risk (*)	Off-balance-sheet credit risk	Aggregate credit risk	Aggregate credit risk after permitted deductions
					NIS million
1.	Financial services	500	500	1,000	1,000
2.	Financial services	298	609	907	907
3.	Industry	586	191	777	777
4.	Financial services	422	290	712	557
5.	Electricity and water supply	501	5	506	506
6.	Financial services	94	401	495	396

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

The investment in securities as of September 30, 2021 totaled NIS 14,803 million compared with NIS 13,105 million at the end of 2020, an increase of 13.0%.

Set out below is the composition of the portfolio:

	As of		Share of total securities	
	September 30, 2021	December 31, 2020	September 30, 2021	December 31, 2020
	NIS million			%
Government bonds	13,230	11,831	89.4	90.3
Banks' bonds ⁽¹⁾	365	321	2.4	2.5
Corporate bonds	515	634	3.5	4.8
Corporate bonds guaranteed by governments	12	12	0.1	0.1
Shares ⁽²⁾	681	307	4.6	2.3
Total	14,803	13,105	100.0	100.0

(1) The balance includes bonds that were issued by banks' issuing companies.

31.12.20 - Of which: Banks' foreign-currency bonds guaranteed by foreign governments in the amount of NIS 32 million.

(2) Investment in shares includes inter alia investment in private equity funds in the amount of NIS 73 million, investment in foreign currency shares and EITF of NIS 173 million, investment in hedging funds in the amount NIS 83 million and investment in shares and EITF traded on the Tel Aviv Stock Exchange amounting to NIS 345 million (31.12.20 - Investment in shares includes inter alia investment in private equity funds in the amount of NIS 80 million, investment in foreign currency shares and EITF of NIS 55 million, investment in hedging funds in the amount NIS 30 million and investment in shares and EITF traded on the Tel Aviv Stock Exchange amounting to NIS 135 million).

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

	As of		Segment's share of total securities	
	September 30, 2021	December 31, 2020	September 30, 2021	December 31, 2020
	NIS million			%
			Change	
			NIS million	%
Local currency				
- Non-linked	8,395	6,719	1,676	24.9
- CPI-linked	240	285	(45)	(15.8)
Foreign currency denominated & linked	5,487	5,794	(307)	(5.3)
Non-monetary items	681	307	374	121.8
Total	14,803	13,105	1,698	13.0

Set out below are the sources for the price quotations which the Bank used for determining the fair value of securities on September 30, 2021:

	Price quoted in active market	Indicative price*	Counter-party price**	Total
				NIS million
Shares and private investment funds	517	86	78	681
Local currency government bonds	8,157	-	-	8,157
Local currency corporate bonds	286	192	-	478
Foreign-currency and f-c linked bonds	67	5,420	-	5,487
Total	9,027	5,698	78	14,803
% of portfolio	61.0	38.5	0.5	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. With respect to private equity funds, the need for a provision for write-down is examined on the basis of their financial statements.

Below are additional details of bonds denominated in and linked to foreign currency, which are not asset-backed, by country/continent:

	As of	
	September 30, 2021	December 31, 2020
	NIS million	
Israel (incl. Israel Government - NIS 4,165 million, 31.12.20 - NIS 4,051 million)	4,232	4,150
USA (incl. USA Government - NIS 908 million, 31.12.20 - NIS 1,312 million)	964	1,352
France	27	29
Canada	27	28
Germany	49	50
Far East, Australia and others (3 countries; 31.12.20 - 4 countries)	71	84
Europe (3 countries, 31.12.20 - 3 countries)	117	101
Total	5,487	5,794

It should be noted that there is no issuer (except the Israel Government and USA Government) whose bond balance exceeds 0.4% of the shareholders' equity of the Bank.

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

	As of	
	September 30, 2021	December 31, 2020
	NIS million	
Electricity and water	90	125
Construction and real estate	138	169
Financial services	54	60
Banks	109	82
Industry	24	30
Commerce	14	15
Transportation	49	51
Public and community services	-	4
Total	478	536

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

- **Non-asset-backed bonds denominated in or linked to foreign currency**-amounting to NIS 5,487 million (Dollar 1,699 million) (includes foreign corporations in an amount of NIS 348 million, foreign currency denominated Israel Government bonds amounting to NIS 4,165 million, foreign currency denominated bonds of Israeli corporations, mostly traded abroad, amounting to NIS 66 million and bonds of foreign governments amounting to NIS 908 million). 98% of the foreign bonds are investment grade and is rated A or higher; 5% of the exposure is to leading banking and financial institutions in OECD countries. This portfolio is diversified, in a manner whereby exposure to any single issuer (which is not a government) does not exceed 1% of the total foreign currency bond portfolio. The duration (average term-to-maturity) of the foreign currency bond portfolio is 3 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 55 million (Dollar 17 million) compared with gross earnings of NIS 42 million (Dollar 13 million) on December 31, 2020.

The balance of earnings, net (before the tax effect), included in other cumulative comprehensive profit, in respect of the difference between the fair value of bonds included in the available-for-sale portfolio and their amortized cost, as of September 30, 2021, amounted to NIS 74 million.

Cash and deposits at banks on September 30, 2021 totaled NIS 57,083 million compared with NIS 57,802 million at the end of 2020, a decrease of 1.2%.

Deposits from the public on September 30, 2021 totaled NIS 148,273 million compared with NIS 141,677 million at the end of 2020, an increase of 4.7%.

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

	As of				Segment's share of total deposits from the public on	
	September 30, 2021	December 31, 2020	Change		September 30, 2021	December 31, 2020
		NIS million	NIS million	%	%	%
Local currency						
- Non-linked	115,825	112,861	2,964	2.6	78.1	79.7
- CPI-linked	6,333	5,365	968	18.0	4.3	3.8
Foreign currency denominated & linked	25,373	22,885	2,488	10.9	17.1	16.1
Non-monetary items	742	566	176	31.1	0.5	0.4
Total	148,273	141,677	6,596	4.7	100.0	100.0

Deposits from the public by segment of activity

	As of			Change	
	September 30, 2021	September 30, 2020	December 31, 2020	September 30, 2020	December 31, 2020
			NIS million		%
Large business	11,982	11,304	12,867	6.0	(6.9)
Medium business	6,053	5,747	5,707	5.3	6.1
Small and minute business	25,168	23,206	24,358	8.5	3.3
Household	64,219	62,574	63,338	2.6	1.4
Private banking	9,448	9,242	9,097	2.2	3.9
Institutional entities	31,403	23,841	26,310	31.7	19.4
Total	148,273	135,914	141,677	9.1	4.7

Securities portfolios belonging to customers of the Bank Group

The total of the securities portfolios of customers of the Bank Group as of September 30, 2021, amounted to NIS 440 billion, as compared to NIS 388 billion at the end of 2020, an increase of 13.4%.

Bonds and subordinated capital notes amounted at September 30, 2021 to NIS 2,851 million, as compared with NIS 4,394 million at December 31, 2020, a decrease of 35.1%.

CAPITAL AND CAPITAL ADEQUACY

The capital attributed to the shareholders of the Bank amounted on September 30, 2021 to NIS 10,022 million, as compared with NIS 9,141 million on December 31, 2020, and increase of 9.6%.

For details regarding the development of the other comprehensive profit, see the Chapter "Material developments in income, expenditure and in other comprehensive profit".

CAPITAL ADEQUACY

Minimum capital ratios

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

To these minimal capital ratios an additional capital requirement was added at a rate reflecting 1% of the outstanding balance of housing loans at the reporting date. In accordance with the clarification of the Supervision of Banks dated October 6, 2021, this additional capital requirement in respect of housing loans will be added only to equity capital Tier 1.

On the background of the spreading of the Coronavirus and as part of the adjustment to Proper Banking Management directives, The Supervisor of Banks published Proper Banking Management directives no. 250, which includes, inter alia, provisional instruction concerning the update of directive 201, which includes a reduction of 1% of the capital requirements of banks and an update to directive 329 which cancel the demand of additional 1% on housing loans that were and will be granted during the period of the provisional instruction, this in order to secure the ability of banks to continue to grant credit. On September 30, 2021, the provisional instruction was extended until December 31, 2021 and the relief in respect of housing loans for the purpose of acquisition of real estate rights, was cancelled. Thus, only in respect of housing loans that were extended between March 19, 2020 and up to September 30, 2021, the additional capital requirement of 1%, did not apply. The relief in respect of housing loans which are not for the acquisition of real estate rights (housing loans for all-purpose loans) was valid until the end of the provisional instruction.

In accordance with the provisional instruction, the relief will be valid until the end of 24 months from the end of the provisional instruction with the condition that the capital ratios of a banking corporation will be no less than the capital ratios at the date of the end of the provisional instruction, or the minimal capital ratios applicable to the banking corporation before the provisional instruction, whichever is lower. However, it was determined that a reduction in the capital ratios of up to 0.3% in the first six months after the end of the provisional instruction, will not be considered as a deviation.

In consequence thereof, the minimum Tier I equity capital ratio and the minimum comprehensive capital ratio required on a consolidated basis by the Supervisor of Banks, based on data as of the reporting date, are 8.25% and 11.50%, 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 is the higher capital requirement of the findings of the ICAAP and the stress tests.
- Conservativeness coefficient and confidence cushion combining estimates and forecasts in respect of the risk profile and capital base.

For detailed information, see the risk report 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%. Given the relief granted by the Bank of Israel, Tier I equity capital will be no less

than 8.25% and the ratio of the comprehensive capital will be no less than 11.50%. These may change in accordance with the extension of housing loans in the relevant quarter.

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

The capital goals take into consideration the risks to which the Bank is exposed to, the main of which are: credit risks, financial risks (including interest risk), operational risks including cyber and information security, compliance risk and anti money laundering risk, strategy risk, legal risk and reputation risk. All of this is carried out with adequacy to 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 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% until January 1, 2022. Accordingly, as from January 1, 2021 the maximum rate of instruments qualified as regulatory capital amounts to 10%.

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 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 merger decision of Otsar Hahayal was taken in the third quarter of 2018, 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). Were it not for the said relief, the implementation of the efficiency measures, as of September 30, 2021 would have reduced the capital adequacy ratios by additional 0.03%.
- On July 28, 2020 and on November 3, 2020, the Board of Directors approved an efficiency plan, according to which 60 constant employees of the Bank, belonging to the defined target population, will be allowed to retire in early retirement and with 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 forth 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. Were it not for the said relief, the implementation of the efficiency measures, as of September 30, 2021 would have reduced the capital adequacy ratios by additional 0.08%.

Implementation of the instructions

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

Pillar II - the Bank is required to conduct an internal process for the assessment of capital adequacy (the ICAAP process). This process is designed to ensure the maintenance of an adequate level of capital means supporting the overall risks inherent in the operations of the Bank. The ICAAP document relating to the data as of June 30, 2020, has been fully submitted to bank of Israel.

The Bank is in the process of preparing the document relating to the data as of June 30, 2021. The infrastructure for the capital adequacy, as approved by the Bank, serves as a basis for the internal process conducted at the banking subsidiary, subject to required adjustments, and on the basis of its specific risk profile.

	As of	
	September 30, 2021	December 31, 2020
1. Capital for calculation of capital ratio, after deduction and supervisory adjustments		
Tier 1 capital, after deductions and supervisory adjustments	10,222	9,369
Tier 2 capital, after deductions	1,889	2,749
Total capital	12,111	12,118
2. Weighted balances of risk assets		
Credit risk	80,297	76,203
Market risk	793	883
Operational risk	6,725	6,729
Total weighted balances of risk assets	87,815	83,815
3. Ratio of capital to risk assets		
Ratio of tier 1 equity capital to risk assets	11.64%	11.18%
Comprehensive ratio of capital to risk assets	13.79%	14.46%
Minimal ratio of equity capital tier 1 required by the Supervisor of banks	8.25%	8.29%
Minimal ratio of comprehensive capital required by the Supervisor of Banks	11.50%	*11.50%

* Updated in respect of the clarification of the Supervision of Banks according to which the additional requirement in respect of housing loans will be only added to Tier 1 equity capital.

The Tier I equity capital ratio as of September 30, 2021, amounted to 11.64% in comparison with 11.18% on December 31, 2020. The ratio of comprehensive capital to risk components as of September 30, 2021, amounted to 13.79%, in comparison with 14.46% on December 31, 2020.

The comprehensive capital as of September 30, 2021 amounted to NIS 12,111 million, in comparison with NIS 12,118 million on December 31, 2020.

The capital base was affected from earnings of NIS 1,072 million, from other comprehensive profit in respect of employees' benefits in the amount of NIS 36 million. However, this increase was offset by a decrease in instruments issued by the Bank qualified for inclusion in the regulatory capital in the amount of NIS 891 million.

Risk assets as of September 30, 2021 amounted to NIS 87,815 million as compared with NIS 83,815 million on December 31, 2020.

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

	September 30, 2021	December 31, 2020
		In percent
Bank Massad Ltd.		
Ratio of Tier 1 capital to risk assets	14.97%	14.03%
Ratio of comprehensive capital to risk assets	16.01%	15.19%

Leverage ratio - The Bank implements the Proper Conduct of Banking Business Directive No. 218 in the matter of Leverage ratio. 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, for 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 (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 relieves 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, for 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 (including the Bank), in accordance with the provisional instruction (as was last updated on September 30, 2021). The relief will be valid until December 31, 2021. After this date the relief will be valid for another 24 months, in which the leverage ratio will not be less than the leverage ratio at the date of the end of the Provisional Instruction, or the minimal leverage ratio applying to a banking corporation prior to the Provisional Instruction, whichever is lower. The leverage ratio of the Bank as of September 30, 2021, amounts to 5.54%, compared to 5.29% as of December 31, 2020.

DIVIDEND DISTRIBUTION POLICY

According to the updated dividend distribution policy as was approved by the Board of Directors of the Bank (as was updated on June 9, 2015 and August 14, 2017), the Bank will distribute annual dividends of up to 50% of its distributable annual net earnings, subject to the Bank's ratio of capital to risk elements being no less than the target specified by the Bank's Board of Directors from time to time. Such distributions will be made subject to legislative provisions and to Proper Conduct of Banking Business Regulations, providing that no adverse changes occur in the Bank's earnings and/or business and/or financial position and/or the overall state of the economy and/or the legal environment. It should be clarified, that as from the year 2017, the net annual earnings refer to the annual net earnings of the current year.

This resolution is not to be construed as detracting from the Board of Directors' authority to review policy from time to time and to resolve at any time, after taking due account of business considerations and of the legislative provisions applying to the Bank, changes in policy or the rate of dividend to be distributed for a specific period, or to resolve not to distribute any dividend at all.

It is clarified that any dividend distribution shall be subject to specific approval by the Board of Directors and to all the restrictions applying to the Bank regarding dividend distribution, and shall be made public with all required details in accordance with the law.

It should be noted that in addition to the provisions of the Companies Law, dividend distribution by the Bank is subject to additional restrictions that are detailed in Note 24A.b. to the financial statements for the year 2020.

Following are details regarding dividends distributed by the Bank, as from the year 2018:

Declaration date	Payment date	Total dividend paid	Dividend per share
		NIS million	NIS
5 March 2018	21 March 2018	95	0.95
28 May 2018	5 June 2018	60	0.60
14 August 2018	2 September 2018	100	1.00
20 November 2018	9 December 2018	100	1.00
12 March 2019	20 March 2019	105	1.05
28 May 2019	17 June 2019	85	0.85
13 August 2019	29 August 2019	110	1.10
26 November 2019	12 December 2019	110	1.10
15 March 2020	31 March 2020	125	1.25
25 August 2021	1 September 2021	225	2.25

On the background of the letter of the Supervisor of Banks, dated March 29, 2020, addressed to all the commercial banks and with respect to the Provisional Instruction dated March 31, 2020, amending Proper Conduct of Banking Business directive 201, in which boards of directors of banks are requested, inter alia, to re-examine their dividend policies, on the background of the Coronavirus crisis and the uncertainty deriving from it. The Board of Directors of the Bank held discussions from time to time, with respect to the implementation of the dividend distribution policy detailed above, with emphasis to the period of the Provisional Instruction, as was extended from time to time and on the background of the anticipation of the Supervisor of Banks in respect of the banking system in this matter, based on the continuance of the economic uncertainty and the possible impact of the continued impairment of the economy.

On July 26, 2021, the Supervisor of Banks published an update to the provisional instruction. According to the explanatory notes to this update, the level of uncertainty, which is still high following the Corona crisis, and the risk that credit losses stemming from the crisis have not yet been realized in full, require continuation of careful and conservative capital planning, as well as careful and conservative approach to the distribution of dividends. The Supervisor clarifies that in view of the improvement in economic activity, the growing trend of the gradual reverting to the level existing prior to the crisis, and the renewed accumulation of a capital cushion by banking corporations, it permits the banking system to distribute dividends, though in a limited manner, maintaining a careful and conservative approach. In Addition, the position of the Supervisor of Banks is that distribution of an amount higher than 30% of the profits earned in 2020, would not be considered careful and conservative planning. In view of the said position of the Supervisor of Banks and on background of the continuing uncertainty and the risk, as stated above, the Board of Directors of the Bank resolved on August 17, 2021, to distribute to the shareholders of the Bank at this stage, a dividend in cash in a total amount of NIS 225 million (gross), comprising 30% of the net profit per the financial statements of the Bank for the year 2020.

On September 30, 2021, the Supervision of Banks published another update to the provisional instruction. In this update, the period of the provisional instruction was extended until December 31, 2021. According to the explanatory notes to this update was said that in spite of the intensification of processes of exiting the crisis, the level of uncertainty is still high and projects on the ability of banks to forecast their capital needs in the medium range, and require continuation of careful and conservative capital planning, as well as careful and conservative approach to the distribution of dividends or self purchase. The position of the Supervisor of Banks is that distribution of an amount higher than 30% of the profits earned in 2020 and 2021, would not be considered careful and conservative planning.

In view of the said position of the Supervisor of Banks and although no change has occurred in the dividend distribution policy of the Bank in respect of dividend distribution of up to 50% of the net profit for the year, as detailed above, the Board of Directors of the Bank resolved on November 23, 2021, to distribute to the shareholders of the Bank at this stage, a dividend in cash in a total amount of NIS 320 million (gross), comprising 30% of the net profit per the financial statements of the Bank for the nine months ended September 30, 2021.

The ex-dividend date is fixed for December 2, 2021, and date of payment of the dividend is fixed for December 13, 2021. The amount of the dividend is pre-tax, including any withholding tax that the Bank has to apply under the law. The Board of Directors of the Bank would continue to discuss the dividend distribution policy of the Bank in view of developments in the Corona crisis and its effect on the economy and on the Bank and subject to the regulation and the instructions of the Law and the Supervisor of Banks.

SUPERVISORY SEGMENTS OF ACTIVITY

The reporting on segments of activity is in accordance with the format and classification set in the Directive of the Reporting to the Public of the Supervisor of Banks. This reporting is materially different from the segments of activity used by the Bank according to Management approach, which are detailed in Note 11A to the financial statements. The supervisory segments of activity are reported in a uniform format that was set by the Supervision of Banks to the entire banking system, and they are based on the customers characteristics, such as: the volume of assets portfolio- for private customers, or the business turnover- for business customers.

For the definitions of the supervisory segments of activity and for details regarding main instructions, estimates and principals of reporting, see Note 28 to the financial statements for the year 2020.

For details regarding segments of activity according to management's approach, see Note 28A to the financial statements for the year 2020.

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

a. Total income*

	For the three months ended September 30,			Segment's share of total income	
	2021	2020	Change	30.9.21	30.9.20
	NIS million		%		%
Large business	97	102	(4.9)	8.6	9.9
Medium business	54	56	(3.6)	4.8	5.4
Small and minute business	240	235	2.1	21.3	22.7
Household	455	441	3.2	40.5	42.7
Private banking	27	23	17.4	2.4	2.2
Institutional entities	53	53	-	4.7	5.1
Financial management	199	124	60.5	17.7	12.0
Total	1,125	1,034	8.8	100.0	100.0

	For the nine months ended September 30,			Segment's share of total income	
	2021	2020	Change	30.9.21	30.9.20
	NIS million		%		%
Large business	298	302	(1.3)	8.8	9.7
Medium business	158	175	(9.7)	4.7	5.6
Small and minute business	718	731	(1.8)	21.3	23.5
Household	1,368	1,354	1.0	40.6	43.6
Private banking	80	76	5.3	2.4	2.5
Institutional entities	172	194	(11.3)	5.1	6.3
Financial management	577	274	110.6	17.1	8.8
Total	3,371	3,106	8.5	100.0	100.0

b. Net profit attributed to the shareholders of the bank

	For the three months ended September 30,		For the nine months ended September 30,	
	2021	2020	2021	2020
	NIS million		NIS million	
Large business	34	32	153	66
Medium business	22	11	72	19
Small and minute business	77	25	211	101
Household	88	36	204	114
Private banking	6	4	18	17
Institutional entities	10	7	37	44
Financial management	127	86	377	179
Total	364	201	1,072	540

* Including net interest income and non-interest income.

c. Average balance sheet balances*

	Credit to the public			% of credit to the public	
	For the nine months ended September 30,			For the nine months ended September 30,	
	2021	2020	Change	2021	2020
	NIS million		%	%	%
Large business	16,796	17,616	(4.7)	18.0	19.7
Medium business	5,537	5,620	(1.5)	5.9	6.3
Small and minute business	18,967	17,605	7.7	20.4	19.7
Household	50,617	47,185	7.3	54.4	52.7
Private banking	62	48	29.2	0.1	0.1
Institutional entities	1,103	1,401	(21.3)	1.2	1.5
Total	93,082	89,475	4.0	100.0	100.0

	Deposits from the public			% of deposits from the public	
	For the nine months ended September 30,			For the nine months ended September 30,	
	2021	2020	Change	2021	2020
	NIS million		%	%	%
Large business	11,851	12,333	(3.9)	8.2	9.7
Medium business	5,664	5,379	5.3	3.9	4.3
Small and minute business	24,324	20,978	16.0	16.8	16.6
Household	63,718	57,717	10.4	44.1	45.6
Private banking	9,036	8,534	5.9	6.3	6.7
Institutional entities	29,907	21,591	38.5	20.7	17.1
Total	144,500	126,532	14.2	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 September 30, 2021				For the three months ended September 30, 2020			
	Small and minute business	Medium business	Large business	Total	Small and minute business	Medium business	Large business	Total
	NIS million							
Net interest income	153	39	71	263	150	39	79	268
Non-interest income	87	15	26	128	85	17	23	125
Total income	240	54	97	391	235	56	102	393
Expenses (income) from credit losses	(35)	(5)	3	(37)	36	13	14	63
Operating and other expenses	154	24	42	220	157	24	39	220
Net profit attributed to the shareholders of the Bank	77	22	34	133	25	11	32	68
Average balance of credit to the public	19,717	5,697	16,264	41,678	17,901	5,544	16,986	40,431
Balance of credit to the public at the end of the reported period	19,967	5,806	16,338	42,111	18,330	5,509	16,511	40,350
Average balance of deposits from the public	24,766	5,856	11,795	42,417	22,076	5,331	11,247	38,654
Balance of deposits from the public at the end of the reported period	25,168	6,053	11,982	43,203	23,206	5,747	11,304	40,257

	For the nine months ended September 30, 2021				For the nine months ended September 30, 2020			
	Small and minute business	Medium business	Large business	Total	Small and minute business	Medium business	Large business	Total
	NIS million							
Net interest income	454	112	221	787	475	120	228	823
Non-interest income	264	46	77	387	256	55	74	385
Total income	718	158	298	1,174	731	175	302	1,208
Expenses (income) from credit losses	(89)	(30)	(62)	(181)	118	74	102	294
Operating and other expenses	475	73	123	671	462	74	113	649
Net profit attributed to the shareholders of the Bank	211	72	153	436	101	19	66	186
Average balance of credit to the public	18,967	5,537	16,796	41,300	17,605	5,620	17,616	40,841
Balance of credit to the public at the end of the reported period	19,967	5,806	16,338	42,111	18,330	5,509	16,511	40,350
Average balance of deposits from the public	24,324	5,664	11,851	41,839	20,978	5,379	12,333	38,690
Balance of deposits from the public at the end of the reported period	25,168	6,053	11,982	43,203	23,206	5,747	11,304	40,257

Main changes in the results of activity in the first nine months of 2021 compared with the corresponding period last year

Total net interest income amounted to NIS 787 million, compared with NIS 823 million in the same period last year, a decrease of 4.4%, derived mainly from the decline in the financial spreads on deposits, due the decrease in the Bank of Israel interest rate and the decline in the Dollar interest rate. This decrease was partially offset by an increase in interest income derived from the increase in the volume of activity.

Non-interest income amounted to NIS 387 million, compared to NIS 385 million in the corresponding period last year, an increase of 0.5%.

Income in respect of credit losses amounted to NIS 181 million, in comparison with an expense of NIS 294 million in the same period last year. The income in respect of credit losses, in the first nine months of the year, derived from a decrease in the collective provision, mainly due to an improvement in macro-economic measures and in the indicators of the risk level latent in the credit portfolio of the Bank. In the corresponding period last year, the expenses in respect of credit losses, derived mainly from an increase in the collective provision for credit losses, due to changes in the macro-economic environment as a result of the spreading of the coronavirus and the uncertainty as to its effect on the condition of borrowers and an increase in the volume of troubled debts as a result.

The operating and other expenses amounted to NIS 671 million, compared to NIS 649 million in the corresponding period last year, an increase of 3.4%, derived mainly from increase in the payroll expenses due to adjustment of the variable compensation components to the return and profit of the Bank.

The net profit attributed to the shareholders of the Bank in respect of the small and minute, medium sized and large businesses, amounted to NIS 436 million, in comparison with NIS 186 million in the same period last year, an increase which is explained by the decrease in the expenses for credit losses, as above.

Average balance of credit to the public amounted to NIS 41,300 million, in comparison with NIS 40,841 million in the same period last year, an increase of 1.1%.

Credit to the public as of September 30, 2021 amounted to NIS 42,111 million, in comparison with NIS 40,350 million on September 30, 2020, an increase of 4.4%.

Average balance of deposits from the public amounted to NIS 41,839 million, in comparison with NIS 38,690 million in the same period last year, an increase of 8.1%.

Deposits from the public as of September 30, 2021 amounted to NIS 43,203 million, in comparison with NIS 40,257 million on September 30, 2020, an increase of 7.3%.

PRIVATE INDIVIDUALS SEGMENTS - HOUSEHOLDS AND PRIVATE BANKING

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

	For the three months ended September 30, 2021			For the three months ended September 30, 2020		
	households	private banking	Total	households	private banking	Total
	NIS million					
Net interest income	303	3	306	296	5	301
Non-interest income	152	24	176	145	18	163
Total income	455	27	482	441	23	464
Expenses (income) from credit losses	(32)	-	(32)	26	1	27
Operating and other expenses	342	17	359	347	16	363
Net profit attributed to the shareholders of the Bank	88	6	94	36	4	40
Average balance of credit to the public	52,165	70	52,235	47,717	48	47,765
Balance of credit to the public at the end of the reported period	53,314	88	53,402	48,727	56	48,783
Average balance of deposits from the public	64,008	9,134	73,142	60,929	8,904	69,833
Balance of deposits from the public at the end of the reported period	64,219	9,448	73,667	62,574	9,242	71,816

	For the nine months ended September 30, 2021			For the nine months ended September 30, 2020		
	households	private banking	Total	households	private banking	Total
	NIS million					
Net interest income	903	12	915	917	20	937
Non-interest income	465	68	533	437	56	493
Total income	1,368	80	1,448	1,354	76	1,430
Expenses (income) from credit losses	(24)	-	(24)	117	1	118
Operating and other expenses	1,043	52	1,095	1,028	49	1,077
Net profit attributed to the shareholders of the Bank	204	18	222	114	17	131
Average balance of credit to the public	50,617	62	50,679	47,185	48	47,233
Balance of credit to the public at the end of the reported period	53,314	88	53,402	48,727	56	48,783
Average balance of deposits from the public	63,718	9,036	72,754	57,717	8,534	66,251
Balance of deposits from the public at the end of the reported period	64,219	9,448	73,667	62,574	9,242	71,816

Main changes in the results of activity in the first nine months of 2021 compared with the corresponding period last year

Total net interest income amounted to NIS 915 million, as compared with NIS 937 million in the corresponding period last year, a decrease of 2.3%, which mainly derived from a decrease in the financial spreads on deposits due a decrease in the Bank of Israel interest and the Dollar interest. This decrease was partially offset by an increase in interest income deriving from an increase in the volume of activity including in the housing loans activity.

Non-interest income amounted to NIS 533 million, in comparison with NIS 493 million in the corresponding period last year, an increase of 8.1%, derived mainly from an increase in income from capital market activity, explained by an increase in the volume of securities portfolio of the customers of the Bank group.

Income in respect of credit losses amounted to NIS 24 million, in comparison with expenses in the sum of NIS 118 million in the same period last year. The income is explained by a decrease in the collective provision for credit losses. The decrease is explained by the improvement in the macro-economic indices and indicators indicating the risk level latent in the credit portfolio of the Bank. In the corresponding period last year, the expenses from credit losses were explained by the increase in collective provision for credit losses which mainly derived from the spread of the Corona virus crisis and the uncertainty condition as to its implications on the condition of the borrowers.

Operating and other expenses amounted to NIS 1,095 million, as compared to NIS 1,077 million in the corresponding period last year, an increase of 1.7%, derived mainly from a raise in the payroll expenses due to adjustments of the variable compensation components to the return and profit of the Bank.

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 222 million, compared with NIS 131 million in the corresponding period last year, an increase explained by the decrease in the expenses for credit losses, as stated above.

Average balance of credit to the public amounted to NIS 50,679 million, in comparison with NIS 47,233 million in the same period last year, an increase of 7.3%.

Credit to the public as of September 30, 2021 amounted to NIS 53,402 million, in comparison with NIS 48,783 million on September 30, 2020, an increase of 9.5%.

Average balance of deposits from the public amounted to NIS 72,754 million, in comparison with NIS 66,251 million in the same period last year, an increase of 9.8%.

Deposits from the public as of September 30, 2021 amounted to NIS 73,667 million, in comparison with NIS 71,816 million on September 30, 2020, an increase of 2.6%.

FINANCIAL MANAGEMENT SEGMENT

Total income attributed to this segment in the first nine months of the year amounted to NIS 577 million compared with NIS 274 million in the corresponding period last year, an increase derived mainly from a raise in the amount of NIS 188 million from investment in shares and bonds and from an increase in the amount of NIS 103 million in income from linkage differences, due to the change in the "known" index between the periods.

The net earnings of the Financial Management Segment in the first nine months of the year amounted to NIS 377 million compared with NIS 179 in the corresponding period last year. The increase in net earnings is explained by the increase in income, as stated above, and from an increase in the Bank's share in ICC earnings, amounting to NIS 57 million, compared with NIS 24 million, in the same period last year.

PRINCIPAL INVESTEE COMPANIES

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

The Bank's investment in Massad amounted to NIS 453 million on September 30, 2021.

Total assets of Massad on September 30, 2021 amounted to NIS 10,688 million compared with NIS 10,349 million on December 31, 2020, an increase of 3.3%.

Shareholders' equity of Massad on September 30, 2021, totaled NIS 888 million compared with NIS 804 million on December 31, 2020, an increase of 10.4%.

Net earnings of Massad for the first nine months of the year totaled NIS 79.8 million compared with NIS 58.6 million in the same period last year, an increase of 36.2%.

The Bank's share in Massad's operating results for the first nine months of the year amounted to NIS 40.7 million compared with NIS 30.0 million in the same period last year. The growth in earnings of Massad is mostly explained by the increase in collection of debts written-off in prior years, and by the decrease in the collective provision for credit losses, mainly due to indicators pointing at the level of risk inherent in the credit portfolio of Massad and to the continuing decline in volume of debts, the repayment of which had been deferred.

Net return on equity (on an annualized basis) amounted to 12.9% compared with 10.5% in the corresponding period last year. The comprehensive ratio of capital to risk assets amounted to 16.01%, compared with 15.19% at the end of 2020. The Tier 1 equity capital ratio amounted to 14.97% compared with 14.03% at the end of 2020.

In the framework of the ICAAP process for the data of June 30, 2020 the minimal capital targets were set by the Board of Directors of Massad, as follows: tier 1 equity capital ratio will not be less than 10.5% and the comprehensive capital ratio will be no less than 12.65%.

In June 2021, Massad was successful in the tender published by the Accountant General at the Ministry of Finance, for the extension of loans to teaching staff and of conditional grants to students at teacher training colleges. In accordance with the terms of the tender the period of engagement is five years as from July 2021, with the option by the Accountant General for extension of the engagement for a period of up to three additional years.

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

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

The Bank's investment in ICC amounted to NIS 699 million on September 30, 2021.

The ratio of comprehensive capital to risk assets amounted to 15.3%, compared with 14.8% at the end of 2020.

The Bank's share in the net earnings of ICC, before the tax effect, for the first nine months of the year amounted to NIS 64.5 million compared with NIS 27.0 million in the same period last year. The increase in earnings of ICC is explained mostly by the decline in provision for credit losses and by the growth in volume of operations.

See Note 9 to the condensed financial statements regarding motions for approval of class actions against ICC and regarding assessments issued to ICC by the Director of Value Added Tax.

REVIEW OF RISKS

This chapter was written in great detail in the financial statements for 2020. Therefore, it should be read together with the chapter of the risk review published in the annual reports for 2020. 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 and reputation 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 (in addition, the cyber risks manager is subordinated to him).
 - Mr. Bentzi Adiri CPA, Head of the Business Division-serves as Credit Risk Manager;
 - The Strategic risk and financial risks are managed by Mrs. Ella golan, head of resources and financial management division.
 - Mr. Amir Birenboim - compliance manager, including, among other things, Money Laundering risk, Finance of Terror risks and internal enforcement and cross border risks. Also appointed as Responsible Officer in-charge of implementation of the FATCA and CRS directives and QI agreement. Also responsible for privacy defense.
 - Mr. Ophir Kadosh - the CEO of MATAF -IT risk manager, as from April 6, 2021. From the beginning of the year and up to that date were managed by Mrs. Iris Levanon, deputy CEO of MATAF and its replacement.
 - 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 is carried out at the banking subsidiary separately, 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 was appointed 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 has variety of stress scenarios for the unique risks, as embedded in the various policy documents.

The Bank applies stress scenarios for reviewing capital adequacy and the capital ratio according to the triennial capital planning. The scenarios which the Bank operates, include scenarios which are sensitivity analysis, historical scenarios, hypothetical scenarios and macro-economic scenarios. The stress scenarios were updated during 2020, and in this framework reflected possible implications of the corona crisis, while identifying and mapping of the relevant risk focal, in accordance to the character and development of the crisis.

The stress scenarios are additional 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 scenarios, are tool for the Bank of Israel, in order to receive an updated holistic picture of the Israeli economy and the ability of the banking system to continue and grant credit to the public while maintaining its stability.

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 2020.

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.

Significant exposures to borrower groups

As of September 30, 2021 there is no borrower group which its indebtedness on consolidated basis, after deductions of permissible deduction according to section 5 of directive 313, exceeds 15% of the bank's capital, calculated according to directive of Proper Conduct of Banking Business regulation concerning measurement and capital adequacy.

Changes in terms of debts within the framework of confrontation with the Corona virus

In view of the spread of the Coronavirus and its possible implications on the condition of the economy and of borrowers, and with the aim of encouraging banking corporations to act towards the stabilization of borrowers who are not able, or who may not be able to honor their contractual repayment commitments due to the Corona crisis, Bank of Israel has published circular letters that include focal points for the treatment of debts the terms of which had been changed. The letters state that changes in terms of loans, including postponement of repayment dates, waiver of interest on arrears and extension of repayment periods, do not automatically lead to the classification of such loans as restructured troubled debts. Bank of Israel encourages the banks to perform careful changes in the terms of loans, which are based on the understanding of the credit risk of the borrower and which are consistent with laws, regulations and relevant directives and can assist to the repayment of the debt.

For details regarding the guidelines of the Supervisor of Banks within the framework of the confrontation with the effects of the Coronavirus event, see Note 1C (4) to the condensed financial statements.

Additional information regarding debts, the terms of which had been changed within the framework of facing the Corona virus events, and which are not classified as a restructure of a troubled debt:

September 30, 2021														
	Debts, repayment of which is deferred as of the reporting date ⁽¹⁾				Additional details of the stated debt balance repayment of which is deferred				Additional details of debts, repayment of which is deferred, according to length of the deferment period ⁽³⁾		Debts, the deferred period of repayment of which expired as of the reporting date			
									Performing debts		Debts, repayment thereof was deferred			
	Stated debt balance	Number of loans	Amount of deferred payments	Troubled debts	Debts not having a credit rating	Debts having a credit rating in arrears for 30 days or more	Debts not in arrears having a credit rating	Total performing debts	more than 3 and up to 6 months	for over 6 months	Stated balance of debt	Of which: in arrears for 30 days or more		
Borrowers' activity in Israel														
NIS million														
Large business	4	1	1	-	-	-	4	4	-	4	-	-		
Medium business	-	-	-	-	-	-	-	-	-	-	24	7		
Small and minute business	29	46	4	6	5	-	18	23	-	23	753	33		
Private individuals - housing loans	57	67	5	52	4	-	1	5	-	5	5,038	136		
Private individuals - others	-	6	-	-	-	-	-	-	-	-	423	16		
Total as of 30.9.2021	90	120	10	⁽²⁾ 58	9	-	23	32	-	32	6,238	192		
Total as of 30.6.2021	207	291	19	104	23	-	80	103	3	100	6,704	176		
Total as of 31.3.2021	467	1,464	44	121	70	-	276	346	148	195	6,722	175		
Total as of 31.12.2020	1,754	5,778	125	202	228	19	1,305	1,552	778	621	6,078	103		

(1) Of which: Deferrals granted outside the wide range framework totaling NIS 32 million.

(2) Of which: Classified as impaired debts not accumulating interest income in the amount of NIS 53 million.

(3) The repayment deferral period is the cumulative periods of deferral granted to a debt since the beginning of confrontation with the Coronavirus, and does not include deferral to which the debtor is entitled under any law.

In the wake of the corona crisis, the Bank adopted the regulatory reliefs granted by the Bank of Israel and allowed its customers to defer repayments of loans.

There is a significant decline in the volume of the deferred credit. As of September 30, 2021, the ratio of debts which are in deferral of payments amounts to 0.09% of total balance of credit to the public, compared to 1.9% as of December 31, 2020. Concurrently, in the wake of the crisis, the Bank signed an agreement with the general controller together with other banks in the banking system, to extend loans guaranteed by the State the purpose of which is to assist businesses in Israel to cope with cash flows difficulties occurred as a result of the spreading of the corona virus. For this purpose special credit funds were formed in the name of "The small and medium size businesses fund affected by the corona" and "The large business fund for the confronting the spread of the corona virus".

The Bank continues to grants its business customers loans in the framework of the credit funds guaranteed by the State, enabling them to cope with the continuance of the crisis and its implications.

Credit granted guaranteed by the State in the outline of coping with the corona crisis

	September 30, 2021	December 31, 2020
Borrowers activity in Israel		NIS million
Small and minute business	1,381	1,308
Medium business	369	431
Large business	153	165
Total	1,903	1,904

Credit quality and problematic credit risk

Problematic credit risk, including off-balance-sheet components, totaled NIS 2,065 million as of September 30, 2021, compared with NIS 2,295 million at the end of 2020, a decrease of 10.0%

The ratio of problematic credit risk to total credit risk at the group as of September 30, 2021 amounted to 1.5%, compared to 1.8% at the end of 2020. 18.5% of problematic credit risk at the group are attributed to the manufacturing sector, 13.3% to the real estate sector, 13.0% to the commerce sector, and 27.9% to the private customers including housing loans. The ratio of problematic credit risk to total credit to the public amounted to 1.9%, compared to 2.2% at the end of 2020.

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

	September 30, 2021				September 30, 2020			
	Commercial	Housing	Private	Total	Commercial	Housing	Private	Total
	NIS million							
Credit risk in credit granting rating⁽¹⁾								
Balance sheet credit risk	42,722	30,514	21,300	94,536	40,851	26,877	20,342	88,070
Off-balance sheet credit risk	22,526	2,521	12,864	37,911	18,103	2,524	13,213	33,840
Total credit risk in credit granting rating	65,248	33,035	34,164	132,447	58,954	29,401	33,555	121,910
credit risk not in credit granting rating:								
Non problematic	1,408	334	623	2,365	1,687	273	540	2,500
Problematic ⁽²⁾	1,290	307	259	1,856	1,427	320	329	2,076
Special supervision ⁽³⁾	791	248	71	1,110	742	314	113	1,169
Inferior	90	-	53	143	58	-	58	116
Impaired	409	59	135	603	627	6	158	791
Total balance sheet credit risk	2,698	641	882	4,221	3,114	593	869	4,576
Off-balance sheet credit risk	522	6	134	662	547	4	87	638
Total credit risk not in credit granting rating	3,220	647	1,016	4,883	3,661	597	956	5,214
Of which: non-impaired debts in arrears of 90 days or more	22	171	18	211	50	203	17	270
Total overall credit risk of the public	68,468	33,682	35,180	137,330	62,615	29,998	34,511	127,124
Non-performing assets								
Impaired debts - not accruing interest income	382	59	101	542	544	6	125	675

	December 31, 2020			
	Commercial	Housing	Private	Total
	NIS million			
Credit risk in credit granting rating⁽¹⁾				
Balance sheet credit risk	41,529	27,721	20,438	89,688
Off-balance sheet credit risk	18,696	2,946	13,068	34,710
Total credit risk in credit granting rating	60,225	30,667	33,506	124,398
Credit risk not in credit granting rating:				
Non problematic	1,450	329	568	2,347
Problematic ⁽²⁾	1,420	286	330	2,036
Special supervision ⁽³⁾	932	250	119	1,301
Inferior	54	-	57	111
Impaired	434	36	154	624
Total balance sheet credit risk	2,870	615	898	4,383
Off-balance sheet credit risk	525	3	131	659
Total credit risk not in credit granting rating	3,395	618	1,029	5,042
Of which: non-impaired debts in arrears of 90 days or more	43	156	18	217
Total overall credit risk of the public	63,620	31,285	34,535	129,440
Non-performing assets				
Impaired debts - not accruing interest income	368	36	120	524

(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) Impaired, inferior or special supervision credit risk.

(3) Including in respect of housing loans, in respect of which an allowance is made according to the extent of arrears, and housing loans in respect of which no allowance is made according to the extent of arrears and are in arrears of 90 days of more.

Changes in impaired debts in respect of credit to the public

	For the three months ended September 30, 2021			For the three months ended September 30, 2020		
	Commercial	Private	Total	Commercial	Private	Total
	NIS million					
Balance of impaired debts at beginning of period	387	237	624	592	172	764
Classified as impaired during the period	47	34	81	21	12	33
Removed from impaired classification	-	(69)	(69)	(1)	(1)	(2)
Accounting write-offs	(12)	(4)	(16)	(8)	(7)	(15)
Collection of debts	(16)	(4)	(20)	(39)	(12)	(51)
Balance of impaired debts at end of period	406	194	600	565	164	729
Of which: movement in problematic restructured debts						
Balance of restructured debts at beginning of the period	103	103	206	158	117	275
Debts restructured during the period	11	10	21	22	14	36
Accounting write-offs of restructured debts	(2)	(4)	(6)	(5)	(7)	(12)
Collection of restructured debts	(10)	(10)	(20)	(28)	(7)	(35)
Balance of problematic restructured debts at end of period	102	99	201	147	117	264
Changes in provision for credit losses in respect of impaired debts						
Balance of provision for credit losses at the beginning of the period	145	33	178	186	40	226
Increase in provisions	14	5	19	8	3	11
Collection and write-offs	(12)	(5)	(17)	(18)	(4)	(22)
Balance of provision for credit losses at the end of the period	147	33	180	176	39	215

	For the nine months ended September 30, 2021			For the nine months ended September 30, 2020			For the year ended December 31, 2020		
	Commercial	Private	Total	Commercial	Private	Total	Commercial	Private	Total
	NIS million			NIS million			NIS million		
Balance of impaired debts at beginning of period	387	190	577	553	156	709	553	156	709
Classified as impaired during the period	131	170	301	176	60	236	179	99	278
Removed from impaired classification	-	(123)	(123)	(1)	(1)	(2)	(44)	(1)	(45)
Accounting write-offs	(42)	(14)	(56)	(61)	(18)	(79)	(69)	(20)	(89)
Collection of debts	(70)	(29)	(99)	(102)	(33)	(135)	(232)	(44)	(276)
Balance of impaired debts at end of period	406	194	600	565	164	729	387	190	577
Of which: movement in problematic restructured debts									
Balance of restructured debts at beginning of the period	114	113	227	140	108	248	140	108	248
Debts restructured during the period	30	29	59	86	48	134	96	60	156
Accounting write-offs of restructured debts	(8)	(12)	(20)	(24)	(17)	(41)	(33)	(20)	(53)
Collection of restructured debts	(34)	(31)	(65)	(55)	(22)	(77)	(89)	(35)	(124)
Balance of problematic restructured debts at end of period	102	99	201	147	117	264	114	113	227
Changes in provision for credit losses in respect of impaired debts									
Balance of provision for credit losses at the beginning of the period	144	37	181	169	35	204	169	35	204
Increase in provisions	50	15	65	85	20	105	96	22	118
Collection and write-offs	(47)	(19)	(66)	(78)	(16)	(94)	(121)	(20)	(141)
Balance of provision for credit losses at the end of the period	147	33	180	176	39	215	144	37	181

	For the nine months ended September 30		For the year ended December 31
	2021	2020	2020
Risk Indices			
Ratio of impaired credit to the public or in arrears of 90 days + to total credit to the public	0.84%	1.10%	0.86%
Of which:			
Ratio of impaired credit to the public to total credit to the public	0.62%	0.80%	0.63%
Ratio of non-impaired credit to the public in arrears of 90 days+ to total credit to the public	0.22%	0.30%	0.23%
Ratio of problematic credit risk in respect of the public to overall credit risk in respect of the public	1.50%	1.84%	1.77%
Ratio of expenses (income) for credit losses to average total credit to the public*	(0.30%)	0.62%	0.52%
Ratio of net write-offs in respect of credit to the public to average total credit to the public*	(0.02%)	0.15%	0.10%
Ratio of provision for credit losses in respect of credit to the public to credit to the public	1.12%	1.35%	1.38%
Ratio of provision for credit losses in respect of credit to the public to total impaired credit to the public	181.3%	168.0%	221.3%
Ratio of provision for credit losses in respect of credit to the public to impaired credit to the public plus credit to the public in arrears of 90 days or more	134.2%	122.6%	160.8%
Ratio of net write-offs in respect of credit to the public to provision for credit losses in respect of credit to the public*	(2.1%)	10.8%	6.9%

* Annualized.

Total credit risk according to economic sectors

(NIS million)

as at September 30, 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	10,159	9,685	376	146	(25)	5	203
Construction and Real estate - construction ⁽⁵⁾	13,050	12,634	150	67	(1)	(3)	92
Construction and Real estate - real estate activities	6,067	5,558	124	110	(9)	1	32
Commerce	7,182	6,629	268	53	(50)	(5)	170
Financial services	16,842	16,731	25	7	(12)	(8)	25
Other business services	14,148	13,101	540	130	(81)	2	181
Total commercial ⁽⁶⁾	67,448	64,338	1,483	513	(178)	(8)	703
Private individuals - housing loans	33,682	33,035	307	59	(1)	-	163
Private individuals - others	35,180	34,164	269	136	(23)	(8)	303
Total public - activity in Israel	136,310	131,537	2,059	708	(202)	(16)	1,169
Banks and Israeli government in Israel	14,792	14,792	-	-	-	-	-
Total activity in Israel	151,102	146,329	2,059	708	(202)	(16)	1,169
In respect of borrowers abroad							
Total public - activity abroad	1,020	910	6	-	(4)	(1)	5
Banks and foreign governments abroad	4,001	4,001	-	-	-	-	-
Total activity abroad	5,021	4,911	6	-	(4)	(1)	5
Total	156,123	151,240	2,065	708	(206)	(17)	1,174

NOTES:

- (1) Balance sheet credit risk and off-balance sheet credit risk, including in respect of derivative instruments. Includes debts, bonds, securities borrowed, assets in respect of derivative instruments and credit risk in off balance sheet instruments as were calculated in respect of limitations of a borrower of NIS 101,278, 14,122, 232, 1,565 and 38,926 million, respectively.
- (2) Including in respect of off-balance sheet credit instruments (presented in the balance sheet under the item "other liabilities").
- (3) Credit risk wherein the credit rating at the date of the report, congruent with the credit rating for the execution of new credit, according to the policy of the Bank.
- (4) Balance sheet and off-balance sheet credit risk that is impaired, substandard, or under special supervision, including in respect of housing loans for which a provision based on the extent of arrears exists, and housing loans for which a provision based on the extent of arrears does not exist, which are in arrears of 90 days or more.
- (5) Including balance sheet credit risk amounting to NIS 66 million and non-utilized credit facilities amounting to NIS 92 million, in respect of housing 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 2,960 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

(NIS million)

as at September 30, 2020							
					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	10,676	9,948	489	179	84	27	247
Construction and Real estate - construction ⁽⁵⁾	10,238	9,907	136	37	20	5	84
Construction and Real estate - real estate activities	6,391	6,001	178	118	13	(2)	37
Commerce	7,633	6,860	208	75	38	20	172
Financial services	13,970	13,924	12	7	5	-	28
Other business services	12,814	11,429	647	339	134	18	249
Total commercial ⁽⁶⁾	61,722	58,069	1,670	755	294	68	817
Private individuals - housing loans	29,998	29,401	320	6	38	(2)	161
Private individuals - others	34,511	33,555	341	160	80	32	323
Total public - activity in Israel	126,231	121,025	2,331	921	412	98	1,301
Banks and Israeli government in Israel	11,739	11,739	-	-	-	-	-
Total activity in Israel	137,970	132,764	2,331	921	412	98	1,301
In respect of borrowers abroad							
Total public - activity abroad	893	885	8	8	1	-	1
Banks and foreign governments abroad	3,620	3,620	-	-	-	-	-
Total activity abroad	4,513	4,505	8	8	1	-	1
Total	142,483	137,269	2,339	929	413	98	1,302

NOTES:

- (1) Balance sheet credit risk and off-balance sheet credit risk, including in respect of derivative instruments. Includes debts, bonds, securities borrowed, assets in respect of derivative instruments and credit risk in off balance sheet instruments as were calculated in respect of limitations of a borrower of NIS 94,169, 11,929, 14, 1,438 and 34,933 million, respectively.
- (2) Including in respect of off-balance sheet credit instruments (presented in the balance sheet under the item "other liabilities").
- (3) Credit risk wherein the credit rating at the date of the report, congruent with the credit rating for the execution of new credit, according to the policy of the Bank.
- (4) Balance sheet and off-balance sheet credit risk that is impaired, substandard, or under special supervision, including in respect of housing loans for which a provision based on the extent of arrears exists, and housing loans for which a provision based on the extent of arrears does not exist, which are in arrears of 90 days or more.
- (5) Including balance sheet credit risk amounting to NIS 104 million and non-utilized credit facilities amounting to NIS 99 million, in respect of housing 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 3,135 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

(NIS million)

as at December 31, 2020							
					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	10,038	9,376	460	157	73	29	237
Construction and Real estate - construction ⁽⁵⁾	10,997	10,618	139	59	18	(2)	90
Construction and Real estate - real estate activities	6,037	5,647	145	96	8	(8)	36
Commerce	7,266	6,591	245	44	83	23	214
Financial services	14,727	14,669	14	7	9	-	31
Other business services	13,221	12,018	636	166	149	14	267
Total commercial ⁽⁶⁾	62,286	58,919	1,639	529	340	56	875
Private individuals - housing loans	31,285	30,667	287	36	41	(2)	164
Private individuals - others	34,535	33,506	348	156	77	34	318
Total public - activity in Israel	128,106	123,092	2,274	721	458	88	1,357
Banks and Israeli government in Israel	12,740	12,740	-	-	-	-	-
Total activity in Israel	140,846	135,832	2,274	721	458	88	1,357
In respect of borrowers abroad							
Total public - activity abroad	1,334	1,306	21	21	6	-	6
Banks and foreign governments abroad	4,120	4,120	-	-	-	-	-
Total activity abroad	5,454	5,426	21	21	6	-	6
Total	146,300	141,258	2,295	742	464	88	1,363

NOTES:

- (1) Balance sheet credit risk and off-balance sheet credit risk, including in respect of derivative instruments. Includes debts, bonds, securities borrowed, assets in respect of derivative instruments and credit risk in off balance sheet instruments as were calculated in respect of limitations of a borrower of NIS 95,870, 12,798, 11, 1,897 and 35,724 million, respectively.
- (2) Including in respect of off-balance sheet credit instruments (presented in the balance sheet under the item "other liabilities").
- (3) Credit risk wherein the credit rating at the date of the report, congruent with the credit rating for the execution of new credit, according to the policy of the Bank.
- (4) Balance sheet and off-balance sheet credit risk that is impaired, substandard, or under special supervision, including in respect of housing loans for which a provision based on the extent of arrears exists, and housing loans for which a provision based on the extent of arrears does not exist, which are in arrears of 90 days or more.
- (5) Including balance sheet credit risk amounting to NIS 88 million and non-utilized credit facilities amounting to NIS 101 million, in respect of housing 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 3,001 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	As of September 30, 2021			As of December 31, 2020		
	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-	111	2	113	107	2	109
A+ to A-	3,006	34	3,040	3,027	35	3,062
BBB+ to BBB-	156	4	160	142	7	149
BB+ to B-	105	-	105	75	-	75
Total credit exposure to foreign financial institutions	3,378	40	3,418	3,351	44	3,395
Of which: Balance of problem loans ⁽⁴⁾	-	-	-	-	-	-

NOTES:

- (1) Foreign financial institutions include: banks, investment banks, brokers/dealers, insurance companies, institutional investors and entities under their control.
- (2) Deposits at banks, credit to the public, investments in bonds, securities that have been lent and other assets in respect of derivative instruments.
- (3) Mainly guarantees and liabilities for the granting of credit, including guarantees for securing third-party indebtedness.
- (4) Credit risk that is 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. The credit positions do not include exposures to financial institutions that have an explicit and full government guarantee.
- c. 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 279 million on September 30, 2021 (December 31, 2020 - NIS 227 million).

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

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

Most of the Group's present credit exposure (92%) is attributed to leading financial institutions in OECD countries, which are graded AAA to A-, and 3% 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 257 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 53% are rated A- or higher.

The average duration of the portfolio is 3 years.

In addition, balance-sheet credit risk includes NIS 2.7 billion of deposits placed with foreign banks, mainly for a short period of a day to a week.

Credit exposure to sovereigns of the Bank group exceeding 15% of the Bank's equity capital, which amounted to NIS 1,818 million (as defined in Proper Conduct of Banking Business Regulation No. 202 concerning capital component), as of September 30, 2021:

Country	Total credit exposure
	NIS million
USA	2,029

Exposure to foreign countries

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

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

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

	September 30, 2021			December 31, 2020		
	exposure			exposure		
	Balance sheet ⁽²⁾	Off Balance sheet ⁽²⁾⁽³⁾	Total	Balance sheet ⁽²⁾	Off Balance sheet ⁽²⁾⁽³⁾	Total
United States	3,036	41	3,077	3,067	33	3,100
Other	2,406	390	2,796	2,525	349	2,874
Total exposure to foreign countries	5,442	431	5,873	5,592	382	5,974
Off which: Total exposure to PIGS countries (Portugal, Italy, Greece and Spain)	13	1	14	23	2	25
Off which: Total exposure to LDC countries	198	41	239	168	41	209
Off which: Total exposure to countries with liquidity problems	12	2	14	5	2	7

* 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.

Risks in the Housing loans portfolio

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

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

Risks are examined in accordance with the policy adopted in respect of risk appetite in the mortgage field, both at the level of the single 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 troubled 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 nine months ended September 30		Change
	2021	2020	
	NIS million		%
Housing loans extensions			
Loans from bank funds	5,745	4,185	37.3
Loans from treasury funds	19	20	(5.0)
Grants from treasury funds	10	11	(9.1)
Total new loans	5,774	4,216	37.0
Refinanced loans from bank funds	653	575	13.6
Total extensions	6,427	4,791	34.1

	As at September 30,		Change
	2021	2020	
	NIS million		%
Balance of housing loans, net			
Loans from bank funds	31,058	27,410	13.3
Loans from treasury funds*	266	291	(8.6)
Grants from treasury funds*	57	41	39.0
Total balance of housing loans	31,381	27,742	13.1

* The 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 September 30, 2021 included 70% of credit granted at an LTV of up to 60% compared with 71% on September 30, 2020. 97% of total loans were granted at an LTV of up to 75%, similar to September 30, 2020.

Housing loan extensions from the Bank's sources in the first nine months of 2021 included 65% of credit granted at an LTV of up to 60%, compared with 68% in the same period last year. All loan extensions were granted at an LTV of up to 75%, similar to the same period last year.

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

Debt-income ratio

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

The portfolio of housing loans extended from the Bank's sources as of September 30, 2021 included 90% of credit granted at a debt-income ratio of up to 35% compared with 89% on September 30, 2020. 99% of the credit was extended to borrowers on the basis of a debt-income ratio of up to 50%, compare to 98% in the same period last year.

Housing loan extensions from the Bank's sources in the first nine months of 2021 included 92% of credit granted at a debt-income ratio of up to 35% compared to 93% in the same period last year. All of the credit was extended to borrowers on the basis of a debt-income ratio of up to 50% similar to the same period last year.

The calculation of the ratio does not include loans which are bullet and balloon.

Floating-rate loans

The portfolio of housing loans from the Bank's sources as of September 30, 2021 includes 60% of credit that was granted at floating-rate interest and amounts to NIS 18,644 million.

Housing loan extensions from the Bank's sources in the first nine months of 2021 include NIS 2,431 million of credit granted at floating-rate interest of up to five years constituting 42% of extensions. An amount of NIS 898 million is floating-rate credit for five years, constituting 16% of extensions .

Long-term loans

The portfolio of housing loans from the Bank's sources as of September 30, 2021 includes 80% of credit whose redemption period as of the report date is up to 25 years and amounts to NIS 25,043 million.

Housing loan extensions from the Bank's sources in the first nine months of 2021 include 67% of credit whose redemption period as of the report date is up to 25 years and amounts to NIS 3,824 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	
	NIS million	%	NIS million	%	%	NIS million	%	NIS million	%	NIS million	%	NIS million	NIS million	
30.9.21	8,651	28.6	13,091	43.4		3,564	11.8	4,884	16.2	9	-	30,199	859	31,058
31.12.20	7,671	28.0	11,818	43.1		3,362	12.3	4,532	16.6	13	-	27,396	863	28,259

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

	Nine months 2021	nine months 2020	2020	2019	2018	2017
Total housing loan extensions (NIS million)	5,745	4,185	5,915	4,374	4,149	3,756
Rate of change in housing loan extensions compared with previous year	37.3%	29.9%	35.2%	5.4%	10.5%	(13.4%)
Rate of expense (income) on credit losses relative to mortgages at the Bank's risk	(0.01%)	0.18%	0.14%	0.01%	-	(0.01%)
Cumulative rate of allowance for credit losses relative to mortgages at the Bank's risk	0.53%	0.59%	0.59%	0.49%	0.50%	0.51%

Effect of the spreading of the Corona virus on residential credit

As from March 2020, the Bank enabled borrowers to defer the monthly payment of the housing loans and to arrange a lenient repayment schedule.

As of September 30, 2021, the deferred repayment of loans amounted to NIS 5 million, as stated in note 1C.4 to the condensed financial statements.

On September 30, 2021, Bank of Israel published an update to the regulation reliefs in respect of Proper Conduct of Banking Business Directive No. 329 in the matter of "restrictions on the granting of residential loans" in the framework of Proper Conduct of Banking Business Directive No. 250 in the matter of "coping with the corona crisis". The update includes the cancellation of the relief which permitted a bank to approve a housing loan not for the purpose of acquiring real estate right and with mortgaging real estate up to LTV of 70% instead of 50%. In addition, the relief granted until now in the matter of additional capital requirement in the rate of 1%, was cancelled in respect of housing loans, and was left unchanged for all-purpose loans. Thus, as from the beginning of the amendments to the directive (October 1, 2021) the additional capital requirement in the rate of 1% is to be applied on housing loans and not on all-purpose loans. The significance is that in respect of housing loans extended in the period March 19, 2020 and up to September 30, 2021 the capital requirement in the rate of 1%, is not to be applied.

The update of the limitation in respect of extension of residential loan

On December 27, 2020, an amendment to Proper Conduct of Banking Business Directive No. 329 in the matter of "restrictions on the granting of residential loans" was published, which canceled the Prime interest limitation (according to which, the ratio between the part of the loan which bears floating interest rate that can be changed during a period of less than five years from the date of approving the loan, or from the date in which the previous rate was determined, does not exceed 33%) and to be satisfied with the limit of the floating rate, which rules that at least a third of the loan is to be granted at fix interest rate and the other two thirds are to be granted at floating rates.

The implementation of the amendments to the directive was set at January 17, 2021. In respect of a housing loan designated for the early repayment of a loan at the Bank, or at other bank, the amendment will apply from February 28, 2021.

On October 6, 2021, Bank of Israel published an update to the FAQ to the Proper Conduct of Banking Business Directive No. 329 in the matter of "restrictions on the granting of residential loans", according to which a banking corporation is not allowed to grant additional loan for financing equity capital required for purchasing residential estate. In order to allow interim funding for housing improvers, it was determined that, a banking corporation may extend bridging loan, subject to the fulfillment of certain conditions, as detailed in the FAQ. It was clarified, that the said update will not to be applied on agreements that were signed prior to the date of publication (purchase agreement, loan agreement and approval in principal for the granting of loans).

Also was updated an answer to another question, clarifying, that third party aid for the finance of equity capital by a loan, is limited to first rank family members, and questions were added that clarify the reference in the matter of classification of all-purpose loan and refinancing loan. Also was added a reference to the clarification in respect of the calculation of the addition to the capital target as a function of the balance of housing loans.

Private individuals credit risk (excluding housing loans and derivatives)

General

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

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

The granting of credit is based on statistical models for the rating of credit risk, which take into account the personal parameters of each customer, including: his income and stability of income, financial wealth, his repayment ability and past experience of the Bank with 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 personnel, Ministry of Defense personnel, etc.) having repayment ability or realizable collateral.

Teaching personnel loan tender are loans repaid by the direct withholding from salary. Most of the customers in the households segments 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.

81% 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.

Effect of the spreading of the Corona virus on credit to private individuals

The outbreak of the corona crisis was accompanied by a high level of economic uncertainty. The Bank adopted several actions in order to hedge the credit risk, among others, the update of the parameters to classify problematic debts and adjustments in the underwriting model and in the procedures in the credit area. Also, provision in the collective and specific level were made in a conservative manner.

Several economic indicators suggest the beginning of exiting the crisis. In the first nine months of the year, an improvement in the ratio between the problematic credit and the non-problematic credit in the Bank, occurred, and most of the customers, which deferred repayments during the period of the crisis, resumed repaying their loans. In-light of the above, the Bank resumed operating in accordance with the parameters which were acceptable before the crisis. However, a renewed outbreak of the virus might harm the trend of improvement.

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

	As of			Change	
	30.9.21	30.9.20	31.12.20	30.9.20	31.12.20
			NIS million		%
Current account and utilized balances of credit cards	5,209	4,700	4,865	10.8	7.1
Other loans	16,971	16,510	16,468	2.8	3.1
Total balance credit risk	22,180	21,210	21,333	4.6	4.0
Unutilized current account credit lines	4,612	4,685	4,693	(1.6)	(1.7)
Unutilized credit lines in credit cards	7,422	7,378	7,287	0.6	1.9
Other off-balance credit risks	949	1,222	1,204	(22.3)	(21.2)
Total off-balance credit risk	12,983	13,285	13,184	(2.3)	(1.5)
Total credit risk	35,163	34,495	34,517	1.9	1.9
Average volume of credit, including overdrafts, credit cards and loans	20,846	20,602	20,529	1.2	1.5

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

	As of			Change	
	30.9.21	30.9.20	31.12.20	30.9.20	31.12.20
			NIS million		%
Impaired credit risks	136	160	156	(15.0)	(12.8)
Unimpaired problematic credit risk	133	181	192	(26.5)	(30.7)
Non-problematic credit risk	34,894	34,154	34,169	2.2	2.1
Total credit risk	35,163	34,495	34,517	1.9	1.9
Of which: unimpaired debts in arrears of 90 days or more	18	17	18	5.9	0.0
Balance of restructured debts out of the problematic credit	99	117	113	(15.4)	(12.4)
Expense (income) rate of credit losses out of total credit to the public*	(0.14%)	0.50%	0.36%		

* Annualized

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

September 30, 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	334	27	361	211
Up to 10	3,498	487	3,985	2,237
From 10 to 20	4,903	1,542	6,445	3,626
Over 20	6,055	5,334	11,389	6,909
Total	14,790	7,390	22,180	12,983

September 30, 2020				
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	391	36	427	190
Up to 10	3,699	473	4,172	2,439
From 10 to 20	4,941	1,457	6,398	3,771
Over 20	5,455	4,758	10,213	6,885
Total	14,486	6,724	21,210	13,285

December 31, 2020				
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	401	45	446	219
Up to 10	3,640	475	4,115	2,360
From 10 to 20	4,910	1,510	6,420	3,717
Over 20	5,413	4,939	10,352	6,888
Total	14,364	6,969	21,333	13,184

* 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			
Period to redemption	September 30, 2021	September 30, 2020	December 31, 2020
			NIS million
Up to one year	5,712	5,224	5,347
From one to three years	3,201	2,994	2,959
From three to five years	4,728	4,822	4,762
From five to seven years	2,890	2,772	2,864
Over seven years	5,649	5,398	5,401
Total	22,180	21,210	21,333

Distribution by size of credit to the borrower*

Credit range to the borrower	September 30, 2021			September 30, 2020			December 31, 2020		
	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	199	471	670	257	654	911	197	470	667
From 10 to 20	400	882	1,282	373	862	1,235	383	873	1,256
From 20 to 40	1,143	2,042	3,185	1,063	2,019	3,082	1,096	2,040	3,136
From 40 to 80	2,898	3,402	6,300	2,824	3,398	6,222	2,848	3,432	6,280
From 80 to 150	5,720	3,284	9,004	5,627	3,369	8,996	5,656	3,391	9,047
From 150 to 300	6,803	2,169	8,972	6,603	2,271	8,874	6,633	2,262	8,895
Over 300	5,017	733	5,750	4,463	712	5,175	4,520	716	5,236
Total	22,180	12,983	35,163	21,210	13,285	34,495	21,333	13,184	34,517

* 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

Type of credit	September 30, 2021	September 30, 2020	December 31, 2020
	Balance sheet credit risk	Balance sheet credit risk	Balance sheet credit risk
	NIS million	NIS million	NIS million
Current account	1,567	1,363	1,372
Credit card	3,642	3,337	3,493
Credit carrying variable interest	16,379	15,890	15,862
Credit carrying fixed interest	592	620	606
Total	22,180	21,210	21,333

Collateral

	September 30, 2021			September 30, 2020			December 31, 2020		
	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*	4,373	634	5,007	3,991	896	4,887	4,096	880	4,976
* Of which:									
Non-liquid collateral	3,955	608	4,563	3,589	869	4,458	3,705	853	4,558
Liquid collateral	418	26	444	402	27	429	391	27	418

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 troubled credit in arrears and follow-up of developments in the troubled 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 in particular, 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 analysis 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.

The corona crisis caused uncertainty regarding the continuation of demand for income producing real estate, with differences existing between types of income producing real estate. In the event that this sector would be adversely affected, the impact is expected to affect old properties, mostly, located in areas of lesser demand. The Bank examines on a current basis the level of negative impact on this type of assets.

Since the beginning of the crisis, an in-depth examination had been performed with respect to all borrowers included in the credit portfolio of the Bank, analysing the possible impact on their operations, relating to the finance of land and construction projects in progress, according to the designation of the land or the project (residential/ offices/ commercial/industrial), with the intention of mapping and unearthing possible risks in the real estate credit portfolio.

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:

	September 30,		December 31,
	2021	2020	2020
			NIS million
Overall credit risk⁽¹⁾⁽³⁾			
Projects not yet completed			
Of which: Open land	3,059	2,307	2,296
Property under construction	4,916	4,382	4,613
Completed building projects	4,706	4,696	4,494
Other ⁽²⁾	6,436	5,244	5,631
Total	19,117	16,629	17,034

(1) Of which: credit secured by residential property in the amount of NIS 6,703 million (stated credit NIS 3,547 million and off-balance sheet credit NIS 3,156 million). Credit secured by industrial property in the amount of NIS 792 million (stated credit NIS 715 million and off-balance sheet credit NIS 77 million), and credit secured by commercial property in the amount of 5,186 million (stated credit NIS 4,819 million and off-balance sheet credit NIS 367 million). (30.9.20 - NIS 5,359 million, NIS 739 million and NIS 5,287 million, respectively, 31.12.20 - NIS 5,348 million, NIS 770 million and NIS 5,285 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, for example and mostly – infrastructure projects, credit to income bearing real estate corporations or 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 ratio of finance (weighted average) in respect of open land is 80.84%, in respect of real estate projects in progress 75.39%, and in respect of completed real estate projects 72.46%.

The ratio of credit not at credit execution rating, to total credit risk in the construction and real estate sector as of September 30, 2021, amounted to 4.8%, as compared with 4.5% at December 31, 2020.

The ratio of troubled credit to total credit risk in the construction and real estate sector as of September 30, 2021, amounted to 1.4%, similarly to that of December 31, 2020.

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 2020.

As of September 30, 2021 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 519 million, compared to NIS 581 million on September 30, 2020 and NIS 576 million at the end of 2020.

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, affecting 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 exposed 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:

Following are the details of the effect of changes in the interest rate on the fair value of the asset surplus in the segment:

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

	September 30, 2021			September 30, 2020			December 31, 2020		
	NIS	Foreign currency	Total	NIS	Foreign currency	Total	NIS	Foreign currency	Total
	NIS million			NIS million			NIS million		
Adjusted fair value, net ⁽¹⁾	8,395	(98)	8,297	7,809	(135)	7,674	8,092	(223)	7,869
Of which: banking portfolio	8,165	(177)	7,988	7,824	(441)	7,383	8,096	(297)	7,799

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:

	September 30, 2021			September 30, 2020			December 31, 2020		
	NIS ⁽⁵⁾	Foreign currency	Total	NIS ⁽⁵⁾	Foreign currency	Total	NIS ⁽⁵⁾	Foreign currency	Total
	NIS million			NIS million			NIS million		
Parallel changes									
Parallel increase of 1%	(39)	(41)	(80)	(17)	(13)	(30)	(41)	(45)	(86)
Of which: banking portfolio	(27)	(37)	(64)	(14)	(7)	(21)	(39)	(38)	(77)
Parallel decrease of 1%	246	44	290	107	3	110	200	47	247
Of which: banking portfolio	236	38	274	107	(2)	105	207	42	249
Non-parallel changes									
Steeping ⁽²⁾	(154)	(11)	(165)	(144)	(10)	(154)	(165)	(11)	(176)
Flattening ⁽³⁾	203	(3)	200	186	(5)	181	214	(8)	206
Interest increase in short term	158	(18)	140	157	(9)	148	170	(25)	145
Interest decrease in short term	-	35	35	(49)	(3)	(52)	(41)	63	22

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⁾

	September 30, 2021			September 30, 2020			December 31, 2020		
	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%	399	(2)	397	405	3	408	418	1	419
Of which: banking portfolio	398	-	398	404	-	404	417	-	417
Parallel decrease of 1%	(691)	2	(689)	(713)	(3)	(716)	(724)	(1)	(725)
Of which: banking portfolio	(691)	-	(691)	(712)	-	(712)	(724)	-	(724)

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

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

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

(4) After offsetting effects.

(5) In interest decline scenarios in the CPI linked segment, negative interest environment is taken in the calculation.

(6) In interest decline scenarios reflecting negative interest, the effect of the scenario on interest income, net was calculated according to deferent assumptions.

Disclosure regarding preparations for the discontinuation of use of the LIBOR

On February 13, 2020, Bank of Israel published a circular letter in the matter of "disclosure regarding preparations for the discontinuation of use of the LIBOR", this on background of the disclosure guidelines of the SEC regarding the discontinued use of the LIBOR, clarifying, inter alia, the required disclosure in the matter.

The said disclosure guidelines had been published on background of the risk and the uncertainty regarding the way in which contracts linked to the LIBOR would be interpreted, in a situation in which, as from the year 2022, and for LIBOR interest quotations in US dollars for a part of the periods as from July 2023, a LIBOR rate would no longer be published, or it is determined that the LIBOR no longer represents the relevant interest rates.

Following the decision regarding the discontinuation of the publication of the LIBOR rate, work teams have been formed worldwide for the purpose of determining alternative interest bases to the LIBOR interest rate for each of the following five currencies: US dollar, Pound Sterling, Euro, Swiss Franc and the Japanese Yen. The alternatives include, inter alia, the interest rates of the SOFR (Secured Overnight Financing Rate); the SONIA (Sterling Overnight Index Average); the ESTR (Euro Short-Term Rate); the SARON (Swiss Average Rate Overnight); TONA (Tokyo Overnight Average Rate).

On September 30, 2021, Bank of Israel published Proper Conduct of Banking Business Directive No. 250A in the matter of "Transition from the LIBOR interest" which details the guidelines for the implementation of the transition to other alternative interest bases. This, among other things, in the following aspects: the way to choose the alternative interest, providing information to customers, making adjustments in existing agreements, the discontinuation of new contracts based on the LIBOR, risk management, etc.

As of date of this Report, the Bank had chosen alternative reference interest rates for all currencies, and on January 1, 2022, the Bank will discontinue the use of the LIBOR interest rates, including in US dollars, and will begin the use of the new reference interest rates.

In addition to the above, the Bank is preparing for the replacement of the LIBOR interest, both in the business and operating aspect and in compliance, fairness and risk management aspects, all in congruence with Proper Conduct of Banking Business requirements.

The Bank also examined the financial implications expected to be caused as a result of the transition to usage of the new reference interest rates.

Exposure of the Bank to the LIBOR rate within the framework of derivative operations established under ISDA arrangements and under other arrangements is not material. In addition, in order to minimize the legal risks combined in the discontinued use of the LIBOR in derivatives activity, the Bank had signed on the new protocol of the ISDA, arranging, inter alia, the method of settling old contracts signed with LIBOR interest and will not expire by the time of the discontinued publication of the LIBOR.

As of date of this Report, and in accordance with assessments made by the Bank, it does not have material balance sheet exposure regarding contracts for periods exceeding the year 2021, stating the LIBOR interest rate.

Following data of contracts which the Bank possesses that are affected from the LIBOR for periods exceeding 2021:

	Volume of transactions
	As Of September 30, 2021
	NIS millions
Credit to the public (including mortgages)	682
Deposits from the public	-
Derivatives (face value)	4,774

Principal risks and preparations made by the Bank in respect thereof

The discontinuation of use of the LIBOR and transition to alternative interest bases, may create different risks for the Bank, such as: financial risk, model risk, legal risk, regulation and supervision risk, technological risk and business risk. The Bank has identified these risks, inter alia, by means of mapping all relevant contracts and exposure.

As of date of this Report, the Bank continues to monitor and manage identified risks related to the discontinuation of use of the LIBOR, including actual implementation of the new interest bases. As part of the monitoring process, designated teams are active in managing the risk, submitting current reports to Management and the Board of Directors.

Furthermore, following a general notice that had been sent at the time to customers of the Bank in respect of the changes anticipated as a result of the discontinued use of the LIBOR and their possible implications, the Bank has informed the relevant customers as to the transition process from the LIBOR interest rate to the new interest bases and the significance of such changes.

Identified principal risks:

- **Financial risk** - decline in profitability and/or increase in costs stemming, inter alia, from: recognition of loss on financial instruments held by the bank, due to cancellation of contracts; customer objection to their interest charges; decline in the number and turnover of customer transactions; opening of positions exposed to interest and modification of the Bank's asset and liability management process.
A material part of the potential risk stemming from objection by customers to the determination of their interest payments, has been reduced following the adoption of alternative interest bases accepted by the global financial system, mostly through beneficial offers to customers.
- **Model risk** - structuring a transfer price methodology modified to the transition to alternative interest bases; determining new pricing for products.
- **Legal risk** - updating and changes to existing contracts and the drafting of new contracts agreeing with the discontinuation of use of the LIBOR and the new economic environment.
- **Regulation and supervision risk** - absorption of policy, procedures and allocation of responsibility. Effecting the transition with congruence to Proper Conduct of Banking Business principles.
- **Technological risk** - updating of the data bases and information systems, including their modification for use of the old and new financial instruments.
- **Business risk** - includes mostly the basis risk created as a result of the fallback mechanisms between the different financial instruments (such as: deposits as against derivatives).

Accounting implications

The discontinuation of use of the LIBOR and transition to alternative interest bases, are expected to have different accounting implications in a number of areas, including discounting rates - transition to alternative interest indices might lead to changes in discounting rates used as input in different models for the purpose of valuation of different assets and liabilities, such as: financial instruments, derivatives and impairment of nonfinancial assets.

The Bank continues to follow the international publications and guidelines of Bank of Israel and will aspire to reduce the risks deriving from the change of the interest bases.

See Note 1C(5) to the condensed financial statements regarding the updating of standards applying to mitigation in respect of the effect of the reference interest reform on financial reporting.

Basis exposure

Actual basis exposure

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

	Actual basis exposure		% of capital	
	As of September 30,	As of December 31,	As of September 30,	As of December 31,
	2021	2020	2021	2020
Non-linked local currency	3,702	5,027	35	53
CPI-linked local currency	3,960	2,223	38	23
Foreign currency and f-C linked	(106)	(239)	(1)	(3)

Sensitivity of capital to changes in the exchange rate

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

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

Set out below is the sensitivity of the Bank's capital to theoretical changes in the exchange rates of the principal currencies as of September 30, 2021 (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	2	(2)
10% decrease	(5)	(4)
5% increase	2	2
10% increase	14	6

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.

Set out below is the sensitivity of the Bank's capital to theoretical changes in the CPI as of September 30, 2021 (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	(65)
3% increase	68

Management of risks in derivative financial instruments

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

	As of September 30, 2021			As of December 31, 2020		
	Derivatives not for trading	Derivatives for trading	Total	Derivatives not for trading	Derivatives for trading	Total
Hedging transactions:						
Interest rate contracts	3,399	-	3,399	3,527	-	3,527
Other transactions:						
Interest rate contracts	1,296	13,032	14,328	1,317	14,070	15,387
Foreign currency contracts	23,368	52,301	75,669	15,410	58,404	73,814
Contracts on shares, share indexes, commodities and other contracts	12	71,025	71,037	-	55,330	55,330
Total derivative financial instruments	28,075	136,358	164,433	20,254	127,804	148,058

LIQUIDITY RISK

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

Effect of the spreading of the Corona virus

The spreading of the Coronavirus has led in reaction, to the short-term lowering of interest rates by central banks and to the adoption of different monetary expansion measures and the provision of liquidity to the markets.

Starting with the identification stage of the Coronavirus crisis, the Bank has maintained high liquidity balances, both in foreign and local currencies, in comparison with balances maintained in the ordinary course of business. Furthermore, a high liquidity coverage ratio has been maintained, exceeding the regulatory and internal levels in respect of all segments.

The Bank continues to maintain high liquidity coverage ratio. In the third quarter of 2021, the liquidity coverage ratio was higher than the regulatory limitations.

The liquidity coverage ratio of the Bank group for the three months ended September 30, 2021, amounted to 133%, in comparison to 150% in the three months period ended on December 31, 2020.

The minimum liquidity coverage ratio required by the Supervisor of Banks amounts to 100%.

For additional information regarding the liquidity coverage ratio, see Note 8 to the financial statements.

Net stable Funding Ratio - NSFR

Bank of Israel published in June 2021, Directive 222 "Net stable Funding Ratio - NSFR", which adopts the Basel III recommendations, and which would take effect on December 31, 2021.

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.

This ratio requires banking corporations to maintain a stable funding profile, in accordance with the composition of their balance sheet assets and their off-balance sheet operations, and limits excessive reliance by banking corporations upon short-term wholesale funding.

The Bank is preparing for the implementation of the Directive, in accordance with Bank of Israel guidelines.

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 70.9 billion on September 30, 2021, compared with NIS 70.0 billion at the end of 2020. Of this amount, the balance of cash, deposits with the Bank of Israel and deposits with banks accounted for NIS 57.1 billion, and NIS 13.8 billion were invested in securities, principally Israel government bonds.

The ratio of deposits from the public to credit to the public on September 30, 2021 amounted to 154.7% compared with 155.7% on December 31, 2020.

At the end of September 2021, deposits from the public, bonds and subordinated notes totaled NIS 151.1 billion compared with NIS 146.1 billion at the end of 2020.

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

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

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

	As of September 30, 2021	As of December 31, 2020
		NIS million
1	4,143	3,176
2	2,438	1,488
3	1,858	1,247

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 2020 and the risk report for 2020 on the Bank's website.

DISCUSSION OF RISK FACTORS

For discussion of risk factors see the chapter of risk review in the annual financial statements of the Bank for 2020.

No change occurred in the table of risk factors during the first nine months of 2021 compared with the table published in the annual financial statements for 2020, except for:

- Legal risk – The level of risk was raised in the third quarter of the year from "low" to "low-medium", on background of the many legislation and regulation proceedings in the field of banking, and the increase in the number of new motions for approval of class action suits submitted against banks in Israel.
- Shares risk- The level of risk was raised in the third quarter of the year from "low" to "low-medium", on the background of the growth trend in exposure to the investment channel of the Bank in shares. The rate of shares to the nostro portfolio of the Bank as of September 30, 2021 amounted to 4.6%.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES, CONTROLS AND PROCEDURES

General

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

A review of the significant areas, to which, in the opinion of the Bank Management, critical accounting policies apply, are detailed in the Directors and Management report for 2020, with no changes therein, except as stated hereunder.

Provision for credit losses

The process of evaluating the loss inherent in the credit portfolio, is based on significant assessments involving uncertainty and on subjective assumptions, and changes in assessments or in assumptions that may have a material effect on the provision for credit losses.

The provision for credit losses is assessed using one of two alternatives: specific provision or collective provision.

The specific provision, which is relevant for troubled debts under the classification of "impaired," is made on the basis of the Management's assessments regarding the losses inherent in the balance-sheet and off-balance-sheet credit portfolio. This provision is estimated by means of the difference between the recorded balance of the debt and the present value of the receipts expected on repayment of the debt, or the fair value of the collateral.

Estimation of the receipts expected on 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, private sources for repayment and the realization value of the guarantees provided by the borrower or by third parties, and requires the use of discretion and estimates which the Management of the Bank regards as reasonable when assessed, although there is naturally no certainty that the amounts actually received will be the same as the estimates that were determined.

The collective provision is computed in order to reflect provisions for impairment in respect of unidentified specific credit losses inherent in large groups of small debts having similar risk characteristics, as well as in respect of debts specifically examined and found unimpaired.

The collective provision is computed in accordance with directives of the Supervisor of Banks, by multiplying the determined rate of the provision by the balance of debts, including off-balance sheet financial instruments, which are multiplied by conversion coefficients into relevant credit.

The rates for the collective provision are determined at the level of the economic sector, differentiating between the provision coefficient relating to performing credit and the provision coefficient relating to troubled credit, credit classified as "under special supervision" or "substandard" credit.

The rates of the collective provision include the totals of two components:

The first component is computed on the basis of the average rates of the net historical accounting write-offs, over the period beginning on January 1, 2011 and ending on the date of reporting, or an average providing excess weight to the rate of the net accounting write-offs in the last year, the higher of the two.

The second component is a "qualitative adjustment", the purpose of which is to adjust the rates of the collective provision, in a conservative and careful manner, to environmental factors, which have an effect on the risk inherent in the credit portfolio of the Bank. In order to determine the "qualitative adjustment", the Bank bases itself on designated models developed by it. These models assess the risk at the economic sector level, based on environmental factors, part of which is relevant to the specific credit portfolio of the Bank and to the quality of its management, and part is relevant to the condition of the economy in general. The environmental factors contained in the models include, inter alia, reference to changes in the volume of debts, to the quality of the underwriting process and its management, to the quality of controls, to the concentration of credit, to regional, countrywide and sector trends and economic conditions, as well as to the volume of balances in default and of troubled debts and to the volume of accounting write-offs and debt collection.

Each environmental factor contains indicators relevant to the quantifying of the risk belonging to it, and based on a consistent system which determines the weight allotted to each indicator, whether the indicator is expected to increase or reduce the required adjustment, and whether it is relevant to the total credit portfolio or to a certain group of debts. Based on the above, the level of risk inherent in the credit portfolio is assessed as well as its effect on the rate of the collective provision.

In addition to the quantitative measurement according to the models, as stated, the Bank examines in each quarter, in a subjective manner, the need for a further increase in the collective provision coefficients, taking into consideration developments in the business environment and additional indicators relevant to the level of risk inherent in the credit portfolio, and to the extent required, updates accordingly, the collective provision coefficients.

During 2020, in view of the high uncertainty created by the Corona crisis, and in order to reflect the possible growth in specific provisions in respect of borrowers adversely affected by the crisis, though not yet identified, inter alia as a result of action and steps taken by the Government and Bank of Israel to help the economy to recover from the crisis, the Bank has increased by significant rates the qualitative adjustment produced by the quantitative models. The increases were made while differentiating between the different economic sectors based on estimates regarding the level of vulnerability of the sectors, and based on defined tests, such as the increase regarding segments identified as having a relatively high rate of credit to small businesses, the increase as a function of the ratio of credit having low rating to total credit to the segment, and more.

Starting from the second quarter of the year, the Bank partially reduced the subjective increases imposed during the corona crisis, on the background of the positive developments created in respect of the corona crisis. Within the framework of the considerations in determining the level of the collective provision as of September 30, 2021, the Bank based on the continuance of the positive trend, which came into effect with the fading of the forth wave of morbidity without imposing severe restriction on the economic activity, and the ability to conduct continuous economic activity alongside the existence of the corona virus. The continuous economic activity was reflected in the encouraging growth data of the economy, and with indicators that relected that although the morbidity was increased, no significant decline was recorded in activity and demand. However, in the framework of the considerations in determining the level of provision, the uncertainty and lack of clarity as to the impacts of the corona crisis on the level of credit risk of the borrowers, were taken into account.

Within the framework of the process for the determination of the provision for credit losses, reference is made by the Bank to a wide range of data, part of which is internal to the Bank and another part includes, inter alia, also macro-economic indicators. From this aspect, the Bank based its assumptions as of September 30, 2021, on the forecast of the Research Division of Bank of Israel, published on October 7, 2021, according to which it was estimated the continuance recovery from the crisis. Among other, the growth is anticipated a positive annual rate of 7.0% and 5.5% in the years 2021 and 2022, respectively, and that the wide average rate of unemployment during 2022 would be reduced to 5.8%.

It should be remembered that the macro values, as stated, form a part of the wide set of parameters, assessments and subjective estimates used in the process of determining the provision for credit losses.

It is emphasized that the Corona crisis is marked as an ongoing and rolling event, in respect of which uncertainty as to its impact exists, so that changes in assessments and subjective estimates might significantly tilt the balance of the collective provision for credit losses.

In view of the uncertainty prevailing in the economy, and for the purpose of testing the sensitivity of the provision for credit losses to assumptions and assessments that are different than those mentioned in the forecast of the Research Department of Bank of Israel, as stated, and which had been used in determining the provision for credit losses at September 30, 2021, the Bank has examined additional scenarios. It is emphasized that differences exist between scenarios applied by banks, as such scenarios are affected by the different work systems existing at each bank, by the assumptions made by each bank, and by the different estimates and assessments of each bank as to the effect of such assumptions. Therefore, differentiation may exist between estimates of the different banks, which might be significant. Within the framework of the additional scenarios which had been examined for the purpose of analysing the said sensitivity, as stated, the Bank had on the one hand assumed stricter scenarios, which include higher levels of unemployment and lower GDP growth rates than those used in the actual calculation of the collective provision, while on the other hand, mitigating scenarios, which include lower rates

of unemployment and higher growth rates than those used in the actual calculation of the collective provision. Within the framework of the sensitivity analysis, as stated, the results of which are highly based on subjective assessments, it became apparent that the credit loss provision as of September 30, 2021, might have grown under the stricter scenarios by up to an amount of NIS 35 million, and under the mitigating scenarios it might have been reduced by a similar amount.

It is emphasized that the credit loss expense depends on a wide range of factors in respect of which uncertainty exists, where on the one hand, the slower rate of recovery of the economy may result in a higher provision for losses, and on the other hand, existence of moderating factors, such as a higher rate of recovery of the economy, as well as internal factors at the Bank, such as the quality of the credit underwriting process, the quality of the collateral and of control mechanisms, may result in a reduction in the level of expense.

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 discretion, 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 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 might be realized in a materially different form than that described above, inter alia, depending on the scope of the spread of the virus, the reaction of governments and central banks, the length of the crisis period, and on many additional parameters.

CONTROLS AND PROCEDURES

ASSESSMENT OF CONTROLS AND PROCEDURES CONCERNING DISCLOSURE IN THE FINANCIAL REPORT

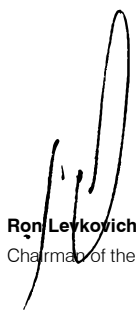
In accordance with the Supervisor of Banks' directives for reporting to the public and the guidelines of Proper Conduct of Banking Business Regulation 309 that was issued in September 2008, the Bank has maintained controls and procedures regarding disclosure, and has deployed an internal control network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

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

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

The Management of the Bank, in cooperation with the CEO of the Bank and the Chief Accountant, assessed for September 30, 2021 the effectiveness of the controls and procedures in the matter of disclosure by the Bank. On the basis of this assessment, the CEO of the Bank and the Chief Accountant concluded that as at the end of this report period, the controls and procedures in the matter of disclosure by the Bank were effective for the purpose of recording, processing, summarizing and reporting the information which the Bank is required to disclose in the report in accordance with the Supervisor of Banks' directives for reporting to the public, and at the time determined in those directives.

During the quarter ending on September 30, 2021, 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

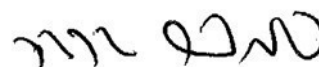
Tel Aviv, November 23, 2021

CERTIFICATION

I, Smadar Barber-Tsadik, declare that:

1. I have reviewed the quarterly report of the First International Bank of Israel Ltd. (hereinafter: "the Bank") for the quarter ended September 30, 2021 (hereinafter: "the Report").
2. Based on my knowledge, the Report contains no incorrect presentation of a material fact, and there is no presentation of a material fact missing from the Report that is necessary so that the presentations included therein, in light of the circumstances under which such presentations were included, are not misleading with regard to the period covered by the Report.
3. Based on my knowledge, the financial statements and other financial information included on the Report correctly reflect the financial condition (including the comprehensive income), results of operations, changes in shareholders' equity, and cash flows of the Bank, in all material aspects, for the dates and periods covered in the Report.
4. I, and others at the Bank making this declaration, are responsible for the establishment and application of controls and procedures with regard to the Bank's disclosure and internal control of financial reporting as defined in the public reporting directives concerning the "board of Directors' report". furthermore:
 - A. We have established such controls and procedures or caused such controls and procedures to be established under our supervision, aimed at ensuring that material information pertaining to the Bank, including its consolidated corporations, is brought to our knowledge by others at the Bank and at such corporations, in particular during the preparation of the Report.
 - B. We have established such internal controls of financial reporting or caused such internal control of financial reporting to be established under our supervision, intended to provide a reasonable degree of confidence with regard to the reliability of the financial reporting, and that the financial reports for external purposes are prepared in accordance with generally accepted accounting principles and with the directives and guidelines of the Supervisor of Banks.
 - C. We have assessed the effectiveness of the controls and procedures concerning disclosure at the Bank, and we have presented our findings with regard to the effectiveness of the controls and procedures concerning disclosure, as at the end of the period covered in the Report, based on our assessment; and
 - D. We have disclosed in the Report any change in the internal control of financial reporting at the Bank that occurred during the fourth quarter, and that had a material effect, or could reasonably be expected to have a material effect, on the internal control of financial reporting at the Bank; and
5. I, and others at the Bank making this declaration, have disclosed to the auditor, to the Board of Directors, and to the Audit Committee of the Board of Directors of the Bank, based on our most current assessment of the internal control of financial reporting;
 - A. Any significant deficiencies or material weaknesses in the establishment or application of internal control of financial reporting that can reasonably be expected to impair the Bank's ability to record, process, summarize, or report financial information; and
 - B. Any fraud, whether material or immaterial, in which the Board of Management was involved, or in which other employees were involved who have significant role in the internal control of financial reporting at the Bank.

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



Smadar Barber-Tsadik
Chief Executive Officer

Tel-Aviv, November 23, 2021

CERTIFICATION

I, Nachman Nitzan, declare that:

1. I have reviewed the quarterly report of the First International Bank of Israel Ltd. (hereinafter: "the Bank") for the quarter ended September 30, 2021 (hereinafter: "the Report").
2. Based on my knowledge, the Report contains no incorrect presentation of a material fact, and there is no presentation of a material fact missing from the Report that is necessary so that the presentations included therein, in light of the circumstances under which such presentations were included, are not misleading with regard to the period covered by the Report.
3. Based on my knowledge, the financial statements and other financial information included on the Report correctly reflect the financial condition (including the comprehensive income), results of operations, changes in shareholders' equity, and cash flows of the Bank, in all material aspects, for the dates and periods covered in the Report.
4. I, and others at the Bank making this declaration, are responsible for the establishment and application of controls and procedures with regard to the Bank's disclosure and internal control of financial reporting as defined in the public reporting directives concerning the "board of Directors' report". furthermore:
 - A. We have established such controls and procedures or caused such controls and procedures to be established under our supervision, aimed at ensuring that material information pertaining to the Bank, including its consolidated corporations, is brought to our knowledge by others at the Bank and at such corporations, in particular during the preparation of the Report.
 - B. We have established such internal controls of financial reporting or caused such internal control of financial reporting to be established under our supervision, intended to provide a reasonable degree of confidence with regard to the reliability of the financial reporting, and that the financial reports for external purposes are prepared in accordance with generally accepted accounting principles and with the directives and guidelines of the Supervisor of Banks.
 - C. We have assessed the effectiveness of the controls and procedures concerning disclosure at the Bank, and we have presented our findings with regard to the effectiveness of the controls and procedures concerning disclosure, as at the end of the period covered in the Report, based on our assessment; and
 - D. We have disclosed in the Report any change in the internal control of financial reporting at the Bank that occurred during the fourth quarter, and that had a material effect, or could reasonably be expected to have a material effect, on the internal control of financial reporting at the Bank; and
5. I, and others at the Bank making this declaration, have disclosed to the auditor, to the Board of Directors, and to the Audit Committee of the Board of Directors of the Bank, based on our most current assessment of the internal control of financial reporting;
 - A. Any significant deficiencies or material weaknesses in the establishment or application of internal control of financial reporting that can reasonably be expected to impair the Bank's ability to record, process, summarize, or report financial information; and
 - B. Any fraud, whether material or immaterial, in which the Board of Management was involved, or in which other employees were involved who have significant role in the internal control of financial reporting at the Bank.

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

Tel-Aviv, November 23, 2021



Nachman Nitzan
Executive Vice President,
Chief Accountant

FINANCIAL STATEMENTS

Auditors' Review on the Financial Statements	76
Statement of Income	77
Statement of Comprehensive Income	78
Balance Sheet	79
Statement of Changes in Equity	80
Statement of Cash Flows	82
Notes to the Financial Statements	84



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

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

Introduction

We have reviewed the accompanying financial information of The First International Bank of Israel Ltd. and its subsidiaries (hereinafter- "the Bank"), comprising of the condensed consolidated interim balance sheet as of September 30, 2021 and the related condensed consolidated interim statements of income, comprehensive income, changes in equity and cash flows for the three and nine months periods then ended. The Board of directors and Management are responsible for the preparation and presentation of this interim financial information in accordance with generally accepted accounting principles in Israel (Israeli GAAP) for interim accounting and in accordance with the directives and guidelines of the Supervisor of Banks. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

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

Conclusion

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

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

Somekh Chaikin
Certified Public Accountants (Isr.)
November 23, 2021

CONSOLIDATED STATEMENT OF INCOME

(NIS million)

	NOTE	For the three months ended September 30		For the nine months ended September 30		For the year Ended December 31
		2021 (unaudited)	2020 (unaudited)	2021 (unaudited)	2020 (unaudited)	2020 (audited)
Interest Income	2	807	731	2,392	2,160	2,878
Interest Expenses	2	97	69	302	180	241
Interest Income, net		710	662	2,090	1,980	2,637
Expenses (income) from credit losses	6,12	(69)	91	(206)	413	464
Net Interest Income after expenses from credit losses		779	571	2,296	1,567	2,173
Non- Interest Income						
Non-Interest Financing income	3	63	36	214	97	148
Fees		346	336	1,057	1,026	1,371
Other income		6	-	10	3	4
Total non- Interest income		415	372	1,281	1,126	1,523
Operating and other expenses						
Salaries and related expenses		399	386	1,199	1,138	1,532
Maintenance and depreciation of premises and equipment		84	89	255	261	344
Amortizations and impairment of intangible assets		27	24	78	71	96
Other expenses		135	141	421	424	597
Total operating and other expenses		645	640	1,953	1,894	2,569
Profit before taxes		549	303	1,624	799	1,127
Provision for taxes on profit		193	109	570	254	368
Profit after taxes		356	194	1,054	545	759
The bank's share in profit of equity-basis investee, after taxes		21	19	57	24	29
Net profit:						
Before attribution to non-controlling interests		377	213	1,111	569	788
Attributed to non-controlling interests		(13)	(12)	(39)	(29)	(38)
Attributed to shareholders of the Bank		364	201	1,072	540	750
						NIS
Primary profit per share attributed to the shareholders of the Bank						
Net profit per share of NIS 0.05 par value		3.62	2.00	10.68	5.38	7.48

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


Ron Levkovich
Chairman of the Board

Tel-Aviv, 23 November 2021


Smadar Barber-Tsadik
Chief Executive Officer


Nachman Nitzan
Executive Vice President,
Chief Accountant

STATEMENT OF COMPREHENSIVE INCOME⁽¹⁾

(NIS million)

	For the three months ended September 30		For the nine months ended September 30		For the year Ended December 31
	2021	2020	2021	2020	2020
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(audited)
Net profit before attribution to non-controlling interests	377	213	1,111	569	788
Net profit attributed to non-controlling interests	(13)	(12)	(39)	(29)	(38)
Net profit attributed to the shareholders of the Bank	364	201	1,072	540	750
Other comprehensive income (loss) before taxes:					
Adjustments of available for sale bonds to fair value, net	(8)	60	(4)	(30)	(4)
Adjustments of liabilities in respect of employee benefits ⁽²⁾	12	(16)	58	(31)	(74)
Other comprehensive income (loss) before taxes	4	44	54	(61)	(78)
Related tax effect	-	(14)	(18)	21	26
Other comprehensive income (loss) before attribution to non-controlling interests, after taxes	4	30	36	(40)	(52)
Less other comprehensive income (loss) attributed to non-controlling interests	1	(1)	2	(1)	-
Other comprehensive income (loss) attributed to the shareholders of the Bank, after taxes	3	31	34	(39)	(52)
Comprehensive income before attribution to non-controlling interests	381	243	1,147	529	736
Comprehensive income attributed to non-controlling interests	(14)	(11)	(41)	(28)	(38)
Comprehensive income attributed to the shareholders of the Bank	367	232	1,106	501	698

(1) See note 4.

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

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

CONSOLIDATED BALANCE SHEET

(NIS million)

		September 30,		December 31,
		2021	2020	2020
	NOTE	(unaudited)	(unaudited)	(audited)
Assets				
Cash and deposits with banks		57,083	52,366	57,802
Securities ⁽⁴⁾	5	14,803	12,174	13,105
Securities which were borrowed		232	14	11
Credit to the public	6,12	96,965	90,810	92,247
Provision for Credit losses	6,12	(1,088)	(1,225)	(1,277)
Credit to the public, net		95,877	89,585	90,970
Credit to the government		859	651	656
Investment in investee company		699	629	636
Premises and equipment		929	970	965
Intangible assets		275	249	272
Assets in respect of derivative instruments	10	1,565	1,438	1,897
Other assets ⁽²⁾		1,436	1,294	1,464
Total assets		173,758	159,370	167,778
Liabilities and Shareholders' Equity				
Deposits from the public	7	148,273	135,914	141,677
Deposits from banks		5,471	1,717	2,992
Deposits from the Government		417	426	459
Bonds and subordinated capital notes		2,851	4,384	4,394
Liabilities in respect of derivative instruments	10	1,751	1,669	2,314
Other liabilities ⁽¹⁾⁽³⁾		4,538	5,932	6,407
Total liabilities		163,301	150,042	158,243
Capital attributed to the shareholders of the Bank		10,022	8,944	9,141
Non-controlling interests		435	384	394
Total equity		10,457	9,328	9,535
Total liabilities and shareholders' equity		173,758	159,370	167,778

(1) Of which: provision for credit losses in respect of off-balance sheet credit instruments in the amount of NIS 86 million and NIS 77 million and NIS 86 million at 30.9.21, 30.9.20 and 31.12.20, respectively.

(2) Of which: other assets measured at fair value in the amount of NIS 263 million and NIS 90 million and NIS 247 million at 30.9.21, 30.9.20 and 31.12.20, respectively.

(3) Of which: other liabilities measured at fair value in the amount of NIS 440 million and NIS 100 million and NIS 258 million at 30.9.21, 30.9.20 and 31.12.20, respectively.

(4) Regarding amounts measured at fair value, see note 14B.

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

STATEMENT OF CHANGES IN EQUITY

(NIS million)

For the three months ended September 30, 2021 (unaudited)						
	Share capital and premium (1)	Accumulated other comprehensive income (loss)	Retained earnings (2)	Total share-holders' equity	Non-controlling interests	Total equity
Balance as of June 30, 2021	927	(152)	*9,105	9,880	421	10,301
Net profit for the period	-	-	364	364	13	377
Dividend	-	-	(225)	(225)	-	(225)
Other comprehensive income, after tax effect	-	3	-	3	1	4
Balance as at September 30, 2021	927	(149)	9,244	10,022	435	10,457

For the three months ended September 30, 2020 (unaudited)						
	Share capital and premium (1)	Accumulated other comprehensive income (loss)	Retained earnings (2)	Total share-holders' equity	Non-controlling interests	Total equity
Balance as of June 30, 2020	927	(201)	7,986	8,712	373	9,085
Net profit for the period	-	-	201	201	12	213
Other comprehensive income (loss), after tax effect	-	31	-	31	(1)	30
Balance as at September 30, 2020	927	(170)	8,187	8,944	384	9,328

For the nine months ended September 30, 2021 (unaudited)						
	Share capital and premium (1)	Accumulated other comprehensive income (loss)	Retained earnings (2)	Total share-holders' equity	Non-controlling interests	Total equity
Balance as at December 31, 2020 (audited)	927	(183)	8,397	9,141	394	9,535
Net profit for the period	-	-	1,072	1,072	39	1,111
Dividend	-	-	(225)	(225)	-	(225)
Other comprehensive income, after tax effect	-	34	-	34	2	36
Balance as at September 30, 2021	927	(149)	9,244	10,022	435	10,457

For the nine months ended September 30, 2020 (unaudited)						
	Share capital and premium (1)	Accumulated other comprehensive loss	Retained earnings (2)	Total share-holders' equity	Non-controlling interests	Total equity
Balance as at December 31, 2019 (audited)	927	(131)	7,772	8,568	356	8,924
Net profit for the period	-	-	540	540	29	569
Dividend	-	-	(125)	(125)	-	(125)
Other comprehensive loss, after tax effect	-	(39)	-	(39)	(1)	(40)
Balance as at September 30, 2020	927	(170)	8,187	8,944	384	9,328

STATEMENT OF CHANGES IN EQUITY (CONT'D)

(NIS million)

	For the year ended December 31, 2020 (audited)					
	Share capital and premium (1)	Accumulated other comprehensive loss	Retained earnings (2)	Total	Non-controlling interests	Total equity
Balance as at December 31, 2019	927	(131)	7,772	8,568	356	8,924
Net profit for the year	-	-	750	750	38	788
Dividend	-	-	(125)	(125)	-	(125)
Other comprehensive loss, after tax effect	-	(52)	-	(52)	-	(52)
Balance as at December 31, 2020	927	(183)	8,397	9,141	394	9,535

* 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 financial statements are an integral part thereof.

STATEMENT OF CASH FLOWS

(NIS million)

	For the three months ended September 30		For the nine months ended September 30		For the year Ended December 31
	2021	2020	2021	2020	2020
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(audited)
Cash flows from operating activities:					
Net profit for the period	377	213	1,111	569	788
Adjustments to reconcile cash provided by operating activities:					
The Bank's share in profit of equity-basis investee	(21)	(19)	(57)	(24)	(29)
Depreciation of premises and equipment	17	18	50	52	71
Amortization of intangible assets	27	24	78	71	96
Gain on sale of premises and equipment	(5)	-	(8)	-	-
Expenses (income) from credit losses	(69)	91	(206)	413	464
Gain from sale of available for sale bonds and not for trading shares and provision for impairment of available-for-sale bonds	(5)	(10)	(19)	(7)	(20)
Realized and non-realized loss (gain) from adjustment to fair value of trading securities	1	-	(2)	(1)	(1)
Realized and non-realized loss (gain) from adjustment to fair value of not for trading shares	(38)	(10)	(127)	31	11
Deferred taxes, net	28	(30)	62	(94)	(144)
Defined benefit of pension and severance pay plans	15	12	42	36	68
Adjustments of exchange rate differences	(163)	(15)	(2)	(111)	(794)
Net change in current assets:					
Trading securities	(73)	(178)	(194)	(206)	(100)
Other assets	89	(22)	(88)	(88)	(207)
Assets in respect of derivative instruments	(238)	246	427	(485)	(908)
Net change in current liabilities:					
Other liabilities	(2,195)	(88)	(2,105)	285	316
Liabilities in respect of derivative instruments	311	(271)	(563)	422	1,067
Accumulation differences included in investing and financing activities	20	(10)	(76)	(36)	(53)
Net cash from operating activity	(1,922)	(49)	(1,677)	827	625
Cash flows for investing activity					
Change in Deposits in banks	(19)	4	242	(117)	(219)
Change in Securities borrowed	(200)	31	(221)	(5)	(2)
Change in Credit to the public	(278)	(102)	(3,629)	(2,235)	(3,902)
Change in Credit to the government	(758)	201	(203)	383	378
Purchase of available for sale bonds and not for trading shares	(584)	(853)	(4,618)	(5,628)	(8,210)
Proceeds from redemption of bonds held to maturity	77	37	141	184	236
Proceeds from sale of available for sale bonds and not for trading shares	1,421	596	1,835	2,953	3,220
Redemption of available for sale bonds	660	243	1,235	1,694	2,620
Acquisition of premises and equipment	(4)	(9)	(19)	(25)	(40)
Proceeds of sale of premises, equipment and other assets	9	-	15	-	-
Investment in intangible assets	(22)	(29)	(81)	(72)	(120)
Net cash for investing activity	302	119	(5,303)	(2,868)	(6,039)

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

STATEMENT OF CASH FLOWS (CONT'D)
(NIS million)

	For the three months ended September 30,		For the nine months ended September 30,		For the year ended December 31
	2021	2020	2021	2020	2020
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(audited)
Cash flows from financing activity					
Change in Deposits from the public	1,882	6,399	5,926	16,112	23,641
Change in Deposits from banks	456	(160)	2,489	572	1,914
Change in Deposits from the government	(48)	(70)	(72)	(578)	(540)
Issue of bonds and subordinate debt notes	-	-	-	1,458	1,458
Redemption of bonds and subordinate debt notes	(2)	-	(1,588)	(718)	(701)
Dividend paid to shareholders	(225)	-	(225)	(125)	(125)
Net cash from financing activity	2,063	6,169	6,530	16,721	25,647
Increase (decrease) in cash	443	6,239	(450)	14,680	20,233
Cash balances at beginning of period	56,460	45,768	57,328	37,275	37,275
Effect of changes in exchange rates on cash balances	(51)	(13)	(26)	39	(180)
Cash balances at end of period	56,852	51,994	56,852	51,994	57,328
Interest and taxes paid and/or received:					
Interest received	649	835	2,272	2,386	3,203
Interest paid	(76)	(63)	(366)	(438)	(540)
Dividends received	13	5	24	10	20
Income tax paid	(191)	(236)	(593)	(422)	(542)
Income tax received	3	-	51	57	61

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

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - PRINCIPAL ACCOUNTING POLICIES

A. General

The First International Bank of Israel Ltd. (hereinafter - "the Bank") is an Israeli corporation. The condensed consolidated interim financial statements of the Bank as of September 30, 2021, include those of the Bank and of its consolidated companies and an affiliated company (hereinafter - "the Group"). The condensed consolidated interim financial statements are prepared in accordance with generally accepted accounting principles in Israel (Israeli GAAP) as well as in accordance with directives and guidelines of the Supervisor of Banks, and do not include all the information required in full annual financial statements. The condensed statements should be read together with the financial statements as of and for the year ended December 31, 2020, 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 November 23, 2021.

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

B. Use of estimates

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

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

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

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

(1) Update of Standard 2018-14 of the Codification regarding changes in the disclosure requirements applying to defined benefit plans

The US Financial Accounting Standard Board ("FASB") published on August 28, 2018, Standard ASU 2018-14, in the matter of disclosure framework - changes in the disclosure requirements regarding defined benefits plans, comprising an update of Item 715-20 of the Codification with respect to compensation – retirement benefits – defined benefits plans – general (hereinafter – "the update"). The purpose of the update is to improve effectiveness of disclosure in notes to the financial statements and to reduce the cost involved in preparing the required notes.

The principal amendments are, inter alia: removal of the requirement to present an assessment of the amounts included in other cumulative comprehensive income, which are expected to be deducted from other cumulative comprehensive income to profit and loss as an expense in the following year; removal of the requirement to present the amount of the future annual benefits covered by insurance agreements, including pension (annuity) agreements, as well as any significant transactions between the entity or related parties and the plan; a requirement has been added for the presentation of details regarding

the reasons for material earnings or losses related to the change in commitment in respect of a defined benefit during the period; also clarified are the disclosure requirements in respect of entities having two or more benefit plans.

In accordance with the letter of the Supervisor of Banks in the matter of "improving the usefulness of reports to the public by banking corporations for the years 2019 and 2020", formed on the basis of the updated Standard 2018-14 of the Codification, the provisions of the updated Standard apply as from the reports to the public as of January 1, 2021 and thereafter.

Application of the instruction has had no material effect on the financial statements.

(2) Update of Standard 2018-13 of the Codification regarding changes in the disclosure requirements applying to the measurement of fair value

The US Financial Accounting Standard Board ("FASB") published on August 28, 2018, Standard ASU 2018-13, in the matter of disclosure framework - changes in the disclosure requirements regarding measurement of fair value, comprising an update of Item 820 of the Codification, with respect to measurement of fair value (hereinafter – "the update"). The purpose of the update is to improve effectiveness of disclosure in notes to the financial statements and to reduce the cost involved in preparing the required notes.

The principal amendments are, inter alia: removal of the requirement to present the amounts and reasons for transfers between Levels 1 and 2 of the fair value hierarchy; removal of the requirement to present information regarding the policy of the entity determining when transfers between levels are to be considered effective; removal of the requirement to present a description of the process of assessing the measurement of fair value at Level 3; within the framework of the requirement to present a verbal description of sensitivity to changes in unobservable data for recurring fair value measurements, classified as Level 3 of the fair value scale, the term "sensitivity" has been changed to "uncertainty" in order to emphasize that the required information applies to uncertainty; a requirement has been added for the presentation in other comprehensive income ("OCI"), of unrealized changes during the period in respect of assets held at the end of the period. In accordance with the letter of the Supervisor of Banks in the matter of "improving the usefulness of reports to the public by banking corporations for the years 2019 and 2020", formed on the basis of the updated Standard 2018-13 of the Codification, the provisions of the updated Standard apply as from the reports to the public as of January 1, 2021 and thereafter.

Application of the instruction has had no material effect on the financial statements.

(3) Update of Standard 2019-12 of the Codification regarding simplification of the accounting treatment of taxes on income;

The US Financial Accounting Standard Board ("FASB") published on December 18, 2019, Standard ASU 2019-12, regarding simplification of the accounting treatment of taxes on income, comprising an update of Item 740 of the Codification, with respect to taxes on income (hereinafter – "the update"). The purpose of the update is to reduce the complexity of US accepted accounting principles while maintaining the usefulness of the information provided to users of financial statements. The principal items updated by the update are, inter alia: allocation of income tax expenses or of income tax benefits between continuing operations, discontinued operations, other comprehensive income and items recorded directly in shareholders' equity; computation of tax income from losses accumulated in interim financial statements; the manner of recognizing the effect of changes in tax laws or in tax rates in interim financial statements.

The instructions are applied as from January 1, 2021, by way of the "from now onwards" method. Application of the instructions has had no effect on the financial statements.

(4) Regulatory emphasis on the accounting treatment of debts and on reporting to the public in view of the Coronavirus crisis.

On April 21, 2020, Bank of Israel issued a letter in the matter of "the Coronavirus event – regulatory emphasis regarding the treatment of debts and reporting to the public".

Moreover, in continuation of the additional outline regarding the deferral of repayment of mortgage loans and consumer loans, adopted by the Supervisor of Banks on November 30, 2020, and in continuation of the additional outline dated December 10, 2020, for the granting of assistance in loan repayment to small and minute businesses, adopted by the banking system, the Supervisor of Banks published on December 3, 2020 and on December 10, 2020, letters in the matter of "the Coronavirus event – emphasis in the matter of the additional outline regarding deferral of repayments" and in the matter of "the Coronavirus event – emphasis in the matter of the additional outline regarding deferral of repayments by small businesses".

Within the framework of the letters of the Supervisor of Banks regarding emphasis on the subject of the additional outlines for the deferral of loan repayments, several guidelines were included with respect to the accounting treatment, among which are:

Changes in loan terms

Where a banking corporation takes action in order to stabilize borrowers, who are not in default with respect to their existing loans, whether the action relates to a single borrower or is taken within the framework of a plan for performing borrowers facing short-term financial or operating problems due to the Coronavirus event, as a general rule, such an action shall not be considered as a restructure of a troubled debt. In view of this, debts, the terms of which had been modified, such as: Deferrals of repayment dates, waiver of interest in arrears and extension of repayment periods, have not been classified as a restructure of a troubled debt, where the following conditions exist:

- The modification was made due to the Coronavirus event;
- The borrower was not in default on date of application of the modification plan;
- The modification applies for a short period (up to six months).

In this respect, it is clarified that borrowers are considered to be not in default if they are in default of less than thirty days in relation to their contractual terms at date of application of the modification plan. Moreover, where the modification of the terms of the debt led to a delay in repayment that is not short-term, the debt is not classified as a restructured troubled debt, if it had been renewed at an interest rate identical to the interest rate determined for a new debt of similar risk.

In addition to that, the letters of the Supervisor of Banks of December 2020, state that a banking corporation is entitled not to classify as restructure of a troubled debt, housing loans, other loans to private individuals and loans to small businesses, which had not been in default of thirty days or more at date of deferral of repayment, in respect of which deferral of repayment had been granted until March 31, 2021, within the framework of the additional outlines for the deferral in repayment, even if the cumulative deferral exceeds six months.

Determination of a default situation

In respect of debts, which prior to the Coronavirus event had not been in default, and have been granted a deferral following this event, the Bank is not required to classify such debts as debts in default due to this deferral. Moreover, where repayment has been deferred due to the Coronavirus event, in the case of debts that had been in default prior to the deferral, an adjustment was made to the default status in existence prior to the deferral, so that in fact the debt status remained at a standstill for the period of the repayment deferral.

In accordance with the guidelines of the Supervisor of Banks dated October 11, 2020, the Bank had elected not to classify as restructure of a troubled debt, loans to private individuals and loans to small businesses in immaterial amounts, which had not been in default of thirty days or more at date of the repayment deferral, and in respect of which, deferrals of repayment had been granted prior to March 31, 2021, within the framework of the additional outlines for repayment deferrals. This, with the exception of debts in respect of which new information had been gathered regarding deterioration in their

repayment prospects, where the Bank acted in accordance with the public reporting instructions in the matter of classification of troubled debts and accounting write-offs.

(5) Update of Standard 04-2020 of the Codification with respect to mitigation regarding the implications of the reference interest reform on financial reporting

The FASB published on March 22, 2020 an updated Standard regarding mitigation with respect to the implications of the reference interest reform on financial reporting, comprising an update of item 848 of the Codification regarding the reference interest reform. In accordance with the reference interest reform, the inter-bank interest rate (the LIBOR rate) shall be abolished and replaced by observable alternative reference rates of interest, or interest rates based upon actual transactions, which would be less sensitive to manipulations.

The Bank has adopted the new instructions as from January 1, 2020, choosing to apply the following mitigations:

- As to changes in contracts that affect the amount and timing of contractual cash flows stemming from the termination of use of the reference interest rates following the reform, the Bank has chosen continuation of existing contracts instead of applying modification accounting.
- As to hedge accounting, the Bank has chosen to change (in respect of each hedge transaction) the definition of the critical terms of the designated hedging instrument with no cancellation of the designation of the hedge relations, as well as to conduct assessments of the effectiveness of the hedge relations in a way that potential inefficiency sources would not be taken into account in the assessment.

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

Adoption of updates to accounting principles accepted by US banks - provisions for expected credit losses (CECL)

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 application 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, 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. On December 1, 2020, the Supervisor of Banks published a letter in the matter of "regulatory capital – effect of the application 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 application 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 housing loans, has, inter alia, been removed. Also removed was the requirement to record a minimum provision based on the extent of default method. Also added were amendments to the instructions, according to which, banking corporations are required to deduct from the Tier 1 shareholders' equity amounts in respect of housing loans classified over a time as nonaccumulating loans.

Within the framework of the new rules, disclosure is to be enlarged regarding the date of granting of the credit, the extent of time of the credit and the quality of the credit. Existing definitions regarding impaired debts and impaired credit risk are to be replaced by definitions of nonaccumulating troubled credit, accumulating troubled credit and nontroubled credit.

The Standard is to be applied by a banking corporation as from January 1, 2022, and thereafter. Upon initial application, a banking corporation and a settlement agent shall act in accordance with the transitional instructions stated in the accounting rules accepted by US banks, *mutatis mutandis*.

The Bank is preparing for the implementation of the instruction and is expected to conform with the time schedule determined by Bank of Israel. At this stage, it is not possible to assess the anticipated effect of the instruction on the financial statements.

E. Immaterial adjustment of the 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, 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 as of June 30, 2021. Accordingly the correction was made by way of an immaterial adjustment of the comparative data.

The effect of the correction on the condensed financial statements resulted in an increase of NIS 31 million in the balance of accumulated profit as of June 30, 2021, from NIS 9,074 million to NIS 9,105 million.

Subsequently to the reporting date, the Bank has realized in full its holdings in the company's shares.

NOTE 2 - INTEREST INCOME AND EXPENSES

(NIS million)

	For the three months ended September 30		For the nine months ended September 30	
	2021	2020	2021	2020
	(unaudited)		(unaudited)	
A. Interest income (expenses) ⁽¹⁾				
From credit to the public	769	692	2,272	2,020
From credit to the Government	4	-	13	(4)
From deposits with banks	-	1	-	5
From deposits with Bank of Israel and from cash	11	10	35	38
From bonds	23	28	72	101
Total interest income	807	731	2,392	2,160
B. Interest expenses				
On deposits from the public	68	50	194	158
On deposits from the Government	1	-	2	2
On deposits from banks	-	-	1	1
On deposits with Bank of Israel	-	-	1	-
On bonds and subordinated capital notes	27	19	103	19
On other liabilities	1	-	1	-
Total interest expenses	97	69	302	180
Total interest income, net	710	662	2,090	1,980
C. Details on net effect of hedging derivative instruments on interest income and expenses				
Interest expenses ⁽²⁾	(11)	(11)	(36)	(24)
D. Details of interest income from bonds on cumulative basis				
Held to maturity	10	9	31	23
Available for sale	13	19	40	78
Held for trading	-	-	1	-
Total included in interest income	23	28	72	101

(1) Including effective component in hedging relations.

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

NOTE 3 - NON-INTEREST FINANCING INCOME

(NIS million)

	For the three months ended September 30		For the nine months ended September 30	
	2021	2020	2021	2020
	(unaudited)		(unaudited)	
A. Non-interest financing income (expenses) in respect of non-trading activities				
1. From activity in derivative instruments ⁽¹⁾				
Total from activity in derivative instruments	(158)	(4)	(1)	(12)
2. From investments in bonds				
Profits from sale of bonds available for sale ⁽²⁾	9	6	23	34
Losses from sale of bonds available for sale ⁽²⁾	-	-	(1)	(2)
Provision for impairment of available-for-sale bonds ⁽²⁾	-	(2)	-	(19)
Total from investment in bonds	9	4	22	13
3. Net exchange differences	163	15	2	111
4. From investment in shares				
Gains from sale of shares not for trading	-	8	3	9
Losses from sale of shares not for trading	(4)	(2)	(6)	(15)
Dividend from shares not for trading	12	2	29	12
Unrealized gains (losses) ⁽³⁾	38	10	127	(31)
Total from investment in shares	46	18	153	(25)
Total non-interest financing income in respect of non-trading activities	60	33	176	87

(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 September 30		For the nine months ended September 30	
	2021	2020	2021	2020
	(unaudited)		(unaudited)	
B. Net income (expenses) in respect of non-interest financing activity for trading⁽³⁾				
Net income in respect of other derivative instruments	4	3	36	9
Net realized and unrealized income (losses) from adjustments to fair value of bonds held for trading ⁽¹⁾	(1)	1	(1)	3
Net realized and unrealized income (losses) from adjustments to fair value of shares held for trading ⁽²⁾	-	(1)	3	(2)
Total non-interest financing income from trading activities ⁽⁴⁾	3	3	38	10
Total non-interest financing income	63	36	214	97
Details on non-interest financing income (expenses) in respect of trading activities, by risk exposure				
Interest rate exposure	7	(2)	28	5
Exposure to shares	2	2	7	4
Foreign currency exposure	(6)	3	3	1
Total	3	3	38	10

(1) Of which: losses in respect of trading bonds on hand at balance sheet date in the amount of NIS 1 million for the nine months ended September 30, 2021 (for the nine months ended 30.9.20 - losses in the amount of NIS 1 million).

(2) No gains/losses exist in respect of trading shares on hand at balance sheet date.

(3) Including exchange differences arising from trading activity.

(4) See Note 2 for details on income from investment in trading bonds.

NOTE 4 - CUMULATIVE OTHER COMPREHENSIVE INCOME (LOSS)

(NIS million)

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

	Other comprehensive income (loss) before attribution to non-controlling interests				
	Adjustment in respect of reporting available for sale bonds in fair value	Adjustments in respect of employee benefits	Total	Other comprehensive income (loss) attributed to non-controlling interests	Other comprehensive income (loss) attributed to the Bank's shareholders
				For the three months ended September 30, 2021	
Balance as of June 30, 2021 (unaudited)	52	(218)	(166)	(14)	(152)
Net change during the period	(5)	9	4	1	3
Balance as of September 30, 2021 (unaudited)	47	(209)	(162)	(13)	(149)
				For the three months ended September 30, 2020	
Balance as of June 30, 2020 (unaudited)	(7)	(209)	(216)	(15)	(201)
Net change during the period	40	(10)	30	(1)	31
Balance as of September 30, 2020 (unaudited)	33	(219)	(186)	(16)	(170)
				For the nine months ended September 30, 2021	
Balance as of December 31, 2020 (audited)	50	(248)	(198)	(15)	(183)
Net change during the period	(3)	39	36	2	34
Balance as of September 30, 2021 (unaudited)	47	(209)	(162)	(13)	(149)
				For the nine months ended September 30, 2020	
Balance as of December 31, 2019 (audited)	53	(199)	(146)	(15)	(131)
Net change during the period	(20)	(20)	(40)	(1)	(39)
Balance as of September 30, 2020 (unaudited)	33	(219)	(186)	(16)	(170)
				For the year ended December 31, 2020	
Balance as of December 31, 2019 (audited)	53	(199)	(146)	(15)	(131)
Net change during 2020	(3)	(49)	(52)	-	(52)
Balance as of December 31, 2020 (audited)	50	(248)	(198)	(15)	(183)

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

(NIS million)

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

	For the three months ended September 30 (unaudited)					
	2021			2020		
	Before tax	Tax effect	After tax	Before tax	Tax effect	After tax
Changes in the components of cumulative other comprehensive income (loss) before attribution to non-controlling interests						
Adjustments in respect of presentation of available for sale bonds according to fair value						
Unrealized net gains (losses) from adjustments to fair value	(17)	6	(11)	50	(17)	33
Losses (gains) in respect of available for sale bonds reclassified to income statement ⁽¹⁾	9	(3)	6	10	(3)	7
Net change during the period	(8)	3	(5)	60	(20)	40
Employee benefits:						
Net actuarial gain (loss) for the period	4	(1)	3	(22)	8	(14)
Net losses reclassified to the statement of profit and loss ⁽²⁾	8	(2)	6	6	(2)	4
Net change during the period	12	(3)	9	(16)	6	(10)
Changes in the components of cumulative other comprehensive income (loss) attributed to non-controlling interests						
Total change during the period	1	-	1	(2)	1	(1)
Changes in the components of cumulative other comprehensive income (loss) attributed to the Bank's shareholders						
Total change during the period	3	-	3	46	(15)	31

	For the nine months ended September 30 (unaudited)					
	2021			2020		
	Before tax	Tax effect	After tax	Before tax	Tax effect	After tax
Changes in the components of cumulative other comprehensive income (loss) before attribution to non-controlling interests						
Adjustments in respect of presentation of available for sale bonds according to fair value						
Unrealized net gains (losses) from adjustments to fair value	(76)	26	(50)	120	(41)	79
Losses (gains) in respect of available for sale bonds reclassified to income statement ⁽¹⁾	72	(25)	47	(150)	51	(99)
Net change during the period	(4)	1	(3)	(30)	10	(20)
Employee benefits:						
Net actuarial gain (loss) for the period	33	(11)	22	(49)	17	(32)
Net losses reclassified to the statement of profit and loss ⁽²⁾	25	(8)	17	18	(6)	12
Net change during the period	58	(19)	39	(31)	11	(20)
Changes in the components of cumulative other comprehensive income (loss) attributed to non-controlling interests						
Total change during the period	3	(1)	2	(2)	1	(1)
Changes in the components of cumulative other comprehensive income (loss) attributed to the Bank's shareholders						
Total change during the period	51	(17)	34	(59)	20	(39)

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

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

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

(NIS million)

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

	For the year ended December 31, 2020 (audited)		
	Before tax	Tax effect	After tax
Changes in the components of cumulative other comprehensive income (loss) before attribution to non-controlling interests			
Adjustments in respect of presentation of available for sale bonds according to fair value			
Unrealized net gains from adjustments to fair value	122	(42)	80
Gains in respect of available for sale bonds reclassified to income statement ⁽¹⁾	(126)	43	(83)
Net change during the period	(4)	1	(3)
Employee benefits:			
Net actuarial loss for the period	(118)	41	(77)
Net losses reclassified to the statement of profit and loss ⁽²⁾	44	(16)	28
Net change during the period	(74)	25	(49)
Changes in the components of cumulative other comprehensive income (loss) attributed to non-controlling interests			
Total change during the period	-	-	-
Changes in the components of cumulative other comprehensive income (loss) attributed to the Bank's shareholders			
Total change during the period	(78)	26	(52)

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

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

NOTE 5 - SECURITIES

(NIS million)

September 30, 2021 (unaudited)					
	Book value	Amortized cost	Unrealized gains from adjustment to fair value	Unrealized losses from adjustment to fair value	Fair value (1)
A. Bonds held to maturity					
Of Israeli government	2,317	2,317	77	6	2,388
Of financial institutions in Israel	73	73	1	-	74
Of others in Israel	(5)162	162	21	-	183
Total Bonds held to maturity	2,552	2,552	99	6	2,645
	Book value	Amortized cost	Cumulative other comprehensive income		Fair value (1)
			Profits	Losses	
B. Bonds available for sale					
Of Israeli government	9,604	9,538	70	4	9,604
Of foreign governments	908	908	-	-	908
Of financial institutions in Israel	90	90	-	-	90
Of foreign financial institutions	(6)256	255	2	1	256
Of others in Israel	220	213	7	-	220
Of foreign others	91	91	-	-	91
Total bonds available for sale	11,169	11,095	(2)79	(2)5	11,169
	Book value	cost	Unrealized gains from adjustment to fair value	Unrealized losses from adjustment to fair value	Fair value (1) (4)
C. Investment in not for trading shares					
Not for trading shares	680	540	(3)140	(3)1	680
Of which: shares, the fair value of which is not ready determinable	164	152	12	-	164
Total not for trading securities	14,401	14,187	318	11	14,494
	Book value	Amortized cost (in shares cost)	Unrealized gains from adjustment to fair value	Unrealized losses from adjustment to fair value	Fair value (1)
D. Securities held for trading					
Bonds of Israeli government	401	401	1	1	401
Shares	1	1	-	-	1
Total trading securities	402	402	(3)1	(3)1	402
Total securities	14,803	14,589	319	12	14,896

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 18 million.

NOTE 5 - SECURITIES (CONT)

(NIS million)

September 30, 2020 (unaudited)					
	Book value	Amortized cost	Unrealized gains from adjustment to fair value	Unrealized losses from adjustment to fair value	Fair value (1)
A. Bonds held to maturity					
Of Israeli government	2,188	2,188	103	-	2,291
Of financial institutions in Israel	82	82	1	-	83
Of others in Israel	208	208	19	-	227
Total Bonds held to maturity	2,478	2,478	123	-	2,601
	Book value	Amortized cost	Cumulative other comprehensive income		Fair value (1)
			Profits	Losses	
B. Bonds available for sale					
Of Israeli government	7,394	7,351	54	11	7,394
Of foreign governments	994	992	2	-	994
Of financial institutions in Israel	36	37	-	1	36
Of foreign financial institutions	(5)(7)183	182	1	-	183
Of others in Israel	(6)339	334	10	5	339
Of foreign others	194	193	1	-	194
Total bonds available for sale	9,140	9,089	(2)68	(2)17	9,140
	Book value	cost	Unrealized gains from adjustment to fair value	Unrealized losses from adjustment to fair value	Fair value (1)(4)
C. Investment in not for trading shares					
Not for trading shares	244	253	(3)10	(3)19	244
Of which: shares, the fair value of which is not ready determinable	114	109	5	-	114
Total not for trading securities	11,862	11,820	201	36	11,985
	Book value	Amortized cost (in shares cost)	Unrealized gains from adjustment to fair value	Unrealized losses from adjustment to fair value	Fair value (1)
D. Securities held for trading					
Bonds of Israeli government	311	311	-	-	311
Shares	1	1	-	-	1
Total trading securities	312	312	(3)-	(3)-	312
Total securities	12,174	12,132	201	36	12,297

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 securities owned by government in the amount of NIS 35 million.
- (6) Including impaired bonds accruing interest income in amount of NIS 62 million.
- (7) 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 (CONT)
(NIS million)

December 31, 2020 (audited)					
	Book value	Amortized cost	Unrealized gains from adjustment to fair value	Unrealized losses from adjustment to fair value	Fair value (1)
A. Bonds held to maturity					
Of Israeli government	2,233	2,233	104	-	2,337
Of financial institutions in Israel	78	78	1	-	79
Of others in Israel	203	203	21	-	224
Total Bonds held to maturity	2,514	2,514	126	-	2,640
	Book value	Amortized cost (in shares cost)	Cumulative other comprehensive income Profits	Losses	Fair value (1)
B. Bonds available for sale					
Of Israeli government	8,080	8,014	67	1	8,080
Of foreign governments	1,312	1,312	-	-	1,312
Of financial institutions in Israel	80	79	1	-	80
Of foreign financial institutions	(5)(7)239	237	2	-	239
Of others in Israel	(6)274	266	9	1	274
Of foreign others	93	92	1	-	93
Total bonds available for sale	10,078	10,000	(2)80	(2)2	10,078
	Book value	cost	Unrealized gains from adjustment to fair value	Unrealized losses from adjustment to fair value	Fair value (1) (4)
C. Investment in not for trading shares					
Not for trading shares	307	293	(3)22	(3)8	307
Of which: shares, the fair value of which is not ready determinable	120	113	-	-	120
Total not for trading securities	12,899	12,807	228	10	13,025
	Book value	Amortized cost (in shares cost)	Unrealized gains from adjustment to fair value	Unrealized losses from adjustment to fair value	Fair value (1)
d. Bonds held for trading					
Of Israeli government	206	206	-	-	206
Total trading bonds	206	206	(3)-	(3)-	206
Total securities	13,105	13,013	228	10	13,231

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 securities owned by government in the amount of NIS 32 million.

(6) Including impaired bonds accruing interest income in amount of NIS 47 million.

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

NOTE 5 - SECURITIES (CON'T)

(NIS million)

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

	September 30, 2021 (unaudited)							
	Less than 12 months ⁽¹⁾				12 months and above ⁽²⁾			
	Fair Value	Unrealized losses			Fair Value	Unrealized losses		
		0-20% ⁽³⁾	20-40% ⁽⁴⁾	Total		0-20% ⁽³⁾	20-40% ⁽⁴⁾	Total
Bonds held for redemption of Israel Government ⁽⁵⁾	415	6	-	6	-	-	-	-
Available for-sale bonds								
Of Israeli government	1,168	4	-	4	-	-	-	-
Of foreign financial institutions	67	1	-	1	-	-	-	-
Total bonds available for sale	1,235	5	-	5	-	-	-	-

	September 30, 2020 (unaudited)							
	Less than 12 months ⁽¹⁾				12 months and above ⁽²⁾			
	Fair Value	Unrealized losses			Fair Value	Unrealized losses		
		(3)0-20%	(4)20-40%	Total		(3)0-20%	(4)20-40%	Total
Available for-sale bonds								
Of Israeli government	1,315	11	-	11	-	-	-	-
Of Israeli financial institutions	-	-	-	-	19	1	-	1
Of others in Israel	96	5	-	5	-	-	-	-
Total bonds available for sale	1,411	16	-	16	19	1	-	1

	December 31, 2020 (audited)							
	Less than 12 months ⁽¹⁾				12 months and above ⁽²⁾			
	Fair Value	Unrealized losses			Fair Value	Unrealized losses		
		0-20% ⁽³⁾	20-40% ⁽⁴⁾	Total		0-20% ⁽³⁾	20-40% ⁽⁴⁾	Total
Available for-sale bonds								
Of Israeli government	123	1	-	1	-	-	-	-
Of others in Israel	28	1	-	1	-	-	-	-
Total bonds available for sale	151	2	-	2	-	-	-	-

(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 421 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

	September 30, 2021 (unaudited)					
	Credit to the public				Banks and Governments	Total
	Commercial ⁽³⁾	Housing	Other private	Total		
Recorded balance:						
Debts examined on an individual basis	37,655	-	429	38,084	4,313	42,397
Debts examined on a collective basis	5,974	31,156	21,751	58,881	-	58,881
Of which: according to the extent of arrears	66	31,150	-	31,216	-	31,216
Total	43,629	31,156	22,180	96,965	4,313	101,278
Of which:						
Debts restructuring	102	-	99	201	-	201
Other impaired debts	304	59	36	399	-	399
Total impaired debts	406	59	135	600	-	600
Debts in arrears of 90 days or more	22	171	18	211	-	211
Other problematic debts	859	77	106	1,042	-	1,042
Total problematic debts	1,287	307	259	1,853	-	1,853
Provision for credit losses:						
In respect of debts examined on an individual basis	556	-	37	593	-	593
In respect of debts examined on a collective basis	78	163	254	495	-	495
Of which: according to the extent of arrears	-	(2)163	-	163	-	163
Total	634	163	291	1,088	-	1,088
Of which: in respect of impaired debts	147	-	33	180	-	180

	September 30, 2020 (unaudited)					
	Credit to the public				Banks and Governments	Total
	Commercial ⁽³⁾	Housing	Other private	Total		
Recorded balance:						
Debts examined on an individual basis	36,209	-	384	36,593	3,359	39,952
Debts examined on a collective basis	5,922	27,469	20,826	54,217	-	54,217
Of which: according to the extent of arrears	104	27,451	-	27,555	-	27,555
Total	42,131	27,469	21,210	90,810	3,359	94,169
Of which:						
Debts restructuring	147	-	117	264	-	264
Other impaired debts	418	6	41	465	-	465
Total impaired debts	565	6	158	729	-	729
Debts in arrears of 90 days or more	50	203	17	270	-	270
Other problematic debts	750	111	154	1,015	-	1,015
Total problematic debts	1,365	320	329	2,014	-	2,014
Provision for credit losses:						
In respect of debts examined on an individual basis	668	-	48	716	-	716
In respect of debts examined on a collective basis	85	161	263	509	-	509
Of which: according to the extent of arrears	1	(2)161	-	162	-	162
Total	753	161	311	1,225	-	1,225
Of which: in respect of impaired debts	176	-	39	215	-	215

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

	December 31, 2020 (audited)					
	Credit to the public				Banks and Governments	Total
	Commercial ⁽³⁾	Housing	Other private	Total		
Recorded balance:						
Debts examined on an individual basis	36,595	-	390	36,985	3,623	40,608
Debts examined on a collective basis	5,983	28,336	20,943	55,262	-	55,262
Of which: according to the extent of arrears	88	28,320	-	28,408	-	28,408
Total	42,578	28,336	21,333	92,247	3,623	95,870
Of which:						
Debts restructuring	114	-	113	227	-	227
Other impaired debts	273	36	41	350	-	350
Total impaired debts	387	36	154	577	-	577
Debts in arrears of 90 days or more	43	156	18	217	-	217
Other problematic debts	943	95	157	1,195	-	1,195
Total problematic debts	1,373	287	329	1,989	-	1,989
Provision for credit losses:						
In respect of debts examined on an individual basis	693	-	40	733	-	733
In respect of debts examined on a collective basis	116	164	264	544	-	544
Of which: according to the extent of arrears	1	(2)164	-	165	-	165
Total	809	164	304	1,277	-	1,277
Of which: in respect of impaired debts	144	-	37	181	-	181

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

(2) Includes the provision exceeding the amount required according to the method of the extent of arrears, calculated on a collective basis in the amount of approximately NIS 116 million (30.9.20 - NIS 121 million, 31.12.20 - NIS 124 million).

(3) The balance of commercial debts includes housing loans in the amount of NIS 2,960 million, combined in the framework of transaction and collateral of the commercial borrowers or that have been granted to purchase groups at construction stages (30.9.20 - NIS 3,135million, 31.12.20 - NIS 3,001 million).

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

2. Change in provision for credit losses

	For the three months ended September 30, 2021 (unaudited)					
	Credit to the public				Banks and Governments	Total
	Commercial	Housing	Other private	Total		
Change in provision for credit losses - Debts						
Provision for credit losses at beginning of the period	666	165	318	1,149	-	1,149
Income in respect of credit losses	(44)	(3)	(29)	(76)	-	(76)
Accounting write-offs	(14)	-	(20)	(34)	-	(34)
Collection of debts written off in accounting in previous years	26	1	22	49	-	49
Net accounting write-offs	12	1	2	15	-	15
Provision for credit losses at end of the period	634	163	291	1,088	-	1,088
Changes in provision in respect of off-balance sheet credit instruments						
Provision at beginning of the period	67	-	12	79	-	79
Increase in the provision	7	-	-	7	-	7
Provision in respect of off-balance sheet credit instruments at end of the period	74	-	12	86	-	86
Total provision for credit losses - debts and off-balance sheet credit instruments	708	163	303	1,174	-	1,174

	For the three months ended September 30, 2020 (unaudited)					
	Credit to the public				Banks and Governments	Total
	Commercial	Housing	Other private	Total		
Change in provision for credit losses - Debts						
Provision for credit losses at beginning of the period	706	150	300	1,156	-	1,156
Expenses in respect of credit losses	60	10	17	87	-	87
Accounting write-offs	(32)	-	(28)	(60)	-	(60)
Collection of debts written off in accounting in previous years	19	1	22	42	-	42
Net accounting write-offs	(13)	1	(6)	(18)	-	(18)
Provision for credit losses at end of the period	753	161	311	1,225	-	1,225
Changes in provision in respect of off-balance sheet credit instruments						
Provision at beginning of the period	61	-	12	73	-	73
Increase in the provision	4	-	-	4	-	4
Provision in respect of off-balance sheet credit instruments at end of the period	65	-	12	77	-	77
Total provision for credit losses - debts and off-balance sheet credit instruments	818	161	323	1,302	-	1,302

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

2. Change in provision for credit losses

	For the nine months ended September 30, 2021 (unaudited)					
	Credit to the public				Banks and Governments	Total
	Commercial	Housing	Other private	Total		
Change in provision for credit losses - Debts						
Provision for credit losses at beginning of the year (audited)	809	164	304	1,277	-	1,277
Income in respect of credit losses	(184)	(1)	(21)	(206)	-	(206)
Accounting write-offs	(58)	(1)	(61)	(120)	-	(120)
Collection of debts written off in accounting in previous years	67	1	69	137	-	137
Net accounting write-offs	9	-	8	17	-	17
Provision for credit losses at end of the period	634	163	291	1,088	-	1,088
Changes in provision in respect of off-balance sheet credit instruments						
Provision at beginning of the year (audited)	72	-	14	86	-	86
Increase (decrease) in the provision	2	-	(2)	-	-	-
Provision in respect of off-balance sheet credit instruments at end of the period	74	-	12	86	-	86
Total provision for credit losses - debts and off-balance sheet credit instruments	708	163	303	1,174	-	1,174

	For the nine months ended September 30, 2020 (unaudited)					
	Credit to the public				Banks and Governments	Total
	Commercial	Housing	Other private	Total		
Change in provision for credit losses - Debts						
Provision for credit losses at beginning of the year (audited)	545	121	264	930	-	930
Expenses in respect of credit losses	276	38	79	393	-	393
Accounting write-offs	(117)	-	(98)	(215)	-	(215)
Collection of debts written off in accounting in previous years	49	2	66	117	-	117
Net accounting write-offs	(68)	2	(32)	(98)	-	(98)
Provision for credit losses at end of the period	753	161	311	1,225	-	1,225
Changes in provision in respect of off-balance sheet credit instruments						
Provision at beginning of the year (audited)	46	-	11	57	-	57
Increase in the provision	19	-	1	20	-	20
Provision in respect of off-balance sheet credit instruments at end of the period	65	-	12	77	-	77
Total provision for credit losses - debts and off-balance sheet credit instruments	818	161	323	1,302	-	1,302

NOTE 7 - DEPOSITS FROM THE PUBLIC

(NIS million)

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

	September 30, 2021	September 30, 2020 (unaudited)	December 31, 2020 (audited)
Demand			
- Non- bearing interest	67,399	58,808	62,106
- Bearing interest	29,126	23,480	25,384
Total demand	96,525	82,288	87,490
Fixed-term	51,748	53,626	54,187
Total deposits in Israel*	148,273	135,914	141,677
*Of which:			
Deposits of private individuals	73,667	71,816	72,435
Deposits of institutional entities	31,403	23,841	26,310
Deposits of corporates and others	43,203	40,257	42,932

B. Deposits of the public by size

	September 30, 2021	September 30, 2020 (unaudited)	December 31, 2020 (audited)
Maximum amount of deposit			
Up to 1	56,126	54,434	55,269
From 1 to 10	35,911	34,962	35,447
From 10 to 100	17,873	17,045	17,187
From 100 to 500	7,509	5,321	8,046
Over 500	30,854	24,152	25,728
Total	148,273	135,914	141,677

NOTE 7A - EMPLOYEE RIGHTS

(NIS million)

A. Composition of benefits:

	September 30,		December 31,
	2021	2020	2020
		(unaudited)	(audited)
Pension and severance pay			
Amount of liability	951	944	960
Fair value of assets of the scheme	(350)	(378)	(343)
Excess liabilities over assets of the scheme	601	566	617
Excess liabilities of the scheme included in the item "other liabilities"	601	566	617
Long-service awards - amount of liability	19	18	19
Benefit regarding unused sick leave - amount of liability	31	34	35
Other post-employment benefits	9	9	8
Other post-retirement benefits	225	207	219
Vacation pay	81	75	76
Other	190	95	135
Total			
Excess liabilities regarding employee benefits over assets of the scheme included in the item "other liabilities"	1,156	1,004	1,109

NOTE 7A - EMPLOYEE RIGHTS (CONT)

(NIS million)

B. Defined benefits severance pay and pension schemes

(1) Commitment and financing situation

	Severance pay and pension schemes					Other post-retirement benefits				
	For the three months ended September 30,		For the nine months ended September 30,		For the year ended December 31,	For the three months ended September 30,		For the nine months ended September 30,		For the year ended December 31,
	2021	2020	2021	2020	2020	2021	2020	2021	2020	2020
	(unaudited)		(unaudited)		(audited)	(unaudited)		(unaudited)		(audited)
	(NIS million)									
A. Change in liability regarding anticipated benefits										
Liability regarding anticipated benefit at beginning of period	955	920	960	927	927	221	207	219	207	207
Cost of service	5	6	15	16	21	2	2	4	4	5
Cost of interest	5	5	13	15	19	1	1	4	4	5
Actuarial loss (profit)**	(5)	23	(7)	35	107	2	(1)	1	(4)	7
Benefits paid	(9)	(10)	(30)	(49)	(114)	(1)	(2)	(3)	(4)	(5)
Liability regarding anticipated benefit at end of period	951	944	951	944	960	225	207	225	207	219
Liability regarding cumulative benefit at end of period	896	829	896	829	854	223	205	223	205	217
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	355	377	343	415	415	-	-	-	-	-
Actual return on assets of the scheme	5	8	35	(5)	8	-	-	-	-	-
Deposits in the scheme by the Bank	2	2	7	7	9	-	-	-	-	-
Benefits paid	(12)	(9)	(35)	(39)	(89)	-	-	-	-	-
Fair value of assets of the scheme at end of period	350	378	350	378	343	-	-	-	-	-
Financing situation- net liability recognized at the end of period*	601	566	601	566	617	225	207	225	207	219

* Included in the item "other liabilities".

** Derives mainly from an actuarial loss in respect of the efficiency plan (see C below), partially offset by an actuarial gain in respect of increase in the anticipated inflation.

	Severance pay and pension schemes			Other post-retirement benefits		
	September 30,		December 31,	September 30,		December 31,
	2021	2020	2020	2021	2020	2020
	(unaudited)	(unaudited)	(audited)	(unaudited)	(unaudited)	(audited)
	(NIS million)					
C. Amounts recognized in the consolidated balance sheet						
Amounts recognized in the item "other liabilities"	601	566	617	225	207	219
Net liability recognized at end of period	601	566	617	225	207	219
D. Amounts recognized in other cumulative comprehensive loss, before the tax effect						
Actuarial loss, net	214	237	272	75	68	78
Closing balance in other cumulative comprehensive profit	214	237	272	75	68	78

NOTE 7A - EMPLOYEE RIGHTS (CONT)

(NIS million)

(2) Expense for the period

	Severance pay and pension schemes					Other post-retirement benefits				
	For the three months ended September 30,		For the nine months ended September 30,		For the year ended December 31,	For the three months ended September 30,		For the nine months ended September 30,		For the year ended December 31,
	2021	2020	2021	2020	2020	2021	2020	2021	2020	2020
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(audited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(audited)
	(NIS million)									
A. Cost components of net benefit recognized in profit and loss										
Cost of service	5	6	15	16	21	2	2	4	4	5
Cost of interest	5	5	13	15	19	1	1	4	4	5
Anticipated return on assets of the scheme	(2)	(3)	(5)	(8)	(9)	-	-	-	-	-
Amortization of non-recognized amounts:										
Net actuarial loss	5	4	13	10	14	1	1	4	3	4
Other, including loss from reduction or dismissal and structural changes	3	1	8	5	26	-	-	-	-	-
Capitalization of software costs	(1)	(1)	(2)	(2)	(3)	-	-	-	-	-
Total cost of benefits, net	15	12	42	36	68	4	4	12	11	14
B. Changes in assets of the scheme and in liability for benefits recognized in other comprehensive (profit) loss, before the tax effect										
Net actuarial loss (profit) for the period	(8)	18	(37)	48	108	2	(1)	1	(4)	7
Amortization of actuarial loss	(5)	(4)	(13)	(10)	(14)	(1)	(1)	(4)	(3)	(4)
Dismissal	(3)	(1)	(8)	(5)	(26)	-	-	-	-	-
Total recognized in other comprehensive (profit) loss	(16)	13	(58)	33	68	1	(2)	(3)	(7)	3
Total net cost of benefit	15	12	42	36	68	4	4	12	11	14
Total net cost of benefit for the period recognized in other comprehensive (profit) loss	(1)	25	(16)	69	136	5	2	9	4	17

NOTE 7A - EMPLOYEE RIGHTS (CONT)

(NIS million)

(3) Assumptions

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

	Severance pay and pension schemes			Other post-retirement benefits		
	September 30,		December 31,	September 30,		December 31,
	2021	2020	2020	2021	2020	2020
		(unaudited)	(audited)	(unaudited)	(audited)	(NIS million)
1. Principal guidelines used to determine the liability for benefits						
Discounting rate	0.0	0.7	0.3	0.6	1.1	0.8

	Severance pay and pension schemes			Other post-retirement benefits		
	For the nine months ended September 30,		For the year ended December 31,	For the nine months ended September 30,		For the year ended December 31,
	2021	2020	2020	2021	2020	2020
		(unaudited)	(audited)	(unaudited)	(audited)	(NIS million)
2. Principal guidelines used to measure the net cost of benefits for the period						
Discounting rate	0.2-0.3	0.4-2.0	0.4-2.0	0.8	1.0-2.3	1.0-2.3

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

	Severance pay and pension schemes			One percentage point growth		
	September 30,		December 31,	September 30,		December 31,
	2021	2020	2020	2021	2020	2020
		(unaudited)	(audited)	(unaudited)	(audited)	(NIS million)
Discounting rate	(59)	(70)	(70)	(37)	(35)	(38)

	Severance pay and pension schemes			One percentage point decline		
	September 30,		December 31,	September 30,		December 31,
	2021	2020	2020	2021	2020	2020
		(unaudited)	(audited)	(unaudited)	(audited)	(NIS million)
Discounting rate	71	87	87	50	46	50

C. Cash flows

- (1) Deposits

	Severance pay and pension schemes			
	Forecast	Actual deposits		
		For the three months ended September 30,	For the nine months ended September 30,	For the year ended December 31,
	*2021	2021	2020	2020
	(unaudited)	(unaudited)	(unaudited)	(audited)
				(NIS million)
Deposits	9	2	2	7

* Assessment of amounts which the Bank expects to deposit with a defined benefit pension scheme during 2021.

NOTE 7A - EMPLOYEE RIGHTS (CONT)

(NIS million)

C. Efficiency measures

The Technology, Innovation and Administration Committee of the Board of Directors of the Bank approved on June 29, 2021, an early retirement plan, according to which, approximately 2% to 3% of the employees of the Group, belonging to a defined population, would be entitled to retire prematurely at beneficial terms.

The plan increased the Bank's liability for severance compensation and other post retirement benefits by NIS 78 million (of which, NIS 50 million were already provided for in 2020). The increase in liabilities has been recognized in other comprehensive loss.

Management of the Bank estimates that the employees choosing early retirement would do so by the end of 2021.

NOTE 8 - CAPITAL ADEQUACY ACCORDING TO DIRECTIVE OF THE SUPERVISOR OF BANKS

A. Basel 3 guidelines

The bank implements Proper Banking Management Directives Nos. 201-211 in the matter of measurement and capital adequacy, as reported by the Supervision of Banks and within the framework of the file of questions and answers.

Basel 3 instructions were implemented from January 1, 2014, in a gradual manner, in accordance with the transitional instructions stated in Proper Banking Management 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 shall be recognized up to a maximum of 80% (from their balance in the supervisory capital as of December 31, 2013) on January 1, 2014, this maximum level being reduced by an additional 10% until January 1, 2022. Accordingly, as of January 1, 2021 the maximum rate of instruments qualified as regulatory capital amounts to 10%.

(1) Capital adequacy goals

In accordance with Proper Banking Management Directives regarding the minimum capital ratios, the Bank, the total assets of which on a consolidated basis is up to 24% of total assets of the banking sector in Israel, is required to attain a minimum Tier I equity capital ratio of 9%, and a minimum comprehensive capital ratio of 12.5%. In addition, a capital demand was added to the minimum capital ratios, at a rate reflecting 1% of the outstanding balance of residential loans at date of reporting. In accordance with the clarification of the Supervision of Banks dated October 6, 2021, the additional capital demand in respect of housing loans will be added to Tier 1 capital ratio alone.

On the background of the spreading of the Coronavirus and as part of the adjustment to Proper Banking Management directives, The Supervisor of Banks published Proper Banking Management directives no. 250, which includes, inter alia, provisional instruction concerning the update of directive 201, which includes a reduction of 1% of the capital requirements of banks and an update to directive 329 which cancel the demand of additional 1% on housing loans that were granted during the period of the provisional instruction, this in order to secure the ability of banks to continue to grant credit. On September 30, 2021, the provisional instruction was extended until December 31, 2021, the relief in respect of housing loans designated for the purchase of real estate rights was cancelled. Thus, only in respect of these housing loans extended from March 19, 2020 until September 30, 2021 alone, the capital requirement of additional 1% is not applicable. The relief in respect of housing loans which are not designated to purchase real estate rights (all-purpose loans) is valid until the end of the provisional instruction.

In accordance with the provisional instruction, the relief will be valid until the end of 24 months from the end of the provisional instruction with the condition that the capital ratios of a banking corporation will be no less than the capital ratios at the date of the end of the provisional instruction, or the minimal capital ratios applicable to the banking corporation before the provisional instruction, whichever is lower. However, it was determined that a reduction in the capital ratios of up to 0.3% in the first six months after the end of the provisional instruction, will not be considered as a deviation.

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

The Group has capital targets approved by the Board of Directors and reflect suitable capital level when taking into consideration the risk profile and risk appetite.

The internal capital goals, as determined by the Board of Directors, and which are not lower than the regulatory requirements, 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%, given the relief of The Bank of Israel, Tier I equity capital ratio of not lower than 8.25% and comprehensive capital ratio of not lower than 11.50%. These might change in accordance to the mortgages extensions in the relevant quarter.
- In stress situations - Tier I equity capital ratio of not lower than 6.50% and comprehensive capital ratio of not lower than 9.00%.

NOTE 8 - CAPITAL ADEQUACY, LEVERAGE AND LIQUIDITY ACCORDING TO DIRECTIVE OF THE SUPERVISOR OF BANKS (CONT'D)

(NIS million)

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

	September 30, 2021	September 30, 2020	December 31, 2020
	(unaudited)	(unaudited)	(audited)
a. Consolidated			
1. Capital for calculation of capital ratio			
Tier 1 capital, after supervisory adjustments and deductions	10,222	9,106	9,369
Tier 2 capital after deductions	1,889	2,749	2,749
Total comprehensive capital	12,111	11,855	12,118
2. Weighted balances of risk assets			
Credit risk	(2)80,297	(2)76,234	(2)76,203
Market risk	793	657	883
Operational risk	6,725	6,443	6,729
Total weighted balances of risk assets	87,815	83,334	83,815
			percent
3. Ratio of capital to risk assets			
Ratio of tier 1 capital to risk assets	11.64%	10.93%	11.18%
Comprehensive ratio of capital to risk assets	13.79%	14.23%	14.46%
Minimal ratio of equity capital tier 1 required by the Supervisor of banks	(1)8.25%	(1)8.30%	(1)8.29%
Minimal ratio of capital required by the Supervisor of Banks	(1)11.50%	(1)11.50%	(1)11.50%
			percent
B. Significant Subsidiaries			
Bank Massad Ltd.			
Ratio of tier 1 capital to risk assets	14.97%	13.98%	14.03%
Comprehensive ratio of capital to risk assets	16.01%	15.10%	15.19%
Minimal ratio of equity capital tier 1 required by the Supervisor of banks	8.00%	8.00%	8.00%
Minimal ratio of capital required by the Supervisor of Banks	11.50%	11.50%	11.50%

(1) Minimal capital ratio required until March 31, 2020 are 9.0% and 12.5%, respectively. Starting from that date and during the period of the provisional instruction (see section A.1. above) are 8.0% and 11.5% respectively. To these relations was added capital requirement of 1% of housing loans balance for the reporting date, except for housing loans granted in the period from 19.3.20 until 30.9.21, the balance of which amount to NIS 9,584 million. The data for September 30, 2020 and December 31, 2020 were updated in light of the clarifications of the Supervision of Banks, according to which the additional capital demand in respect of housing loans will be added to tier 1 capital alone.

(2) An amount of NIS 108 million were deducted from the average balances of risk assets in respect of adjustments regarding the efficiency measures (30.9.20 – NIS 83 million, 31.12.20 – NIS 158 million).

* The data in this Note are presented in accordance with Proper Conduct of Banking Business Directives 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 directives and the adjustment regarding efficiency measures see 4 above.

NOTE 8 - CAPITAL ADEQUACY, LEVERAGE AND LIQUIDITY ACCORDING TO DIRECTIVE OF THE SUPERVISOR OF BANKS (CONT'D)

(NIS million)

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

	September 30, 2021 (unaudited)	September 30, 2020 (unaudited)	December 31, 2020 (audited)
A. Equity capital tier 1			
Capital attributed to shareholders	10,022	8,944	9,141
Differences between capital attributed to shareholders and equity capital tier 1			
Minority interests	217	204	208
Total equity capital tier 1 before regulatory adjustments and deductions	10,239	9,148	9,349
Regulatory adjustments and deductions:			
Intangible assets	(96)	(98)	(98)
Regulatory adjustments and other deductions- equity capital tier 1	(2)	(5)	(2)
Total regulatory adjustments and deductions before adjustments in respect of efficiency measures - equity capital tier 1	(98)	(103)	(100)
Total adjustments in respect of efficiency measures- Tier 1 equity capital	81	61	120
Total equity capital tier 1 after regulatory adjustments and deductions	10,222	9,106	9,369
B. Tier 2 capital			
Tier 2 capital: instruments before deductions	905	1,796	1,796
Tier 2 capital: provisions before deductions	984	953	953
Total tier 2 capital before deductions	1,889	2,749	2,749
Deductions:			
Total deductions- tier 2 capital	-	-	-
Total tier 2 capital	1,889	2,749	2,749

	September 30, 2021 (unaudited)	September 30, 2020 (unaudited)	December 31, 2020 (audited)
(4) Effect of transitional instructions on equity capital tier 1			
Ratio of capital to risk assets			
Ratio of tier 1 equity capital to risk assets before effect of adjustments in respect of efficiency measures	11.53%	10.84%	11.03%
Effect of adjustments in respect of efficiency measures	0.11%	0.09%	0.15%
Ratio of tier 1 equity capital to risk assets	11.64%	10.93%	11.18%

NOTE 8 - CAPITAL ADEQUACY, LEVERAGE AND LIQUIDITY ACCORDING TO DIRECTIVE OF THE SUPERVISOR OF BANKS (CONT'D)

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

(5a.) 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 is 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 rate on the balances of the assets.

Following is an analysis of the impact of such changes on the Tier I equity capital of the Bank as of September 30, 2021:

	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	0.13
Massad Bank	1.70	2.18

(6) 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.

- (1) 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 September 30, 2021 to be lower by 0.03%.

- (2) On July 28, 2020 and on November 3, 2020, the Board of Directors approved an efficiency plan, according to which 60 constant employees of the Bank, belonging to the defined target population, will be allowed to retire in early retirement and with 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 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 September 30, 2021 to be lower by 0.08%.

NOTE 8 - CAPITAL ADEQUACY, LEVERAGE AND LIQUIDITY ACCORDING TO DIRECTIVE OF THE SUPERVISOR OF BANKS (CONT'D)

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 Banking Management 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.

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.

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 relieves 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, for 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 (including the Bank). The relief will be valid for 24 months starting from the end of the provisional instruction (September 30, 2021), in which the leverage ratio will not be less than the leverage ratio at the date of the end of the Provisional Instruction, or the minimal leverage ratio applying to a banking corporation prior to the Provisional Instruction, whichever is lower.

	September 30, 2021 (unaudited)	September 30, 2020 (unaudited)	December 31, 2020 (audited)
	NIS million		
A. Consolidated			
Tier 1 capital*	10,222	9,106	9,369
Total exposures	184,631	169,062	177,195
			percent
Leverage ratio	5.54%	5.39%	5.29%
B. Significant Subsidiary			
Bank Massad Ltd.			
Leverage ratio	7.78%	7.27%	7.24%
Minimal Leverage ratio required by the Supervisor of banks	4.50%	5.00%	4.50%

* For the effect in respect of the efficiency program, see note A(4) above.

NOTE 8 - CAPITAL ADEQUACY, LEVERAGE AND LIQUIDITY ACCORDING TO DIRECTIVE OF THE SUPERVISOR OF BANKS (CONT'D)

C. Reporting the liquidity coverage ratio in accordance with instructions of the Supervisor of Banks

The Bank implements Proper Conduct of Banking Business Directive No. 221 in the matter of "liquidity coverage ratio". The Directive adopts the recommendations of the Basel Committee in the matter of liquidity coverage ratio as regards the banking industry in Israel. The liquidity coverage ratio examines a range of thirty days in a stress test, and is intended to ensure that a banking corporation shall have an inventory of high quality liquid assets serving the liquidity needs of the corporation within that period of time, as well as the anticipated cash outflows in the stress test, as defined in the Directive for the thirty calendar days.

	For the three months ended		
	September 30, 2021 (unaudited)	September 30, 2020 (unaudited)	December 31 2020 (audited) percent
A. Consolidated*			
Liquidity coverage ratio	133%	145%	150%
B. The bank*			
Liquidity coverage ratio	133%	145%	150%
C. Significant Subsidiary*			
Bank Massad Ltd.			
Liquidity coverage ratio	272%	192%	241%
Minimal liquidity coverage ratio required by the Supervisor of banks	100%	100%	100%

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

D. Net stable Funding Ratio - NSFR

Bank of Israel published in June 2021, Directive 222 "Net stable Funding Ratio - NSFR", which adopts the Basel III recommendations, and which would take effect on December 31, 2021.

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.

This ratio requires banking corporations to maintain a stable funding profile, in accordance with the composition of their balance sheet assets and their off-balance sheet operations, and limits excessive reliance by banking corporations upon short-term wholesale funding.

The Bank is preparing for the implementation of the Directive, in accordance with Bank of Israel guidelines.

NOTE 8 - CAPITAL ADEQUACY, LEVERAGE AND LIQUIDITY ACCORDING TO DIRECTIVE OF THE SUPERVISOR OF BANKS (CONT'D)

E. Dividends

	For the three months ended September 30,		For the nine months ended September 30,		For the year ended December 31,
	2021	2020	2021	2020	2020
		(unaudited)		(unaudited)	(audited)
		NIS million		NIS million	NIS million
Dividend declared and paid by the Bank	225	-	225	125	125

On the background of the letter of the Supervisor of Banks, dated March 29, 2020, addressed to all the commercial banks and with respect to the Provisional Instruction dated March 31, 2020, amending Proper Conduct of Banking Business directive 201, in which boards of directors of banks are requested, inter alia, to re-examine their dividend policies, on the background of the Coronavirus crisis and the uncertainty deriving from it. The Board of Directors of the Bank held a discussions from time to time regarding the dividend policy in respect to the period of the provisional instruction as was extended from time to time, and on the background of the anticipation of the Supervisor of Banks in respect of the banking system in this matter, based on the continuance of the economic uncertainty and the possible impact of the continued impairment of the economy,

On July 26, 2021, the Supervisor of Banks published an update to the provisional instruction. According to the explanatory notes to this update, the level of uncertainty, which is still high following the Corona crisis, and the risk that credit losses stemming from the crisis have not yet been realized in full, require continuation of careful and conservative capital planning, as well as careful and conservative approach to the distribution of dividends. The Supervision clarifies that in view of the improvement in economic activity, the growing trend of the gradual reverting to the level existing prior to the crisis, and the renewed accumulation of a capital cushion by banking corporations, it permits the banking system to distribute dividends, though in a limited manner, maintaining a careful and conservative approach. In Addition, the position of the Supervisor of Banks is that distribution of an amount higher than 30% of the profits earned in 2020, would not be considered careful and conservative planning. In view of the said position of the Supervisor of Banks and on background of the continuing uncertainty and the risk, as stated above, the Board of Directors of the Bank resolved on August 17, 2021, to distribute to the shareholders of the Bank at this stage, a dividend in cash in a total amount of NIS 225 million (gross), comprising 30% of the net profit per the financial statements of the Bank for the year 2020.

On September 30, 2021, the Supervision of Bank additional update to the provisional instruction. In this update the period of the provisional instruction was extended until December 31, 2021. In the explanatory notes to the update it was said, that although the intensification of the processes of exiting from the corona crisis, the level of uncertainty is still high and projects on the ability of banks to forecast their capital needs in the mid-term, thus they have to continue with careful and conservative capital planning. The Supervision encourages banks to take conservative approach in dividend distribution or self repurchase, and clarified that the position of the Supervisor is that distribution in an amount higher than 30% of the bank's profit (in the years 2020 and 2021) will not be considered as careful and conservative planning.

In-light of the above, and although no change occurred in the dividend distribution policy of the Bank, in respect of dividend distribution of up to 50% of the Bank's net profit, as stated above, the Board of Directors of the Bank resolved on November 23, 2021, that in light of the reference of the Supervisor of Banks, to approve a cash dividend distribution to the Bank's shareholders in an amount of NIS 320 million (gross), comprising 30% of the net profit of the Bank for the nine months ended September 30, 2021.

The ex-dividend date is fixed for December 2, 2021, and date of payment of the dividend is fixed for December 13, 2021. The amount of the dividend is pre-tax, including any withholding tax that the Bank has to apply under the law.

The Board of Directors of the Bank would continue to discuss the dividend distribution policy of the Bank in view of developments in the Corona crisis and its effect on the economy and on the Bank and in accordance to the regulations and instruction of the Supervision.

NOTE 9 - COMMITMENTS AND CONTINGENT LIABILITIES

(NIS million)

Other contingent liabilities and special commitments (NIS million)

	September 30,	September 30,	December 31
	2021	2020	2020
	(unaudited)	(unaudited)	(audited)
A. Improvements to premises and acquisition of new premises, equipment and software	8	6	9
Commitments to invest in private investment funds	48	41	55

- B. The Bank and its subsidiary 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:

	September 30,	September 30,	December 31
	2021	2020	2020
	(unaudited)	(unaudited)	(audited)
First year	*17	*17	*35
Second year	64	70	68
Third year	54	62	59
Fourth year	49	55	53
Fifth year	47	50	48
Sixth year and thereafter	187	220	218
Total	418	474	481

* 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 subsidiaries, 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.

Regarding the legal actions, including motions for approval of class action suits, see Note 25G. to the financial statements for 2020.

The amount of additional exposure of the Bank and of the subsidiary companies of the Bank as of September 30, 2021, in respect of pending claims, which, in the opinion of the Bank, the possibility of their materialization, in whole or in part, is not remote and in respect of which no provision has been included, amounts to NIS 59 million.

- D. Furthermore, pending against the Bank are motions for approval of class action suits, the amounts claimed therein is material, as detailed below. In the opinion of Management of the Bank, based on legal opinions, it is not possible, at this stage, to assess the prospects of these motions, and no provisions had been included in respect thereof:

- On April 21, 2021, the Bank received notice of a motion for approval as a class action, of an action that had been filed against the Bank and another bank. The Claimants request the cancellation of the entry-line commission appearing in the pricelist of the Bank for large businesses, and the refund by the Bank to its customers of the entry-line commission collected excessively by it together with compensation for the distress caused. Alternatively, as argued by the Claimants, the price of the entry-line commission of the Bank should be reduced, as it does not reflect the operating cost incurred by the Bank in respect of the line recording, considering the changing reality and technological developments in the banking system.
- On April 26, 2021, the Bank received notice of a motion for approval as a class action, of an action that had been filed against the Bank and additional banks.

The Claimants argue that the rate of discount granted by the banks to customers with respect to the minimum and maximum commissions charged for an online transaction (in relation to the same transaction made by way of a teller), must be identical to the rate of discount that banks grant when the commission in respect of that same transaction, exceeds the minimum commission or is lower than the maximum commission. In actual fact, as argued by the Claimants, this is not the situation. Accordingly, as argued by the Claimants, the banks should be instructed to refund the excessive commissions charged by them and to amend their pricelist in accordance with the spirit of this action.

3. On September 13, 2021, the Bank received notice of a motion for approval as a class action, of an action that had been filed against the five major banks, including the Bank (hereinafter- "the banks"). The Claimants argue that banks' fees appearing in the foreign currency pricelists (and not in NIS) are against the law, mainly when the collection of the fees is carried by theoretical conversion to NIS, with high exchange rates. Accordingly, as argued by the Claimants, the banks should be requested to refund the member of the group all the amounts collected in respect of fees appearing in the foreign currency pricelists during the last 7 years. Alternatively, the banks should be instructed to refund to the members of the group the convergence differences in respect of these fees.

- E. 1. Following are details of actions filed against an affiliated company, Israel Credit Cards Ltd. ("ICC"), including motions for their approval of class actions, the amounts claimed therein are material. In the opinion of the Management of ICC, based inter alia on legal opinions, adequate provisions in respect of such actions 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 are two cartel arrangements with respect to immediate debit cards ("debit cards") and to "prepaid" cards. The first cartel arrangement, as argued by the Plaintiffs, is an arrangement to charge a cross commission in respect of transactions made by debit cards and prepaid cards. The second cartel arrangement, as argued by the Plaintiffs is the unlawful withholding of funds due to trading houses for periods of approximately twenty days after the credit card companies had received the money.

A review of the economic opinion, to which the amended motion refers, shows 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 binding 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 binding 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 pretrial 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. On July 16, 2020, the Court ruled for the rejection of the Plea with no order for costs. It was also 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 pretrial was heard, in which the parties stated their arguments. At the conclusion of the hearing, the Court proposed to the parties to refer to mediation with respect to the question regarding the date of accounting. On July 6, 2021, the parties jointly informed the Court that they accept the proposal of the Court for mediation proceedings regarding this matter.

- (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-Yafo 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-Yafo 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 pretrial 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 pretrial hearing was held on December 17, 2020. An additional pretrial hearing was held on July 13, 2021. On July 27, 2021 a decision was given which partially accepted the request of the Plaintiffs for disclosure of documents and dates were set for the submission of claims summaries by the parties.

- (c) On May 6, 2018, ICC received notice of an action together with a motion for approval of the action as a class action suit, filed with the Tel Aviv-Yafo District Court. As argued in the action, which was served against ICC and against an additional company and a bank, which owned it, ICC did not provide proper disclosure of the manner of collecting interest by it.

The plaintiff assesses his personal damage at NIS 38.54 and the total damage to the group at NIS 181 million. On March 5, 2019, ICC responded to the motion for approval. On June 7, 2020, the Court approved the motion for withdrawal from the claim against the defendant bank. A pretrial hearing was held on April 19, 2021. On June 15, 2021, the plaintiff submitted a motion for withdrawal, in which the Court is requested to permit the plaintiff to withdraw from the motion for approval, as well as to dismiss the personal claim of the plaintiff against the respondents. A decision regarding the motion for withdrawal is still pending.

- (d) On July 22, 2018, an action was filed with the Tel Aviv-Yafo 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 for approval 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 to the whole class, which he purports to represent, at NIS 900 million. On March 24, 2019, the Defendants submitted their response to the motion. A pretrial 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 shortened list of the documents requested for disclosure and perusal. On January 26, 2020, The Plaintiff submitted the shortened list, and on March 8, 2020, ICC submitted its response to the list. On October 6, 2020, the Plaintiff submitted its reaction to the response to the amended request for disclosure. On March 3, 2021, the Court ruled for the rejection of the disclosure request. An additional pretrial hearing was held on June 2, 2021. In a ruling dated June 11, 2021, the Court instructed the delivery of the claims' briefs to the Attorney General for the Government in order for the latter to consider whether to appear in the proceedings. Additional hearing was fixed on January 6, 2022.

- (e) On May 14, 2020, an action was filed against ICC with the Central Region District, together with a motion for approval of the action as a class action suit. As argued in the action, faults were found in the notice that had been sent to the Plaintiff regarding future charges relating to credit card fees, which require determination that the said notice does not fulfill the notification requirements stated by law. The Plaintiff states its personal monetary damage at NIS 13.5 and the nonmonetary personal damage at NIS 100, but does not state the amount of damage to the class. A pretrial hearing of the case was held on April 7, 2021. The Court has recommended that the parties should enter negotiations in order to reach an agreed arrangement. Whereas the negotiations between the parties had not been concluded in a compromise agreement, the parties submitted on June 6, 2021, a joint motion for the hearing of evidence in the case. The hearing of evidence was fixed by the Court for January 4, 2022.

- 2. The amount of exposure in respect of legal actions filed against ICC, the materialization of which, in whole or in part, is reasonably possible, totals NIS 159 million.

- 3. Motions for approval of actions as a class action suits are pending against ICC, as detailed hereunder. ICC states in its reports, that in the opinion of ICC, based on opinions of its legal counsels, it is not possible at this stage to assess the prospects of these actions, and accordingly, no provision has been recorded in respect thereof.

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-Yafo District Court, together with a motion for approval of the action as a class action suit ("the motion for approval"). The Plaintiff argues that the Respondents are making illegitimate and prohibited use of the data base at their disposal (both by power of them being issuers of credit cards and by power of being a settlement agents), and this without obtaining the informed agreement of their customers. It is also argued, that the Respondents reveal to third parties personal data relating to their customers; conduct targeted advertising on the basis of the said characterization, for the purpose of promoting sales by third parties; perform surveillance of their customers; and make use of their customer data for the sale of statistical data.

The Plaintiff assesses the amount of relief to the whole class at NIS 150 million. On June 27, 2021, ICC and Diners submitted their response to the motion for approval and on September 29, 2021 the response of the Plaintiffs to the response of the Respondents. A pretrial was fixed on April 6, 2022.

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

On March 8, 2018, ICC received the decision of the VAT Director rejecting the appeal and also increasing the amount charged in the assessments to NIS 75 million (including interest and linkage increments). If the position of ICC would be rejected by the Court, it may be liable in respect of the issues raised in the VAT assessment, also for periods following the period of the assessment. On January 31, 2019, ICC filed an appeal against the said decision with the Central Region District Court. On November 3, 2019, the Supreme Court approved an agreed motion for the consolidation of the hearing of the appeal with those of the appeals filed by competitors of ICC. A pretrial was held on March 5, 2020. ICC estimates the amount of exposure in respect of which no provision is included in its financial statements regarding this matter, at NIS 168 million. Another pretrial was held on May 24, 2021. Evidence discussion will be held on May 2022.

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

(NIS million)

A. Volume of activity on a consolidated basis

1. Face value of derivatives

	September 30, 2021 (unaudited)			September 30, 2020 (unaudited)			December 31, 2020 (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	457	1,192	1,649	450	2,022	2,472	400	1,978	2,378
Options written	-	93	93	-	102	102	-	125	125
Options purchased	-	93	93	-	102	102	-	125	125
SWAPS ⁽¹⁾	4,238	11,654	15,892	4,626	12,767	17,393	4,444	11,842	16,286
Total ⁽²⁾	4,695	13,032	17,727	5,076	14,993	20,069	4,844	14,070	18,914
Of which: Hedging derivatives ⁽³⁾	3,399	-	3,399	3,704	-	3,704	3,527	-	3,527
Foreign currency contracts									
Forward and Futures Contracts ⁽⁴⁾	23,309	22,574	45,883	17,825	41,310	59,135	15,231	29,621	44,852
Options written	-	14,806	14,806	-	12,946	12,946	-	14,301	14,301
Options purchased	-	14,921	14,921	-	12,921	12,921	-	14,482	14,482
SWAPS	59	-	59	189	-	189	179	-	179
Total	23,368	52,301	75,669	18,014	67,177	85,191	15,410	58,404	73,814
Contracts on shares									
Forward and Futures Contracts	12	30,372	30,384	-	25,103	25,103	-	27,466	27,466
Options written	-	20,281	20,281	-	14,536	14,536	-	13,850	13,850
Options purchased ⁽⁵⁾	-	20,272	20,272	-	14,529	14,529	-	13,843	13,843
Total	12	70,925	70,937	-	54,168	54,168	-	55,159	55,159
Commodities and other contracts									
Forward and Futures Contracts	-	70	70	-	183	183	-	151	151
Options written	-	15	15	-	-	-	-	10	10
Options purchased	-	15	15	-	-	-	-	10	10
Total	-	100	100	-	183	183	-	171	171
Total face value	28,075	136,358	164,433	23,090	136,521	159,611	20,254	127,804	148,058

(1) Of which: SWAPS the Bank is paying fixed interest in an amount of NIS 9,689 million (30.9.20 - NIS 11,241 million, 31.12.20 - NIS 10,567 million).

(2) Of which: NIS-CPI swap contracts in an amount of NIS 468 million (30.9.20 - NIS 1,123 million, 31.12.20 - NIS 566 million).

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

(4) Of which: foreign currency swap spot contracts in an amount of NIS 1,773 million (30.9.20 - NIS 2,109 million, 31.12.20 - NIS 1,830 million).

(5) Of which: Traded on the Stock Exchange in an amount of NIS 20,286 million (30.9.20 - NIS 14,504 million, 31.12.20 - NIS 13,830 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

	September 30, 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	14	157	171	152	147	299
Of which: Hedging derivatives	13	-	13	137	-	137
Foreign currency contracts	81	327	408	38	428	466
Contracts on shares	-	986	986	-	986	986
Total assets/liabilities in respect of derivatives gross ⁽¹⁾	95	1,470	1,565	190	1,561	1,751
Amounts offset in the balance sheet	-	-	-	-	-	-
Balance sheet balance	95	1,470	1,565	190	1,561	1,751
Of which: not subject to net settlement arrangement or similar arrangements	-	-	-	-	-	-

	September 30, 2020 (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	4	243	247	276	228	504
Of which: Hedging derivatives	1	-	1	259	-	259
Foreign currency contracts	102	479	581	41	515	556
Contracts on shares	-	608	608	-	608	608
Commodities and other contracts	-	2	2	-	2	2
Total assets/liabilities in respect of derivatives gross ⁽¹⁾	106	1,332	1,438	317	1,353	1,670
Amounts offset in the balance sheet	-	-	-	-	-	-
Balance sheet balance	106	1,332	1,438	317	1,352	1,669
Of which: not subject to net settlement arrangement or similar arrangements	-	-	-	-	-	-

	December 31, 2020 (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	4	217	221	250	203	453
Of which: Hedging	3	-	3	233	-	233
Foreign currency contracts	66	819	885	99	972	1,071
Contracts on shares	-	789	789	-	789	789
Commodities and other contracts	-	2	2	-	2	2
Total assets/liabilities in respect of derivatives gross ⁽¹⁾	70	1,827	1,897	349	1,966	2,315
Amounts offset in the balance sheet	-	-	-	-	-	-
Balance sheet balance	70	1,827	1,897	349	1,965	2,314
Of which: not subject to net settlement arrangement or similar arrangements	-	-	-	-	-	-

(1) Of which: Gross fair value of liabilities in respect of embedded derivatives in an amount of NIS 1 million at 30.9.20 and 31.12.20.

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

(NIS million)

B. Accounting Hedge

General

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

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

Fair value hedges

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

	For the three months ended September 30, 2021	For the three months ended September 30, 2020 (unaudited)	For the nine months ended September 30, 2021	For the nine months ended September 30, 2020 (unaudited)	For the year ended December 31, 2020 (audited)
					Interest income (expenses)
1. Effect of accounting of fair value Hedge on profit (loss)					
Profit from fair value Hedge					
Interest contracts					
- Hedged items	(19)	(10)	(93)	144	108
- Hedging derivatives	8	(1)	57	(168)	(144)

	September 30, 2021 (unaudited)	September 30, 2020 (unaudited)	December 31, 2020 (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
	Existing hedge relation	Existing hedge relation	Existing hedge relation
	Book value	Book value	Book value
2. Items Hedged by fair value Hedge			
Securities- debt instruments classified as available for sale	3,732	4,359	3,908
	113	246	210

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

(NIS million)

	For the three months ended September 30, 2021 (unaudited)	For the three months ended September 30, 2020 (unaudited)	For the year ended December 31, 2020 (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	3	-	1
Foreign currency contracts	(158)	(3)	(681)
Contracts on shares	1	2	8

	For the nine months ended September 30, 2021 (unaudited)	For the nine months ended September 30, 2020 (unaudited)
	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	20	3
Foreign currency contracts	11	(12)
Contracts on shares	4	6

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

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

(NIS million)

C. Credit risk in respect of derivatives instruments, according to transaction counterparty

	September 30, 2021 (unaudited)					
	Exchanges	Banks	Dealers/ brokers	Government and central banks	Others	Total
Balance sheet balance of assets in respect of derivative instruments	182	300	200	-	883	1,565
Gross amounts not offset in the balance sheet:						
Credit risk mitigation in respect of financial instruments ⁽¹⁾	-	(182)	(34)	-	(339)	(555)
Credit risk mitigation in respect of cash collateral received	-	(50)	(10)	-	(236)	(296)
Net amount of assets in respect of derivative instruments	182	68	156	-	308	714
Off balance sheet credit risk in respect of derivative instruments ⁽²⁾	-	281	54	-	1,755	2,090
Off balance sheet credit risk mitigation	-	(118)	(27)	-	(1,101)	(1,246)
Net off balance sheet credit risk in respect of derivative instruments	-	163	27	-	654	844
Total credit risk in respect of derivative instruments	182	231	183	-	962	1,558
Balance sheet balance of liabilities in respect of derivative instruments	98	486	574	-	593	1,751
Gross amounts not offset in the balance sheet:						
Financial instruments	-	(182)	(34)	-	(155)	(371)
Cash collateral which was attached by a lien	-	(57)	(4)	-	-	(61)
Net amount of liabilities in respect of derivative instruments	98	247	536	-	438	1,319

	September 30, 2020 (unaudited)					
	Exchanges	Banks	Dealers/ brokers	Government and central banks	Others	Total
Balance sheet balance of assets in respect of derivative instruments	162	419	164	9	684	1,438
Gross amounts not offset in the balance sheet:						
Credit risk mitigation in respect of financial instruments ⁽¹⁾	-	(317)	(35)	-	(237)	(589)
Credit risk mitigation in respect of cash collateral received	-	(38)	-	-	(262)	(300)
Net amount of assets in respect of derivative instruments	162	64	129	9	185	549
Off balance sheet credit risk in respect of derivative instruments ⁽²⁾	-	385	52	15	1,404	1,856
Off balance sheet credit risk mitigation	-	(225)	(31)	-	(848)	(1,104)
Net off balance sheet credit risk in respect of derivative instruments	-	160	21	15	556	752
Total credit risk in respect of derivative instruments	162	224	150	24	741	1,301
Balance sheet balance of liabilities in respect of derivative instruments	117	557	500	11	485	1,670
Gross amounts not offset in the balance sheet:						
Financial instruments	-	(318)	(35)	-	(123)	(476)
Cash collateral which was attached by a lien	-	(162)	(19)	-	(16)	(197)
Net amount of liabilities in respect of derivative instruments	117	77	446	11	346	997

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, 2020 (audited)					
	Exchanges	Banks	Dealers/ brokers	Government and central banks	Others	Total
Balance sheet balance of assets in respect of derivative instruments	166	630	329	90	682	1,897
Gross amounts not offset in the balance sheet:						
Credit risk mitigation in respect of financial instruments	-	(428)	(42)	-	(301)	(771)
Credit risk mitigation in respect of cash collateral received	-	(9)	-	-	(170)	(179)
Net amount of assets in respect of derivative instruments	166	193	287	90	211	947
Off balance sheet credit risk in respect of derivative instruments ⁽²⁾	-	285	50	14	1,446	1,795
Off balance sheet credit risk mitigation	-	(158)	(30)	-	(1,020)	(1,208)
Net off balance sheet credit risk in respect of derivative instruments	-	127	20	14	426	587
Total credit risk in respect of derivative instruments	166	320	307	104	637	1,534
Balance sheet balance of liabilities in respect of derivative instruments ⁽¹⁾	131	777	412	-	995	2,315
Gross amounts not offset in the balance sheet:						
Financial instruments	-	(428)	(41)	-	(129)	(598)
Cash collateral which was attached by a lien	-	(296)	(23)	-	(1)	(320)
Net amount of liabilities in respect of derivative instruments	131	53	348	-	865	1,397

- (1) The fair value of derivative instruments subject to netting agreements, as well as derivative instruments received as collateral in government bonds, shares received as collateral and corporate bonds received as collateral amounts to NIS 371 million, NIS 155 million, NIS 28 million and NIS 1 million, respectively (30.9.20 - derivative instruments subject to netting agreements NIS 475 million, government bonds received as collateral NIS 58 million shares received as collateral NIS 55 million and in corporate bonds NIS 2 million, 31.12.20 - derivative instruments subject to netting agreements NIS 599 million, in government bonds NIS 132 million, shares received as collateral NIS 39 million and corporate bonds received as collateral NIS 1 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

	September 30, 2021 (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	-	-	468	-	468
- Other	1,919	2,118	9,754	3,468	17,259
Foreign currency contracts	65,791	9,051	827	-	75,669
Contracts of shares	67,471	3,150	316	-	70,937
Commodities and other contracts	81	-	19	-	100
Total	135,262	14,319	11,384	3,468	164,433

	September 30, 2020 (unaudited)				
	Up to 3 months	from 3 months to 1 year	From 1 to 5 years	Over 5 years	Total
Total	123,737	21,432	10,712	3,730	159,611

	December 31, 2020 (audited)				
	Up to 3 months	from 3 months to 1 year	From 1 to 5 years	Over 5 years	Total
Total	114,835	18,878	10,949	3,396	148,058

NOTE 11 - SUPERVISORY SEGMENTS OF OPERATION

- A. **Assignment of customers to the supervisory activity segments** - The reporting is in accordance with the format and classifications established in the Public Reporting Directives of the Banking Supervision Department, as detailed in the Annual Financial Statements for 2020.

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

(NIS million)

B. Operational supervision segment information

	For the three months ended September 30, 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	483	253	1	4	183	37	60	(1)	41	807
Interest expense from external	35	-	-	5	10	3	27	11	6	97
Net interest income										
- From external	448	253	1	(1)	173	34	33	(12)	35	710
- Inter - segment	(145)	(144)	-	4	(20)	5	38	20	98	-
Total net interest income	303	109	1	3	153	39	71	8	133	710
Non-interest income	152	3	21	24	87	15	26	45	66	415
Total income	455	112	22	27	240	54	97	53	199	1,125
Expenses (income) from credit losses	(32)	(3)	-	-	(35)	(5)	3	-	-	(69)
Operating and other expenses	342	45	11	17	154	24	42	38	28	645
Operating profit before taxes	145	70	11	10	121	35	52	15	171	549
Provision for taxes on operating profit	50	25	4	4	42	13	18	5	61	193
Operating profit after taxes	95	45	7	6	79	22	34	10	110	356
Bank's share in operating profit of investee company after tax effect	-	-	-	-	-	-	-	-	21	21
Net profit:										
Before attribution to non-controlling interests	95	45	7	6	79	22	34	10	131	377
Attributed to non-controlling interests	(7)	-	-	-	(2)	-	-	-	(4)	(13)
Net profit attributed to shareholders of the Bank	88	45	7	6	77	22	34	10	127	364
Average balance of assets ⁽¹⁾	52,165	30,998	2,878	70	19,717	5,697	16,264	1,119	76,846	171,878
of which: Investee Company ⁽¹⁾	-	-	-	-	-	-	-	-	689	689
of which: Average balance of credit to the public ⁽¹⁾	52,165	30,998	2,878	70	19,717	5,697	16,264	1,119	-	95,032
Balance of credit to the public	53,314	⁽⁴⁾ 31,156	3,604	88	19,967	5,806	16,338	1,452	-	96,965
Balance of impaired debts	194	59	-	-	253	85	68	-	-	600
Balance in arrears over 90 days	189	171	-	-	22	-	-	-	-	211
Average balance of liabilities ⁽¹⁾	64,460	205	34	9,144	25,011	5,947	12,189	30,947	13,999	161,697
of which: Average balance of deposits from the public ⁽¹⁾	64,008	-	-	9,134	24,766	5,856	11,795	30,895	-	146,454
Balance of deposits from the public	64,219	-	-	9,448	25,168	6,053	11,982	31,403	-	148,273
Average balance of risk assets ⁽¹⁾⁽²⁾	34,585	16,471	3,193	236	18,061	6,601	17,248	1,618	8,680	87,029
Balance of risk assets ⁽²⁾	34,558	16,548	3,662	240	18,594	6,578	17,941	1,955	7,949	87,815
Average balance of assets under management ⁽¹⁾⁽³⁾	38,720	-	-	22,686	19,852	3,510	17,542	335,407	-	437,717
Segmentation of net interest income:										
- Earnings from credit - granting activity	276	109	1	-	146	38	68	3	-	531
- Earnings from deposits - taking activity	28	-	-	3	7	1	3	5	-	47
- Other	(1)	-	-	-	-	-	-	-	133	132
Total net interest income	303	109	1	3	153	39	71	8	133	710

(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 1,326 million.

NOTE 11 - SUPERVISORY SEGMENTS OF OPERATION (CONT)

(NIS million)

B. Operational supervision segment information (CONT)

	For the three months ended September 30, 2020 (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	363	179	4	(1)	169	43	116	2	39	731
Interest expense from external	27	-	-	7	8	6	13	4	4	69
Net interest income										
- From external	336	179	4	(8)	161	37	103	(2)	35	662
- Inter - segment	(40)	(85)	(1)	13	(11)	2	(24)	9	51	-
Total net interest income	296	94	3	5	150	39	79	7	86	662
Non-interest income	145	4	22	18	85	17	23	46	38	372
Total income	441	98	25	23	235	56	102	53	124	1,034
Expenses from credit losses	26	10	-	1	36	13	14	1	-	91
Operating and other expenses	347	44	21	16	157	24	39	40	17	640
Operating profit before taxes	68	44	4	6	42	19	49	12	107	303
Provision for taxes on operating profit	25	16	1	2	15	7	17	5	38	109
Operating profit after taxes	43	28	3	4	27	12	32	7	69	194
Bank's share in operating profit of investee company after tax effect	-	-	-	-	-	-	-	-	19	19
Net profit:										
Before attribution to non-controlling interests	43	28	3	4	27	12	32	7	88	213
Attributed to non-controlling interests	(7)	-	-	-	(2)	(1)	-	-	(2)	(12)
Net profit (loss) attributed to shareholders of the Bank	36	28	3	4	25	11	32	7	86	201
Average balance of assets ⁽¹⁾	47,717	27,247	2,684	48	17,901	5,544	16,986	1,299	65,131	154,626
of which: Investee Company ⁽¹⁾	-	-	-	-	-	-	-	-	624	624
of which: Average balance of credit to the public ⁽¹⁾	47,717	27,247	2,684	48	17,901	5,544	16,986	1,299	-	89,495
Balance of credit to the public	48,727	⁽⁴⁾ 27,469	3,308	56	18,330	5,509	16,511	1,677	-	90,810
Balance of impaired debts	164	6	-	-	238	70	257	-	-	729
Balance in arrears over 90 days	220	203	-	-	23	-	27	-	-	270
Average balance of liabilities ⁽¹⁾	62,023	370	72	8,961	22,634	5,522	12,137	22,860	11,423	145,560
of which: Average balance of deposits from the public ⁽¹⁾	60,929	-	-	8,904	22,076	5,331	11,247	22,685	-	131,172
Balance of deposits from the public	62,574	-	-	9,242	23,206	5,747	11,304	23,841	-	135,914
Average balance of risk assets ⁽¹⁾⁽²⁾	32,485	14,178	3,131	196	16,989	6,437	18,077	1,738	7,355	83,277
Balance of risk assets ⁽²⁾	32,277	14,766	3,634	205	17,591	6,287	17,546	1,954	7,474	83,334
Average balance of assets under management ⁽¹⁾⁽³⁾	32,183	-	-	17,050	15,973	3,438	12,439	247,399	-	328,482
Segmentation of net interest income:										
- Earnings from credit - granting activity	266	95	3	-	144	38	78	2	-	528
- Earnings from deposits - taking activity	34	-	-	5	8	2	3	5	-	57
- Other	(4)	(1)	-	-	(2)	(1)	(2)	-	86	77
Total net interest income	296	94	3	5	150	39	79	7	86	662

(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 1,188 million.

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

(NIS million)

B. Operational supervision segment information

	For the nine months ended September 30, 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	1,299	733	7	5	540	121	297	6	124	2,392
Interest expense from external	117	-	-	16	34	7	81	31	16	302
Net interest income										
- From external	1,182	733	7	(11)	506	114	216	(25)	108	2,090
- Inter - segment	(279)	(417)	(1)	23	(52)	(2)	5	50	255	-
Total net interest income	903	316	6	12	454	112	221	25	363	2,090
Non-interest income	465	13	64	68	264	46	77	147	214	1,281
Total income	1,368	329	70	80	718	158	298	172	577	3,371
Income from credit losses	(24)	(1)	-	-	(89)	(30)	(62)	(1)	-	(206)
Operating and other expenses	1,043	137	31	52	475	73	123	116	71	1,953
Operating profit before taxes	349	193	39	28	332	115	237	57	506	1,624
Provision for taxes on operating profit	122	68	14	10	116	41	83	20	178	570
Operating profit after taxes	227	125	25	18	216	74	154	37	328	1,054
Bank's share in operating profit of investee company after tax effect	-	-	-	-	-	-	-	-	57	57
Net profit:										
Before attribution to non-controlling interests	227	125	25	18	216	74	154	37	385	1,111
Attributed to non-controlling interests	(23)	-	(1)	-	(5)	(2)	(1)	-	(8)	(39)
Net profit attributed to shareholders of the Bank	204	125	24	18	211	72	153	37	377	1,072
Average balance of assets ⁽¹⁾	50,617	29,834	2,760	62	18,967	5,537	16,796	1,103	77,636	170,718
of which: Investee Company ⁽¹⁾	-	-	-	-	-	-	-	-	665	665
of which: Average balance of credit to the public ⁽¹⁾	50,617	29,834	2,760	62	18,967	5,537	16,796	1,103	-	93,082
Balance of credit to the public	53,314	(4)31,156	3,604	88	19,967	5,806	16,338	1,452	-	96,965
Balance of impaired debts	194	59	-	-	253	85	68	-	-	600
Balance in arrears over 90 days	189	171	-	-	22	-	-	-	-	211
Average balance of liabilities ⁽¹⁾	64,412	323	56	9,052	24,711	5,797	12,497	29,979	14,309	160,757
of which: Average balance of deposits from the public ⁽¹⁾	63,718	-	-	9,036	24,324	5,664	11,851	29,907	-	144,500
Balance of deposits from the public	64,219	-	-	9,448	25,168	6,053	11,982	31,403	-	148,273
Average balance of risk assets ⁽¹⁾⁽²⁾	33,795	15,955	3,151	228	17,765	6,327	17,616	1,544	8,180	85,455
Balance of risk assets ⁽²⁾	34,558	16,548	3,662	240	18,594	6,578	17,941	1,955	7,949	87,815
Average balance of assets under management ⁽¹⁾⁽³⁾	37,372	-	-	21,812	18,602	3,472	17,230	325,809	-	424,297
Segmentation of net interest income:										
- Earnings from credit - granting activity	820	319	6	-	434	109	215	8	-	1,586
- Earnings from deposits - taking activity	89	-	-	12	23	4	9	17	-	154
- Other	(6)	(3)	-	-	(3)	(1)	(3)	-	363	350
Total net interest income	903	316	6	12	454	112	221	25	363	2,090

(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 1,326 million.

NOTE 11 - SUPERVISORY SEGMENTS OF OPERATION (CONT)

(NIS million)

B. Operational supervision segment information (CONT)

	For the nine months ended September 30, 2020 (Unaudited)									
	Activity in Israel									
	Households									
	Total	Of which: Housing loans	Of which: credit cards	Private banking	Small and minute businesses	Medium businesses	Large businesses	Institutional entities	Financial Management	Total
	(NIS million)									
Interest income from external	1,090	457	11	-	503	132	286	10	139	2,160
Interest expense from external	77	-	-	23	36	8	27	12	(3)	180
Net interest income										
- From external	1,013	457	11	(23)	467	124	259	(2)	142	1,980
- Inter - segment	(96)	(185)	(2)	43	8	(4)	(31)	34	46	-
Total net interest income	917	272	9	20	475	120	228	32	188	1,980
Non-interest income	437	10	60	56	256	55	74	162	86	1,126
Total income	1,354	282	69	76	731	175	302	194	274	3,106
Expenses from credit losses	117	38	-	1	118	74	102	1	-	413
Operating and other expenses	1,028	124	46	49	462	74	113	126	42	1,894
Operating profit before taxes	209	120	23	26	151	27	87	67	232	799
Provision for taxes on operating profit	76	43	8	9	46	6	21	23	73	254
Operating profit after taxes	133	77	15	17	105	21	66	44	159	545
Bank's share in operating profit of investee company after tax effect	-	-	-	-	-	-	-	-	24	24
Net profit:										
Before attribution to non-controlling interests	133	77	15	17	105	21	66	44	183	569
Attributed to non-controlling interests	(19)	-	(1)	-	(4)	(2)	-	-	(4)	(29)
Net profit attributed to shareholders of the Bank	114	77	14	17	101	19	66	44	179	540
Average balance of assets ⁽¹⁾	47,185	26,631	2,628	48	17,605	5,620	17,616	1,401	59,121	148,596
of which: Investee Company ⁽¹⁾	-	-	-	-	-	-	-	-	612	612
of which: Average balance of credit to the public ⁽¹⁾	47,185	26,631	2,628	48	17,605	5,620	17,616	1,401	-	89,475
Balance of credit to the public	48,727	(4)27,469	3,308	56	18,330	5,509	16,511	1,677	-	90,810
Balance of impaired debts	164	6	-	-	238	70	257	-	-	729
Balance in arrears over 90 days	220	203	-	-	23	-	27	-	-	270
Average balance of liabilities ⁽¹⁾	58,809	354	64	8,597	21,538	5,572	13,215	21,774	10,117	139,622
of which: Average balance of deposits from the public ⁽¹⁾	57,717	-	-	8,534	20,978	5,379	12,333	21,591	-	126,532
Balance of deposits from the public	62,574	-	-	9,242	23,206	5,747	11,304	23,841	-	135,914
Average balance of risk assets ⁽¹⁾⁽²⁾	32,293	14,336	3,083	206	17,383	6,585	17,825	1,490	7,381	83,163
Balance of risk assets ⁽²⁾	32,277	14,766	3,634	205	17,591	6,287	17,546	1,954	7,474	83,334
Average balance of assets under management ⁽¹⁾⁽³⁾	32,563	-	-	16,896	16,169	3,512	11,725	235,829	-	316,694
Segmentation of net interest income:										
- Earnings from credit - granting activity	802	275	9	-	440	114	221	10	-	1,587
- Earnings from deposits - taking activity	122	-	-	20	39	8	11	22	-	222
- Other	(7)	(3)	-	-	(4)	(2)	(4)	-	188	171
Total net interest income	917	272	9	20	475	120	228	32	188	1,980

(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 1,188 million.

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

(NIS million)

B. Operational supervision segment information (CON'T)

	For the year ended December 31, 2020 (audited)									
	Activity in Israel									
	Households									
	Total	Of which: Housing loans	Of which: credit cards	Private banking	Small and minute businesses	Medium businesses	Large businesses	Institutional entities	Financial Management	Total
	(NIS million)									
Interest income from external	1,646	633	14	7	671	158	232	(8)	172	2,878
Interest expense from external	105	-	-	29	46	10	37	14	-	241
Net interest income										
- From external	1,541	633	14	(22)	625	148	195	(22)	172	2,637
- Inter - segment	(323)	(265)	(2)	46	(2)	7	109	61	102	-
Total net interest income	1,218	368	12	24	623	155	304	39	274	2,637
Non-interest income	586	13	82	77	344	71	100	212	133	1,523
Total income	1,804	381	94	101	967	226	404	251	407	4,160
Expenses from credit losses	117	41	-	1	162	84	98	2	-	464
Operating and other expenses	1,395	172	48	67	621	100	152	174	60	2,569
Operating profit before taxes	292	168	46	33	184	42	154	75	347	1,127
Provision for taxes on operating profit	105	60	16	11	58	11	44	26	113	368
Operating profit after taxes	187	108	30	22	126	31	110	49	234	759
Bank's share in operating profit of investee company after tax effect	-	-	-	-	-	-	-	-	29	29
Net profit:										
Before attribution to non-controlling interests	187	108	30	22	126	31	110	49	263	788
Attributed to non-controlling interests	(26)	-	(2)	-	(4)	(2)	(1)	-	(5)	(38)
Net profit attributed to shareholders of the Bank	161	108	28	22	122	29	109	49	258	750
Average balance of assets ⁽¹⁾	47,443	26,964	2,626	50	17,827	5,592	17,425	1,405	62,438	152,180
of which: Investee Company ⁽¹⁾	-	-	-	-	-	-	-	-	617	617
of which: Average balance of credit to the public ⁽¹⁾	47,443	26,964	2,626	50	17,827	5,592	17,425	1,405	-	89,742
Balance of credit to the public	49,687	⁽⁴⁾ 28,336	3,462	70	18,876	5,385	16,724	1,505	-	92,247
Balance of impaired debts	190	36	-	-	231	78	78	-	-	577
Balance in arrears over 90 days	174	156	-	-	36	-	7	-	-	217
Average balance of liabilities ⁽¹⁾	60,059	365	67	8,698	22,255	5,589	13,162	22,665	10,630	143,058
of which: Average balance of deposits from the public ⁽¹⁾	59,151	-	-	8,666	21,759	5,413	12,317	22,553	-	129,859
Balance of deposits from the public	63,338	-	-	9,097	24,358	5,707	12,867	26,310	-	141,677
Average balance of risk assets ⁽¹⁾⁽²⁾	32,393	14,517	3,085	207	17,441	6,564	17,761	1,606	7,321	83,293
Balance of risk assets ⁽²⁾	32,960	15,187	3,729	214	17,720	5,982	17,624	1,718	7,597	83,815
Average balance of assets under management ⁽¹⁾⁽³⁾	32,799	-	-	17,287	15,775	3,497	12,373	248,302	-	330,033
Segmentation of net interest income:										
- Earnings from credit - granting activity	1,073	374	12	-	582	148	296	14	-	2,113
- Earnings from deposits - taking activity	156	-	-	24	47	9	14	26	-	276
- Other	(11)	(6)	-	-	(6)	(2)	(6)	(1)	274	248
Total net interest income	1,218	368	12	24	623	155	304	39	274	2,637

(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 1,253 million.

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

The division into segments of activity according to the management approach is based on types of products and services or on types of customers. The chief operating decision maker of the Bank uses this division to make decisions and to analyze the Group's business results. For details regarding the assignment of customers to segments based on the management approach and rules for the distribution of results of operations among the segments, see Note 28A to the Annual Financial Statements for 2020.

	Banking Division				Corporate Division		
	Housing loans	Households	Private banking	Other	Corporate customers	Commercial customers	Other
Net interest income	110	131	34	102	108	66	10
Non-interest income	3	55	114	53	52	20	9
Total income	113	186	148	155	160	86	19
Expenses (income) in respect of credit losses	(4)	(25)	(5)	(23)	1	(16)	(1)
Operating and other expenses	49	171	123	105	73	41	8
Operating profit before taxes	68	40	30	73	86	61	12
Provision for taxes on operating profit	24	14	10	26	31	22	5
Operating profit after taxes	44	26	20	47	55	39	7
Bank's share in operating profit of investee company after taxes	-	-	-	-	-	-	-
Net profit							
Before attribution to non-controlling interests	44	26	20	47	55	39	7
Attributed to non-controlling interests	-	-	-	-	-	-	-
Attributed to shareholders of the Bank	44	26	20	47	55	39	7
Average balance of assets ⁽¹⁾	30,740	14,975	4,284	10,624	23,297	9,870	1,075
Balance of credit to the public at the end of the reported period	30,906	15,406	4,519	11,673	23,598	10,122	1,243
Balance of deposits from the public at the end of the reported period	-	30,083	39,659	20,135	23,867	7,331	27,405

	Banking Division				Corporate Division		
	Housing loans	Households	Private banking	Other	Corporate customers	Commercial customers	Other
Net interest income	95	134	41	101	109	62	6
Non-interest income	4	54	108	52	56	19	5
Total income	99	188	149	153	165	81	11
Expenses in respect of credit losses	9	29	5	24	22	6	1
Operating and other expenses	46	171	130	113	84	45	7
Operating profit (loss) before taxes	44	(12)	14	16	59	30	3
Provision for taxes (tax savings) on operating profit (loss)	16	(4)	5	6	22	11	1
Operating profit (loss) after taxes	28	(8)	9	10	37	19	2
Bank's share in operating profit of investee company after taxes	-	-	-	-	-	-	-
Net profit (loss)							
Before attribution to non-controlling interests	28	(8)	9	10	37	19	2
Attributed to non-controlling interests	-	-	-	-	-	-	-
Attributed to shareholders of the Bank	28	(8)	9	10	37	19	2
Average balance of assets ⁽¹⁾	27,033	14,674	3,946	10,024	23,510	9,308	880
Balance of credit to the public at the end of the reported period	27,257	14,924	4,146	10,983	23,713	9,347	771
Balance of deposits from the public at the end of the reported period	-	27,126	41,727	18,409	27,101	6,385	15,845

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

For the three months ended September 30, 2021 (unaudited)						
	Customer Asset Division	Financial management	Subsidiary companies	Adjustments		Total
				Total	Of which: operation in the capital market products	
	54	127	61	(93)	(54)	710
	218	59	29	(197)	(172)	415
	272	186	90	(290)	(226)	1,125
	(2)	-	2	4	2	(69)
	190	27	46	(188)	(154)	645
	84	159	42	(106)	(74)	549
	29	56	14	(38)	(26)	193
	55	103	28	(68)	(48)	356
	-	21	-	-	-	21
	55	124	28	(68)	(48)	377
	-	-	(13)	-	-	(13)
	55	124	15	(68)	(48)	364
	6,387	74,386	8,759	(12,519)	(6,387)	171,878
	6,874	-	5,539	(12,915)	(6,874)	96,965
	141,827	-	8,869	(150,903)	(141,827)	148,273

For the three months ended September 30, 2020 (unaudited)						
	Customer Asset Division	Financial management	Subsidiary companies	Adjustments		Total
				Total	Of which: operation in the capital market products	
	51	102	60	(99)	(51)	662
	207	37	21	(191)	(170)	372
	258	139	81	(290)	(221)	1,034
	3	-	3	(11)	(3)	91
	196	17	42	(211)	(166)	640
	59	122	36	(68)	(52)	303
	22	43	13	(26)	(21)	109
	37	79	23	(42)	(31)	194
	-	19	-	-	-	19
	37	98	23	(42)	(31)	213
	-	-	(12)	-	-	(12)
	37	98	11	(42)	(31)	201
	4,817	63,373	7,750	(10,689)	(4,817)	154,626
	5,029	-	5,079	(10,439)	(5,029)	90,810
	130,371	-	8,297	(139,347)	(130,371)	135,914

NOTE 11A - ACTIVITY SEGMENTS BASED ON MANAGEMENT'S APPROACH (CONT)

	Banking Division				Corporate Division		
	Housing loans	Households	Private banking	Other	Corporate customers	Commercial customers	Other
Net interest income	319	392	109	301	333	195	31
Non-interest income	13	166	354	158	156	60	27
Total income	332	558	463	459	489	255	58
Income in respect of credit losses	(3)	(23)	(3)	(49)	(90)	(34)	(2)
Operating and other expenses	144	512	391	328	218	128	22
Operating profit before taxes	191	69	75	180	361	161	38
Provision for taxes on operating profit	67	24	26	63	127	57	14
Operating profit after taxes	124	45	49	117	234	104	24
Bank's share in operating profit of investee company after taxes	-	-	-	-	-	-	-
Net profit							
Before attribution to non-controlling interests	124	45	49	117	234	104	24
Attributed to non-controlling interests	-	-	-	-	-	-	-
Attributed to shareholders of the Bank	124	45	49	117	234	104	24
Average balance of assets ⁽¹⁾	29,592	14,775	4,160	10,384	23,393	9,532	1,047
Balance of credit to the public at the end of the reported period	30,906	15,406	4,519	11,673	23,598	10,122	1,243
Balance of deposits from the public at the end of the reported period	-	30,083	39,659	20,135	23,867	7,331	27,405

	Banking Division				Corporate Division		
	Housing loans	Households	Private banking	Other	Corporate customers	Commercial customers	Other
Net interest income	277	419	142	318	347	199	33
Non-interest income	10	155	329	157	179	60	15
Total income	287	574	471	475	526	259	48
Expenses in respect of credit losses	36	83	17	101	132	63	5
Operating and other expenses	129	505	401	331	230	127	21
Operating profit (loss) before taxes	122	(14)	53	43	164	69	22
Provision for taxes (tax saving) on operating profit (loss)	36	(5)	13	9	57	19	5
Operating profit (loss) after taxes	86	(9)	40	34	107	50	17
Bank's share in operating profit of investee company after taxes	-	-	-	-	-	-	-
Net profit (loss)							
Before attribution to non-controlling interests	86	(9)	40	34	107	50	17
Attributed to non-controlling interests	-	-	-	-	-	-	-
Attributed to shareholders of the Bank	86	(9)	40	34	107	50	17
Average balance of assets ⁽¹⁾	26,431	14,720	3,936	9,798	24,326	9,264	1,080
Balance of credit to the public at the end of the reported period	27,257	14,924	4,146	10,983	23,713	9,347	771
Balance of deposits from the public at the end of the reported period	-	27,126	41,727	18,409	27,101	6,385	15,845

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

For the nine months ended September 30, 2021 (unaudited)						
	Customer Asset Division	Financial management	Subsidiary companies	Adjustments		Total
				Total	Of which: operation in the capital market products	
	169	345	184	(288)	(169)	2,090
	678	206	76	(613)	(539)	1,281
	847	551	260	(901)	(708)	3,371
	(4)	-	(3)	5	4	(206)
	591	69	140	(590)	(482)	1,953
	260	482	123	(316)	(230)	1,624
	91	169	43	(111)	(81)	570
	169	313	80	(205)	(149)	1,054
	-	57	-	-	-	57
	169	370	80	(205)	(149)	1,111
	-	-	(39)	-	-	(39)
	169	370	41	(205)	(149)	1,072
	5,923	75,076	8,741	(11,905)	(5,923)	170,718
	6,874	-	5,539	(12,915)	(6,874)	96,965
	141,827	-	8,869	(150,903)	(141,827)	148,273

For the nine months ended September 30, 2020 (unaudited)						
	Customer Asset Division	Financial management	Subsidiary companies	Adjustments		Total
				Total	Of which: operation in the capital market products	
	226	194	182	(357)	(226)	1,980
	660	91	62	(592)	(529)	1,126
	886	285	244	(949)	(755)	3,106
	5	-	18	(47)	(5)	413
	606	41	133	(630)	(509)	1,894
	275	244	93	(272)	(241)	799
	77	83	34	(74)	(66)	254
	198	161	59	(198)	(175)	545
	-	24	-	-	-	24
	198	185	59	(198)	(175)	569
	-	-	(29)	-	-	(29)
	198	185	30	(198)	(175)	540
	5,247	57,125	7,822	(11,153)	(5,247)	148,596
	5,029	-	5,079	(10,439)	(5,029)	90,810
	130,371	-	8,297	(139,347)	(130,371)	135,914

NOTE 11A - ACTIVITY SEGMENTS BASED ON MANAGEMENT'S APPROACH (CONT)

(NIS million)

	Banking Division				Corporate Division		
	Housing loans	Households	Private banking	Other	Corporate customers	Commercial customers	Other
Net interest income	376	551	181	416	458	260	40
Non-interest income	13	209	441	211	241	80	20
Total income	389	760	622	627	699	340	60
Expenses in respect of credit losses	40	77	22	133	131	92	8
Operating and other expenses	178	683	541	442	311	170	27
Operating profit before taxes	171	-	59	52	257	78	25
Provision for taxes on operating profit	53	-	16	12	88	22	6
Operating profit after taxes	118	-	43	40	169	56	19
Bank's share in operating profit of investee company after taxes	-	-	-	-	-	-	-
Net profit							
Before attribution to non-controlling interests	118	-	43	40	169	56	19
Attributed to non-controlling interests	-	-	-	-	-	-	-
Attributed to shareholders of the Bank	118	-	43	40	169	56	19
Average balance of assets ⁽¹⁾	26,758	14,661	3,939	9,851	24,233	9,242	1,024
Balance of credit to the public at the end of the reported period	28,121	14,882	4,190	10,946	24,431	9,284	620
Balance of deposits from the public at the end of the reported period	-	28,228	41,178	19,784	31,191	6,935	15,147

(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, 2020 (audited)

	Adjustments					
	Customer Asset Division	Financial management	Subsidiary companies	Total	Of which: operation in the capital market products	Total
	293	273	241	(452)	(293)	2,637
	883	130	84	(789)	(711)	1,523
	1,176	403	325	(1,241)	(1,004)	4,160
	9	-	22	(70)	(9)	464
	821	59	182	(845)	(690)	2,569
	346	344	121	(326)	(305)	1,127
	102	118	44	(93)	(87)	368
	244	226	77	(233)	(218)	759
	-	29	-	-	-	29
	244	255	77	(233)	(218)	788
	-	-	(38)	-	-	(38)
	244	255	39	(233)	(218)	750
	5,326	60,040	7,995	(10,889)	(5,326)	152,180
	5,423	-	5,238	(10,888)	(5,423)	92,247
	135,831	-	8,612	(145,229)	(135,831)	141,677

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

(NIS million)

A. Debts⁽¹⁾ and off-balance sheet credit instruments

Provision for credit losses

1. Change in provision for credit losses

	For the three months ended September 30, 2021 (unaudited)					
	Credit to the public				Banks and Governments	Total
	Commercial	Housing	Other private	Total		
Change in provision for credit losses - Debts						
Provision for credit losses at beginning of the period	666	165	318	1,149	-	1,149
Income in respect of credit losses	(44)	(3)	(29)	(76)	-	(76)
- Accounting write-offs	(14)	-	(20)	(34)	-	(34)
- Collection of debts written off in accounting in previous years	26	1	22	49	-	49
Net accounting write-offs	12	1	2	15	-	15
Provision for credit losses at end of the period	634	163	291	1,088	-	1,088
Changes in provision in respect of off-balance sheet credit instruments						
Provision at beginning of the period	67	-	12	79	-	79
Increase in the provision	7	-	-	7	-	7
Provision in respect of off-balance sheet credit instruments at end of the period	74	-	12	86	-	86
Total provision for credit losses - debts and off-balance sheet credit instruments	708	163	303	1,174	-	1,174

	For the three months ended September 30, 2020 (unaudited)					
	Credit to the public				Banks and Governments	Total
	Commercial	Housing	Other private	Total		
Change in provision for credit losses - Debts						
Provision for credit losses at beginning of the period	706	150	300	1,156	-	1,156
Expenses in respect of credit losses	60	10	17	87	-	87
- Accounting write-offs	(32)	-	(28)	(60)	-	(60)
- Collection of debts written off in accounting in previous years	19	1	22	42	-	42
Net accounting write-offs	(13)	1	(6)	(18)	-	(18)
Provision for credit losses at end of the period	753	161	311	1,225	-	1,225
Changes in provision in respect of off-balance sheet credit instruments						
Provision at beginning of the period	61	-	12	73	-	73
Increase in the provision	4	-	-	4	-	4
Provision in respect of off-balance sheet credit instruments at end of the period	65	-	12	77	-	77
Total provision for credit losses - debts and off-balance sheet credit instruments	818	161	323	1,302	-	1,302

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

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

(NIS million)

A. Debts⁽¹⁾ and off-balance sheet credit instruments (Cont'd)

Provision for credit losses (Cont'd)

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

	For the nine months ended September 30, 2021 (unaudited)					
	Credit to the public				Banks and Governments	Total
	Commercial	Housing	Other private	Total		
Change in provision for credit losses - Debts						
Provision for credit losses at beginning of the year	809	164	304	1,277	-	1,277
Income in respect of credit losses	(184)	(1)	(21)	(206)	-	(206)
Accounting write-offs	(58)	(1)	(61)	(120)	-	(120)
Collection of debts written off in accounting in previous years	67	1	69	137	-	137
Net accounting write-offs	9	-	8	17	-	17
Provision for credit losses at end of the period	634	163	291	1,088	-	1,088
Changes in provision in respect of off-balance sheet credit instruments						
Provision at beginning of the year	72	-	14	86	-	86
Increase (decrease) in the provision	2	-	(2)	-	-	-
Provision in respect of off-balance sheet credit instruments at end of the period	74	-	12	86	-	86
Total provision for credit losses - debts and off-balance sheet credit instruments	708	163	303	1,174	-	1,174

	For the nine months ended September 30, 2020 (unaudited)					
	Credit to the public				Banks and Governments	Total
	Commercial	Housing	Other private	Total		
Change in provision for credit losses - Debts						
Provision for credit losses at beginning of the year	545	121	264	930	-	930
Expenses in respect of credit losses	276	38	79	393	-	393
Accounting write-offs	(117)	-	(98)	(215)	-	(215)
Collection of debts written off in accounting in previous years	49	2	66	117	-	117
Net accounting write-offs	(68)	2	(32)	(98)	-	(98)
Provision for credit losses at end of the period	753	161	311	1,225	-	1,225
Changes in provision in respect of off-balance sheet credit instruments						
Provision at beginning of the year	46	-	11	57	-	57
Increase in the provision	19	-	1	20	-	20
Provision in respect of off-balance sheet credit instruments at end of the period	65	-	12	77	-	77
Total provision for credit losses - debts and off-balance sheet credit instruments	818	161	323	1,302	-	1,302

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

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

(NIS million)

A. Debts* and off-balance sheet credit instruments (Cont'd)

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

September 30, 2021 (unaudited)						
	Credit to the public				Banks and Governments	Total
	Commercial (3)	Housing	Other private	Total		
Recorded debt balance of debts						
Examined on an individual basis	37,655	-	429	38,084	4,313	42,397
Examined on a collective basis	5,974	31,156	21,751	58,881	-	58,881
Of which: provision for which was calculated according to the extent of arrears	66	31,150	-	31,216	-	31,216
Total debts	43,629	31,156	22,180	96,965	4,313	101,278
Provision for credit losses in respect of debts						
Examined on an individual basis	556	-	37	593	-	593
Examined on a collective basis	78	163	254	495	-	495
Of which: provision for which was calculated according to the extent of arrears	-	(2)163	-	163	-	163
Total provision for credit losses	634	163	291	1,088	-	1,088

September 30, 2020 (unaudited)						
	Credit to the public				Banks and Governments	Total
	Commercial (3)	Housing	Other private	Total		
Recorded debt balance of debts						
Examined on an individual basis	36,209	-	384	36,593	3,359	39,952
Examined on a collective basis	5,922	27,469	20,826	54,217	-	54,217
Of which: provision for which was calculated according to the extent of arrears	104	27,451	-	27,555	-	27,555
Total debts	42,131	27,469	21,210	90,810	3,359	94,169
Provision for credit losses in respect of debts						
Examined on an individual basis	668	-	48	716	-	716
Examined on a collective basis	85	161	263	509	-	509
Of which: provision for which was calculated according to the extent of arrears	1	(2)161	-	162	-	162
Total provision for credit losses	753	161	311	1,225	-	1,225

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

(NIS million)

A. Debts* and off-balance sheet credit instruments (Cont'd)

**2. Additional information regarding the method of calculating the provision for credit losses in respect of debts⁽¹⁾
and the underlying debts⁽¹⁾ (Cont'd)**

	December 31, 2020 (audited)					
	Credit to the public				Banks and Governments	Total
	Commercial (3)	Housing	Other private	Total		
Recorded debt balance of debts⁽¹⁾						
Examined on an individual basis	36,595	-	390	36,985	3,623	40,608
Examined on a collective basis	5,983	28,336	20,943	55,262	-	55,262
Of which: provision for which was calculated according to the extent of arrears	88	28,320	-	28,408	-	28,408
Total debts	42,578	28,336	21,333	92,247	3,623	95,870
Provision for credit losses in respect of debts⁽¹⁾						
Examined on an individual basis	693	-	40	733	-	733
Examined on a collective basis	116	164	264	544	-	544
Of which: provision for which was calculated according to the extent of arrears	1	(2)164	-	165	-	165
Total provision for credit losses	809	164	304	1,277	-	1,277

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

(2) Includes the provision exceeding the amount required according to the method of the extent of arrears, calculated on a collective basis in the amount of approximately NIS 116 million (30.9.20 - NIS 121 million, 31.12.20 - NIS 124 million).

(3) The balance of commercial debts includes housing loans in the amount of NIS 2,960 million, combined in the framework of transaction and collateral of the commercial borrowers or that have been granted to purchase groups at construction stages (30.9.20 - NIS 3,135 million, 31.12.20 - NIS 3,001 million).

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

(NIS million)

B. Debts⁽¹⁾

1. Credit quality and arrears

					September 30, 2021 (unaudited)	
	Non-problematic	Problematic ⁽²⁾		Total	Unimpaired debts - additional information	
		Unimpaired	Impaired ⁽³⁾		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	6,436	51	55	6,542	5	3
Construction and real estate - real estate activities	5,497	14	47	5,558	1	8
Financial services	7,355	17	7	7,379	1	3
Commercial - other	22,431	793	297	23,521	15	20
Total commercial	41,719	875	406	43,000	22	34
Private individuals - housing loans	30,849	⁽⁶⁾ 248	59	31,156	171	169
Private individuals - others	21,921	124	135	22,180	18	41
Total public - activity in Israel	94,489	1,247	600	96,336	211	244
Banks in Israel	1,126	-	-	1,126	-	-
Israeli government	859	-	-	859	-	-
Total activity in Israel	96,474	1,247	600	98,321	211	244
Borrower activity abroad						
Public - commercial						
Construction and real estate	23	-	-	23	-	-
Other commercial	600	6	-	606	-	10
Total commercial	623	6	-	629	-	10
Private individuals	-	-	-	-	-	-
Total public - activity abroad	623	6	-	629	-	10
Banks abroad	2,328	-	-	2,328	-	-
Governments abroad	-	-	-	-	-	-
Total activity abroad	2,951	6	-	2,957	-	10
Total public	95,112	1,253	600	96,965	211	254
Total banks	3,454	-	-	3,454	-	-
Total governments	859	-	-	859	-	-
Total	99,425	1,253	600	101,278	211	254

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

(2) Credit risk that is impaired, substandard, or under special supervision, including in respect of housing loans for which a provision based on the extent of arrears exists, and housing loans for which a provision based on the extent of arrears does not exist, which are in arrears of 90 days or more.

(3) In general, impaired debts do not accrue interest income. For information regarding certain impaired debts restructured in troubled debt restructuring, see Note 12.B.2.c. below.

(4) Classified as unimpaired problematic debts, accruing interest income.

(5) Accruing interest income. Debts in arrears of 30 to 89 days, in the amount of approximately NIS 110 million (30.9.20 - NIS 107 million) were classified as unimpaired problematic debts.

(6) Includes a balance of housing loans, in the amount of approximately NIS 13 million (30.9.20 - NIS 18 million) with provision based on the extent of arrears, for which an arrangement has been signed for the borrower's repayment of the amounts in arrears, where a change has been made in the repayment, schedule with regard to the balance of the loan not yet due for repayment.

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

(NIS million)

B. Debts⁽¹⁾ (Cont'd)

1. Credit quality and arrears (Cont'd)

September 30, 2020 (unaudited)						
	Non- problematic	Problematic ⁽²⁾		Total	Unimpaired debts - additional information	
		Unimpaired	Impaired ⁽³⁾		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	5,524	57	23	5,604	9	3
Construction and real estate - real estate activities	5,606	60	41	5,707	7	30
Financial services	6,837	3	7	6,847	-	2
Commercial - other	22,328	680	486	23,494	34	42
Total commercial	40,295	800	557	41,652	50	77
Private individuals - housing loans	27,149	⁽⁶⁾ 314	6	27,469	203	171
Private individuals - others	20,881	171	158	21,210	17	36
Total public - activity in Israel	88,325	1,285	721	90,331	270	284
Banks in Israel	883	-	-	883	-	-
Israeli government	651	-	-	651	-	-
Total activity in Israel	89,859	1,285	721	91,865	270	284
Borrower activity abroad						
Public - commercial						
Construction and real estate	12	-	8	20	-	-
Other commercial	459	-	-	459	-	-
Total commercial	471	-	8	479	-	-
Private individuals	-	-	-	-	-	-
Total public - activity abroad	471	-	8	479	-	-
Banks abroad	1,825	-	-	1,825	-	-
Governments abroad	-	-	-	-	-	-
Total activity abroad	2,296	-	8	2,304	-	-
Total public	88,796	1,285	729	90,810	270	284
Total banks	2,708	-	-	2,708	-	-
Total governments	651	-	-	651	-	-
Total	92,155	1,285	729	94,169	270	284

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

(NIS million)

B. Debts⁽¹⁾ (Cont'd)

1. Credit quality and arrears (Cont'd)

	December 31, 2020 (audited)					
	Non-problematic	Problematic ⁽²⁾		Total	Unimpaired debts - additional information	
		Unimpaired	Impaired ⁽³⁾		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	5,751	39	44	5,834	7	1
Construction and real estate - real estate activities	5,432	53	27	5,512	20	11
Financial services	7,358	6	7	7,371	-	1
Commercial - other	21,884	888	309	23,081	16	26
Total commercial	40,425	986	387	41,798	43	39
Private individuals - housing loans	28,049	⁽⁶⁾ 251	36	28,336	156	138
Private individuals - others	21,004	175	154	21,333	18	39
Total public - activity in Israel	89,478	1,412	577	91,467	217	216
Banks in Israel	1,108	-	-	1,108	-	-
Israeli government	656	-	-	656	-	-
Total activity in Israel	91,242	1,412	577	93,231	217	216
Borrower activity abroad						
Public - commercial						
Construction and real estate	16	-	-	16	-	-
Other commercial	764	-	-	764	-	-
Total commercial	780	-	-	780	-	-
Private individuals	-	-	-	-	-	-
Total public - activity abroad	780	-	-	780	-	-
Banks abroad	1,859	-	-	1,859	-	-
Governments abroad	-	-	-	-	-	-
Total activity abroad	2,639	-	-	2,639	-	-
Total public	90,258	1,412	577	92,247	217	216
Total banks	2,967	-	-	2,967	-	-
Total governments	656	-	-	656	-	-
Total	93,881	1,412	577	95,870	217	216

(1) Credit to the public, credit to government, deposits with banks and other debts, excluding bonds and securities borrowed or purchased under agreements to resell.

(2) Credit risk that is impaired, substandard, or under special supervision, including in respect of housing loans for which a provision based on the extent of arrears exists, and housing loans for which a provision based on the extent of arrears does not exist, which are in arrears of 90 days or more.

(3) In general, impaired debts do not accrue interest income. For information regarding certain impaired debts restructured in troubled debt restructuring, see Note 12.B.2.c. below.

(4) Classified as unimpaired problematic debts, accruing interest income.

(5) Accruing interest income Debts in arrears of 30 to 89 days, in the amount of approximately NIS 83 million were classified as unimpaired problematic debts.

(6) Includes a balance of housing loans, in the amount of approximately NIS 16 million with provision based on the extent of arrears, for which an arrangement has been signed for the borrower's repayment of the amounts in arrears, where a change has been made in the repayment, schedule with regard to the balance of the loan not yet due for repayment.

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

(NIS million)

B. Debts⁽¹⁾ (Cont'd)

1. Credit quality and arrears (Cont'd)

Credit quality - the status of debts in arrears

The credit risk policy of the Bank defines principal indicators for the examination of credit quality, among which are the default situation, rating of the customer, status of the collateral etc. The status of debts in arrears is monitored routinely, and serves as one of the key indicators of credit quality. The status of debts in arrears is determined based on actual days of arrears. Debts which are evaluated on an individual basis, are treated as nonperforming debts (debts not accruing interest income) after 90 days of arrears. In addition, debts restructuring of problematic debts, are treated as impaired debts. With regard to debts evaluated on a collective basis, the status of arrears effects the classification of the debt (the classification is more severe for more extensive arrears) and mostly after 150 days of arrears, the Bank performs an accounting write-off of the debt up to the extent of the collateral. With regard to housing loans, with the exception of loans without quarterly or monthly payments, the Bank establishes an allowance according to the method of the extent of arrears.

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

(NIS million)

B. Debts ⁽¹⁾(Cont'd)

2. Additional information regarding impaired debts

September 30, 2021 (unaudited)					
	Balance ⁽²⁾ of impaired debts for which an individual provision exists ⁽³⁾	Individual provision ⁽³⁾	Balance ⁽²⁾ of impaired debts for which no individual provision exists ⁽³⁾	Total Balance ⁽²⁾ of impaired debts	Balance of contractual principal of impaired debts
A. Impaired debts and the individual provision					
Borrower activity in Israel					
Public - commercial					
Construction and real estate - construction	53	7	2	55	818
Construction and real estate - real estate activities	32	5	15	47	1,076
Financial services	7	1	-	7	1,355
Commercial - other	267	134	30	297	2,016
Total commercial	359	147	47	406	5,265
Private individuals - housing loans	-	-	59	59	60
Private individuals - others	121	33	14	135	255
Total public - activity in Israel	480	180	120	600	5,580
Banks in Israel	-	-	-	-	-
Israeli government	-	-	-	-	-
Total activity in Israel	480	180	120	600	5,580
Borrower activity abroad					
Public - commercial					
Construction and real estate	-	-	-	-	-
Other commercial	-	-	-	-	14
Total commercial	-	-	-	-	14
Private individuals	-	-	-	-	-
Total public - activity abroad	-	-	-	-	14
Banks abroad	-	-	-	-	-
Government abroad	-	-	-	-	-
Total activity abroad	-	-	-	-	14
Total public	480	180	120	600	5,594
Total banks	-	-	-	-	-
Total governments	-	-	-	-	-
Total(*)	480	180	120	600	5,594
(*) Of which:					
Measured at the present value of cash flows	480	180	102	582	
Debts in troubled debt restructuring	172	46	29	201	

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

(2) Recorded debt balance.

(3) Individual provision for credit losses.

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

(NIS million)

B. Debts⁽¹⁾ (Cont'd)

2. Additional information regarding impaired debts (Cont'd)

September 30, 2020 (unaudited)					
	Balance ⁽²⁾ of impaired debts for which an individual provision exists ⁽³⁾	Individual provision ⁽³⁾	Balance ⁽²⁾ of impaired debts for which no individual provision exists ⁽³⁾	Total Balance ⁽²⁾ of impaired debts	Balance of contractual principal of impaired debts
A. Impaired debts and the individual provision					
Borrower activity in Israel					
Public - commercial					
Construction and real estate - construction	16	7	7	23	850
Construction and real estate - real estate activities	25	3	16	41	933
Financial services	7	2	-	7	1,157
Commercial - other	464	164	22	486	2,192
Total commercial	512	176	45	557	5,132
Private individuals - housing loans	-	-	6	6	8
Private individuals - others	144	39	14	158	278
Total public - activity in Israel	656	215	65	721	5,418
Banks in Israel	-	-	-	-	-
Israeli government	-	-	-	-	-
Total activity in Israel	656	215	65	721	5,418
Borrower activity abroad					
Public - commercial					
Construction and real estate	-	-	8	8	8
Other commercial	-	-	-	-	14
Total commercial	-	-	8	8	22
Private individuals	-	-	-	-	-
Total public - activity abroad	-	-	8	8	22
Banks abroad	-	-	-	-	-
Government abroad	-	-	-	-	-
Total activity abroad	-	-	8	8	22
Total public	656	215	73	729	5,440
Total banks	-	-	-	-	-
Total governments	-	-	-	-	-
Total(*)	656	215	73	729	5,440
(*) Of which:					
Measured at the present value of cash flows	650	214	36	686	
Debts in troubled debt restructuring	222	60	42	264	

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

(2) Recorded debt balance.

(3) Individual provision for credit losses.

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

(NIS million)

B. Debts⁽¹⁾ (Cont'd)

2. Additional information regarding impaired debts (Cont'd)

December 31, 2020 (audited)					
	Balance ⁽²⁾ of impaired debts for which an individual provision exists ⁽³⁾	Individual provision ⁽³⁾	Balance ⁽²⁾ of impaired debts for which no individual provision exists ⁽³⁾	Total Balance ⁽²⁾ of impaired debts	Balance of contractual principal of impaired debts
A. Impaired debts and the individual provision					
Borrower activity in Israel					
Public - commercial					
Construction and real estate - construction	38	10	6	44	898
Construction and real estate - real estate activities	12	2	15	27	960
Financial services	7	2	-	7	1,200
Commercial - other	266	130	43	309	2,029
Total commercial	323	144	64	387	5,087
Private individuals - housing loans	-	-	36	36	38
Private individuals - others	140	37	14	154	276
Total public - activity in Israel	463	181	114	577	5,401
Banks in Israel	-	-	-	-	-
Israeli government	-	-	-	-	-
Total activity in Israel	463	181	114	577	5,401
Borrower activity abroad					
Public - commercial					
Construction and real estate	-	-	-	-	-
Other commercial	-	-	-	-	14
Total commercial	-	-	-	-	14
Private individuals	-	-	-	-	-
Total public - activity abroad	-	-	-	-	14
Banks abroad	-	-	-	-	-
Government abroad	-	-	-	-	-
Total activity abroad	-	-	-	-	14
Total public	463	181	114	577	5,415
Total banks	-	-	-	-	-
Total governments	-	-	-	-	-
Total(*)	463	181	114	577	5,415
(*) Of which:					
Measured at the present value of cash flows	457	180	58	515	
Debts in troubled debt restructuring	184	51	43	227	

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

(2) Recorded debt balance.

(3) Individual provision for credit losses.

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

(NIS million)

B. Debts⁽¹⁾ (Cont'd)

2. Additional information regarding impaired debts (Cont'd)

	For the three months ended September 30					
	2021			2020		
	(unaudited)			(unaudited)		
	Average balance of impaired debts ⁽²⁾	Interest income recorded ⁽³⁾	Of which: recorded on a cash basis	Average balance of impaired debts ⁽²⁾	Interest income recorded ⁽³⁾	Of which: recorded on a cash basis
B. Average balance and interest income						
Borrower activity in Israel						
Public - commercial						
Construction and real estate - construction	65	-	-	26	-	-
Construction and real estate - real estate activities	44	-	-	38	-	-
Financial services	5	-	-	8	-	-
Commercial - other	300	1	-	485	1	-
Total commercial	414	1	-	557	1	-
Private individuals - housing loans	61	-	-	8	-	-
Private individuals - others	134	-	-	161	1	-
Total public - activity in Israel	609	1	-	726	2	-
Banks in Israel	-	-	-	-	-	-
Israeli government	-	-	-	-	-	-
Total activity in Israel	609	1	-	726	2	-
Borrower activity abroad						
Public - commercial						
Construction and real estate	-	-	-	8	-	-
Other commercial	-	-	-	-	-	-
Total commercial	-	-	-	8	-	-
Private individuals	-	-	-	-	-	-
Total public - activity abroad	-	-	-	8	-	-
Banks abroad	-	-	-	-	-	-
Government abroad	-	-	-	-	-	-
Total activity abroad	-	-	-	8	-	-
Total public	609	1	-	734	2	-
Total banks	-	-	-	-	-	-
Total governments	-	-	-	-	-	-
Total	609	(4)1	-	734	(4)2	-

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

(2) Average recorded debt balance of impaired debts to the public in the reported period

(3) Interest income recognized in the reported period in respect of the average balance of impaired debts, during the period of time in which the debts have been classified as impaired.

(4) If the impaired debts were accruing interest in respect of the original terms, an interest income in the amount of NIS 6 million was recorded in three months ended September 30, 2021 (for three months ended September 30, 2020 - NIS 8 million).

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

(NIS million)

B. Debts⁽¹⁾ (Cont'd)

2. Additional information regarding impaired debts (Cont'd)

	For the nine months ended September 30					
	2021			2020		
	(unaudited)			(unaudited)		
	Average balance of impaired debts ⁽²⁾	Interest income recorded ⁽³⁾	Of which: recorded on a cash basis	Average balance of impaired debts ⁽²⁾	Interest income recorded ⁽³⁾	Of which: recorded on a cash basis
B. Average balance and interest income						
Borrower activity in Israel						
Public - commercial						
Construction and real estate - construction	49	-	-	32	-	-
Construction and real estate - real estate activities	42	-	-	34	-	-
Financial services	7	-	-	6	-	-
Commercial - other	298	1	-	487	1	-
Total commercial	396	1	-	559	1	-
Private individuals - housing loans	69	-	-	8	-	-
Private individuals - others	142	1	-	157	1	-
Total public - activity in Israel	607	2	-	724	2	-
Banks in Israel	-	-	-	-	-	-
Israeli government	-	-	-	-	-	-
Total activity in Israel	607	2	-	724	2	-
Borrower activity abroad						
Public - commercial						
Construction and real estate	-	-	-	8	-	-
Other commercial	-	-	-	-	-	-
Total commercial	-	-	-	8	-	-
Private individuals	-	-	-	-	-	-
Total public - activity abroad	-	-	-	8	-	-
Banks abroad	-	-	-	-	-	-
Government abroad	-	-	-	-	-	-
Total activity abroad	-	-	-	8	-	-
Total public	607	2	-	732	2	-
Total banks	-	-	-	-	-	-
Total governments	-	-	-	-	-	-
Total	607	(4)2	-	732	(4)2	-

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

(2) Average recorded debt balance of impaired debts to the public in the reported period

(3) Interest income recognized in the reported period in respect of the average balance of impaired debts, during the period of time in which the debts have been classified as impaired.

(4) If the impaired debts were accruing interest in respect of the original terms, an interest income in the amount of NIS 21 million was recorded in nine months ended September 30, 2021 (for nine months ended September 30, 2020 - NIS 26 million).

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

(NIS million)

B. Debts⁽¹⁾ (Cont'd)

2. Additional information regarding impaired debts (Cont'd)

	September 30, 2021 (unaudited)				
	Recorded debt balance				
	Not accruing interest income	accruing ⁽²⁾ in arrears of 90 days or more	accruing ⁽²⁾ in arrears of 30 to 89 days	Accruing ⁽²⁾ , not in arrears	Total ⁽³⁾
C. Troubled debt restructuring					
Borrower activity in Israel					
Public - commercial					
Construction and real estate - construction	6	-	-	2	8
Construction and real estate - real estate activities	4	-	-	3	7
Financial services	1	-	-	1	2
Commercial - other	67	-	-	18	85
Total commercial	78	-	-	24	102
Private individuals - housing loans	-	-	-	-	-
Private individuals - others	65	-	-	34	99
Total public - activity in Israel	143	-	-	58	201
Banks in Israel	-	-	-	-	-
Israeli government	-	-	-	-	-
Total activity in Israel	143	-	-	58	201
Borrower activity abroad					
Public - commercial					
Construction and real estate	-	-	-	-	-
Other commercial	-	-	-	-	-
Total commercial	-	-	-	-	-
Private individuals	-	-	-	-	-
Total public - activity abroad	-	-	-	-	-
Total	143	-	-	58	201

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

(2) Accruing interest income.

(3) Included in impaired debts.

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

(NIS million)

B. Debts⁽¹⁾ (Cont'd)

2. Additional information regarding impaired debts (Cont'd)

September 30, 2020 (unaudited)					
Recorded debt balance					
	Not accruing interest income	accruing ⁽²⁾ in arrears of 90 days or more	accruing ⁽²⁾ in arrears of 30 to 89 days	Accruing ⁽²⁾ , not in arrears	Total ⁽³⁾
C. Troubled debt restructuring					
Borrower activity in Israel					
Public - commercial					
Construction and real estate - construction	9	-	-	1	10
Construction and real estate - real estate activities	11	-	-	3	14
Financial services	1	-	-	-	1
Commercial - other	97	-	-	17	114
Total commercial	118	-	-	21	139
Private individuals - housing loans	-	-	-	-	-
Private individuals - others	84	-	-	33	117
Total public - activity in Israel	202	-	-	54	256
Banks in Israel	-	-	-	-	-
Israeli government	-	-	-	-	-
Total activity in Israel	202	-	-	54	256
Borrower activity abroad					
Public - commercial					
Construction and real estate	8	-	-	-	8
Other commercial	-	-	-	-	-
Total commercial	8	-	-	-	8
Private individuals	-	-	-	-	-
Total public - activity abroad	8	-	-	-	8
Total	210	-	-	54	264

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

(2) Accruing interest income.

(3) Included in impaired debts.

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

(NIS million)

B. Debts⁽¹⁾ (Cont'd)

2. Additional information regarding impaired debts (Cont'd)

	December 31, 2020 (audited)				
	Recorded debt balance				
	Not accruing interest income	accruing ⁽²⁾ in arrears of 90 days or more	accruing ⁽²⁾ in arrears of 30 to 89 days	Accruing ⁽²⁾ , not in arrears	Total ⁽³⁾
C. Troubled debt restructuring (Cont'd)					
Borrower activity in Israel					
Public - commercial					
Construction and real estate - construction	12	-	-	1	13
Construction and real estate - real estate activities	4	-	-	3	7
Financial services	1	-	-	-	1
Commercial - other	78	-	-	15	93
Total commercial	95	-	-	19	114
Private individuals - others	79	-	-	34	113
Total activity in Israel	174	-	-	53	227
Borrower activity abroad					
Public - commercial					
Construction and real estate	-	-	-	-	-
Other commercial	-	-	-	-	-
Total commercial	-	-	-	-	-
Private individuals	-	-	-	-	-
Total public - activity abroad	-	-	-	-	-
Total	174	-	-	53	227

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

(2) Accruing interest income.

(3) Included in impaired debts.

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

(NIS million)

B. Debts⁽¹⁾ (Cont'd)

2. Additional information regarding impaired debts (Cont'd)

	Restructuring made					
	For the three months ended September 30					
	2021			2020		
				(unaudited)		
	Number of contracts	Debt balance before restructuring	Debt balance after restructuring	Number of contracts	Debt balance before restructuring	Debt balance after restructuring
C. Troubled debt restructuring (Cont'd)						
Borrower activity in Israel						
Public - commercial						
Construction and real estate - construction	3	-	-	10	4	4
Construction and real estate - real estate activities	2	-	-	5	3	3
Financial services	1	-	-	1	-	-
Commercial - other	51	11	11	110	15	15
Total commercial	57	11	11	126	22	22
Private individuals - housing loans	-	-	-	-	-	-
Private individuals - others	221	10	10	352	15	14
Total public - activity in Israel	278	21	21	478	37	36
Banks in Israel	-	-	-	-	-	-
Israeli government	-	-	-	-	-	-
Total activity in Israel	278	21	21	478	37	36

	Restructuring made					
	For the nine months ended September 30					
	2021			2020		
				(unaudited)		
	Number of contracts	Debt balance before restructuring	Debt balance after restructuring	Number of contracts	Debt balance before restructuring	Debt balance after restructuring
C. Troubled debt restructuring (Cont'd)						
Borrower activity in Israel						
Public - commercial						
Construction and real estate - construction	11	1	1	25	6	6
Construction and real estate - real estate activities	15	3	3	10	10	10
Financial services	3	-	-	4	2	2
Commercial - other	157	26	26	269	68	68
Total commercial	186	30	30	308	86	86
Private individuals - housing loans	-	-	-	-	-	-
Private individuals - others	664	31	30	1,102	50	48
Total public - activity in Israel	850	61	60	1,410	136	134
Banks in Israel	-	-	-	-	-	-
Israeli government	-	-	-	-	-	-
Total activity in Israel	850	61	60	1,410	136	134

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

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

(NIS million)

B. Debts⁽¹⁾ (Cont'd)

2. Additional information regarding impaired debts (Cont'd)

		Restructuring made and failed ⁽²⁾			
		For the three months ended September 30			
		2021		2020	
		(unaudited)			
		Number of contracts	Balance of debt recorded	Number of contracts	Balance of debt recorded
c. Troubled debt restructuring (Cont'd)					
Borrower activity in Israel					
Public - commercial					
Construction and real estate - construction		5	-	6	1
Construction and real estate - real estate activities		1	-	-	-
Financial services		1	-	2	-
Commercial - other		49	2	38	3
Total commercial		56	2	46	4
Private individuals - housing loans		-	-	-	-
Private individuals - others		154	3	155	4
Total public - activity in Israel		210	5	201	8
Banks in Israel		-	-	-	-
Israeli government		-	-	-	-
Total activity in Israel		210	5	201	8

	Restructuring made and failed ⁽²⁾			
	For the nine months ended September 30			
	2021		2020	
			(unaudited)	
	Number of contracts	Balance of debt recorded	Number of contracts	Balance of debt recorded
c. Troubled debt restructuring (Cont'd)				
Borrower activity in Israel				
Public - commercial				
Construction and real estate - construction	14	1	16	3
Construction and real estate - real estate activities	4	1	1	-
Financial services	2	-	3	-
Commercial - other	110	6	122	8
Total commercial	130	8	142	11
Private individuals - housing loans	-	-	-	-
Private individuals - others	404	8	473	11
Total public - activity in Israel	534	16	615	22
Banks in Israel	-	-	-	-
Israeli government	-	-	-	-
Total activity in Israel	534	16	615	22

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

(2) Debts that became debts in arrears of 30 days or more during the reported period which were restructured as problematic debts 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. Debts⁽¹⁾ (Cont'd)

3. Additional information regarding housing loans

Year-end balances by financing ratio (LTV)(*), repayment type, and interest type

	September 30, 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%	21,355	228	12,560	1,529
- Over 60%	9,326	79	5,646	997
Secondary lien or no lien	475	89	401	-
Total	31,156	396	18,607	2,526

	September 30, 2020 (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%	19,076	217	11,279	1,535
- Over 60%	7,907	80	4,869	994
Secondary lien or no lien	486	126	402	-
Total	27,469	423	16,550	2,529

	December 31, 2020 (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%	19,603	216	11,537	1,800
- Over 60%	8,250	84	5,038	1,149
Secondary lien or no lien	483	116	402	-
Total	28,336	416	16,977	2,949

* 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.

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

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		
	30.9.21	30.9.20	31.12.20	30.9.21	30.9.20	31.12.20
	(unaudited)	(unaudited)	(audited)	(unaudited)	(unaudited)	(audited)
Transactions the balance of which represents credit risk:						
Documentary credit	132	375	177	-	1	1
Guarantees securing credit	935	873	891	15	8	14
Guarantees to home purchasers	2,929	2,100	2,132	6	4	4
Guarantees and other liabilities	4,256	3,836	3,840	23	27	27
Unutilized credit lines for derivatives instruments	2,550	2,274	2,364	-	-	-
Unutilized revolving credit and other on-call credit facilities	11,977	10,409	10,683	21	20	21
Irrevocable commitments to grant credit, not yet executed	6,428	5,323	6,217	9	5	7
Unutilized credit lines for credit card facilities	8,772	8,569	8,451	6	6	6
Facilities for the lending of securities	446	383	267	-	-	-
Required guarantees and collateral in respect of the Stock Exchange and Maof Clearing Houses	283	231	300	-	-	-
Commitments to issue guarantees	1,745	1,691	1,580	6	6	6

(1) Balance of contracts or their stated amounts at the end of the period, before provision for credit losses.

(2) In addition, the Bank provided the courts with letters of self-undertaking unlimited in amounts, given in connection with legal proceedings, in order to secure compensation for the damage to the defendants in the event that the action against them is dismissed or the legal proceedings terminated because of any other reason.

NOTE 13 - ASSETS AND LIABILITIES ACCORDING TO LINKAGE BASES

(NIS million)

	September 30, 2021 (unaudited)						
	Israeli currency		Foreign currency ⁽¹⁾				Total
	Non-linked	Linked to the consumer price index	U.S. dollar	Euro	Other	Non-monetary items ⁽²⁾	
Assets							
Cash and deposits with banks	53,978	-	2,589	376	140	-	57,083
Securities	8,395	240	3,993	1,494	-	681	14,803
Securities which were borrowed	232	-	-	-	-	-	232
Credit to the public, net ⁽³⁾	79,044	12,424	2,688	898	81	742	95,877
Credit to the government	52	807	-	-	-	-	859
Investee company	-	-	-	-	-	699	699
Premises and equipment	-	-	-	-	-	929	929
Intangible assets and goodwill	-	-	-	-	-	275	275
Assets in respect of derivative instruments	331	12	228	6	2	986	1,565
Other assets	800	6	26	2	-	602	1,436
Total assets	142,832	13,489	9,524	2,776	223	4,914	173,758
Liabilities							
Deposits from the public	115,825	6,333	20,387	3,528	1,458	742	148,273
Deposits from banks	5,202	-	206	25	38	-	5,471
Deposits from the Government	380	-	35	1	1	-	417
Bonds and subordinated capital notes	6	2,845	-	-	-	-	2,851
Liabilities in respect of derivative instruments	428	17	267	49	4	986	1,751
Other liabilities	4,079	123	45	4	2	285	4,538
Total liabilities	125,920	9,318	20,940	3,607	1,503	2,013	163,301
Difference	16,912	4,171	(11,416)	(831)	(1,280)	2,901	10,457
Non-hedging derivatives							
Derivative instruments (not including options)	(11,953)	(211)	10,208	678	1,278	-	-
Options in the money, net (in terms of underlying asset)	(710)	-	611	99	-	-	-
Options out of the money, net (in terms of underlying asset)	(547)	-	447	99	1	-	-
Total	3,702	3,960	(150)	45	(1)	2,901	10,457
Options in the money, net (present value of stated amount)	(1,285)	-	1,045	240	-	-	-
Options out of the money, net (present value of stated amount)	(2,376)	-	1,910	464	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 13 - ASSETS AND LIABILITIES ACCORDING TO LINKAGE BASES (CONT'D)

(NIS million)

	September 30, 2020 (unaudited)						
	Israeli currency		Foreign currency ⁽¹⁾				
		Linked to the consumer price index	U.S. dollar	Euro	Other	Non- monetary items ⁽²⁾	Total
	Non-linked						
Assets							
Cash and deposits with banks	48,836	-	3,206	185	139	-	52,366
Securities	5,900	293	4,097	1,639	-	245	12,174
Securities which were borrowed	14	-	-	-	-	-	14
Credit to the public, net ⁽³⁾	73,898	10,641	3,210	865	70	901	89,585
Credit to the government	30	621	-	-	-	-	651
Investee company	-	-	-	-	-	629	629
Premises and equipment	-	-	-	-	-	970	970
Intangible assets and goodwill	-	-	-	-	-	249	249
Assets in respect of derivative instruments	294	43	292	180	19	610	1,438
Other assets	787	5	60	2	-	440	1,294
Total assets	129,759	11,603	10,865	2,871	228	4,044	159,370
Liabilities							
Deposits from the public	106,192	4,655	19,584	3,265	1,316	902	135,914
Deposits from banks	1,517	-	187	5	8	-	1,717
Deposits from the Government	378	-	46	1	1	-	426
Bonds and subordinated capital notes	240	4,144	-	-	-	-	4,384
Liabilities in respect of derivative instruments	353	10	450	231	16	609	1,669
Other liabilities	5,705	73	62	3	1	88	5,932
Total liabilities	114,385	8,882	20,329	3,505	1,342	1,599	150,042
Difference	15,374	2,721	(9,464)	(634)	(1,114)	2,445	9,328
Non-hedging derivatives							
Derivative instruments (not including options)	(10,691)	(363)	9,248	696	1,110	-	-
Options in the money, net (in terms of underlying asset)	202	-	(82)	(120)	-	-	-
Options out of the money, net (in terms of underlying asset)	(207)	-	134	73	-	-	-
Total	4,678	2,358	(164)	15	(4)	2,445	9,328
Options in the money, net (present value of stated amount)	226	-	(96)	(130)	-	-	-
Options out of the money, net (present value of stated amount)	(1,123)	-	686	437	-	-	-

(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, 2020 (audited)						
	Israeli currency		Foreign currency(1)				
		Linked to the consumer price index				Non-monetary items(2)	Total
	Non-linked		U.S. dollar	Euro	Other		
Assets							
Cash and deposits with banks	54,952	-	2,518	102	230	-	57,802
Securities	6,719	285	4,183	1,611	-	307	13,105
Securities which were borrowed	11	-	-	-	-	-	11
Credit to the public, net ⁽³⁾	75,077	11,185	3,070	1,010	63	565	90,970
Credit to the government	36	620	-	-	-	-	656
Investee company	-	-	-	-	-	636	636
Premises and equipment	-	-	-	-	-	965	965
Intangible assets and goodwill	-	-	-	-	-	272	272
Assets in respect of derivative instruments	785	46	140	102	33	791	1,897
Other assets	822	6	69	-	-	567	1,464
Total assets	138,402	12,142	9,980	2,825	326	4,103	167,778
Liabilities							
Deposits from the public	112,861	5,365	18,609	3,086	1,190	566	141,677
Deposits from banks	2,579	-	358	16	39	-	2,992
Deposits from the Government	321	-	136	1	1	-	459
Bonds and subordinated capital notes	241	4,153	-	-	-	-	4,394
Liabilities in respect of derivative instruments	956	11	303	220	34	790	2,314
Other liabilities	6,020	71	89	3	1	223	6,407
Total liabilities	122,978	9,600	19,495	3,326	1,265	1,579	158,243
Difference	15,424	2,542	(9,515)	(501)	(939)	2,524	9,535
Non-hedging derivatives							
Derivative instruments (not including options)	(10,623)	(319)	9,554	458	930	-	-
Options in the money, net (in terms of underlying asset)	240	-	(268)	28	-	-	-
Options out of the money, net (in terms of underlying asset)	(14)	-	(16)	30	-	-	-
Total	5,027	2,223	(245)	15	(9)	2,524	9,535
Options in the money, net (present value of stated amount)	32	-	(42)	10	-	-	-
Options out of the money, net (present value of stated amount)	(622)	-	374	244	4	-	-

(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)

	Stated in the Balance Sheet	September 30, 2021 (unaudited)			
		Fair value ⁽¹⁾			Total
		(1)	(2)	(3)	
Financial assets					
Cash and deposits with banks	57,083	715	56,368	-	57,083
Securities ⁽²⁾	14,803	9,045	5,770	81	14,896
Securities which were borrowed	232	-	232	-	232
Credit to the public, net	95,877	4,341	1	92,020	96,362
Credit to the government	859	-	52	806	858
Assets in respect of derivative instruments	1,565	1,113	305	147	1,565
Other financial assets	473	263	-	210	473
Total financial assets	⁽³⁾ 170,892	15,477	62,728	93,264	171,469
Financial liabilities					
Deposits from the public	148,273	4,195	109,038	34,652	147,885
Deposits from Banks	5,471	-	1,267	4,177	5,444
Deposits from the Government	417	-	386	36	422
Bonds and non-convertible subordinated capital notes	2,851	2,915	-	84	2,999
Liabilities in respect of derivative instruments	1,751	1,125	610	16	1,751
Other financing liabilities	3,041	440	-	2,599	3,039
Total financial liabilities	⁽³⁾ 161,804	8,675	111,301	41,564	161,540
Off balance sheet financial instruments					
Transaction where the balance represents credit risk	36	-	-	36	36
In addition, the liability in respect of employee rights, gross - pension and severance pay⁽⁴⁾	951	-	-	951	951

(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 18,256 million and liabilities of NIS 6,386 million, the stated balance of which is identical to their fair value (instruments reflected in the balance sheet at fair value). For further information regarding instruments measured at fair value on a recurring basis and on a non-recurring basis, see note 14B-14D.

(4) The liability is shown gross, without considering the plan assets managed against it.

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

(NIS million)

	Stated in the Balance Sheet	September 30, 2020 (unaudited)			
		Fair value ⁽¹⁾			Total
		(1)	(2)	(3)	
Financial assets					
Cash and deposits with banks	52,366	731	51,630	5	52,366
Securities ⁽²⁾	12,174	6,295	5,917	85	12,297
Securities which were borrowed	14	-	14	-	14
Credit to the public, net	89,585	3,243	*2	*87,068	90,313
Credit to the government	651	-	30	620	650
Assets in respect of derivative instruments	1,438	721	411	306	1,438
Other financial assets	265	90	-	175	265
Total financial assets	⁽³⁾ 156,493	11,080	58,004	88,259	157,343
Financial liabilities					
Deposits from the public	135,914	3,807	96,817	35,064	135,688
Deposits from Banks	1,717	-	907	808	1,715
Deposits from the Government	426	-	386	48	434
Bonds and non-convertible subordinated capital notes	4,384	4,261	-	102	4,363
Liabilities in respect of derivative instruments	1,669	721	931	17	1,669
Other financing liabilities	4,608	100	*2	*4,509	4,611
Total financial liabilities	⁽³⁾ 148,718	8,889	99,043	40,548	148,480
Off balance sheet financial instruments					
Transaction where the balance represents credit risk	29	-	-	29	29
In addition, the liability in respect of employee rights, gross - pension and severance pay⁽⁴⁾	944	-	-	944	944

* Reclassified.

(1) Level 1 - fair value measurements using prices quoted in an active market.

Level 2 - fair value measurements using other significant observable data.

Level 3 - fair value measurements using significant unobservable data.

(2) For further details of the stated balance and the fair value of securities, see Note 5, "Securities".

(3) Of which: assets of NIS 14,353 million and liabilities of NIS 5,577 million, the stated balance of which is identical to their fair value (instruments reflected in the balance sheet at fair value). For further information regarding instruments measured at fair value on a recurring basis and on a non-recurring basis, see note 14B-14D.

(4) The liability is shown gross, without considering the plan assets managed against it.

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

(NIS million)

December 31, 2020 (audited)					
	Stated in the Balance Sheet	(1)	(2)	(3)	Fair value ⁽¹⁾ Total
Financial assets					
Cash and deposits with banks	57,802	679	57,120	4	57,803
Securities ⁽²⁾	13,105	7,163	5,978	90	13,231
Securities which were borrowed	11	-	11	-	11
Credit to the public, net	90,970	3,260	*2	*88,559	91,821
Credit to the government	656	-	35	620	655
Assets in respect of derivative instruments	1,897	909	612	376	1,897
Other financial assets	388	247	-	141	388
Total financial assets	⁽³⁾ 164,829	12,258	63,758	89,790	165,806
Financial liabilities					
Deposits from the public	141,677	3,434	103,076	35,020	141,530
Deposits from Banks	2,992	-	1,230	1,755	2,985
Deposits from the Government	459	-	422	44	466
Bonds and non-convertible subordinated capital notes	4,394	4,345	-	102	4,447
Liabilities in respect of derivative instruments	2,314	909	1,392	13	2,314
Other financing liabilities	4,929	258	*187	*4,483	4,928
Total financial liabilities	⁽³⁾ 156,765	8,946	106,307	41,417	156,670
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⁾	960	-	-	960	960

* Reclassified.

(1) Level 1 - fair value measurements using prices quoted in an active market.

Level 2 - fair value measurements using other significant observable data.

Level 3 - fair value measurements using significant unobservable data.

(2) For further details of the stated balance and the fair value of securities, see Note 5, "Securities".

(3) Of which: assets of NIS 15,875 million and liabilities of NIS 6,007 million, the stated balance of which is identical to their fair value (instruments reflected in the balance sheet at fair value). For further information regarding instruments measured at fair value on a recurring basis and on a non-recurring basis, see note 14B-14D.

(4) The liability in shown gross, without considering the plan assets managed against it.

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

(NIS million)

A. Fair value of financial instruments.

The Note includes information regarding the fair value of financial instruments. There is no quotable "market value" for most of the financial instruments of the Bank since they are not traded in an active market. Therefore, the fair value is derived by accepted pricing models, such as discounting future cash flows at interest rates reflecting the 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 impaired debts is assessed using discount rates that reflect the high credit risk inherent in such debts. Anticipated future cash flows in respect of impaired 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

	September 30, 2021 (unaudited)				
	Fair-value measurements using -			Effect of netting agreements	Balance sheet balance
	Prices quoted in an active market (level 1)	Other significant observable inputs (level 2)	Significant unobservable inputs (level 3)		
Assets					
Bonds available for sale	5,725	5,444	-	-	11,169
Shares not for trading	516	-	-	-	516
Trading Securities	402	-	-	-	402
Assets in respect of derivative instruments	1,113	305	147	-	1,565
Others	4,604	-	-	-	4,604
Total assets	12,360	5,749	147	-	18,256
Liabilities					
Liabilities in respect of derivative instruments	1,125	610	16	-	1,751
Others	4,635	-	-	-	4,635
Total liabilities	5,760	610	16	-	6,386

	September 30, 2020 (unaudited)				
	Fair-value measurements using -			Effect of netting agreements	Balance sheet balance
	Prices quoted in an active market (level 1)	Other significant observable inputs (level 2)	Significant unobservable inputs (level 3)		
Assets					
Bonds available for sale	3,485	5,655	-	-	9,140
Shares not for trading	130	-	-	-	130
Trading Securities	312	-	-	-	312
Assets in respect of derivative instruments	721	411	306	-	1,438
Others	3,333	-	-	-	3,333
Total assets	7,981	6,066	306	-	14,353
Liabilities					
Liabilities in respect of derivative instruments	721	932	17	-	1,670
Others	3,907	-	-	-	3,907
Total liabilities	4,628	932	17	-	5,577

	December 31, 2020 (audited)				
	Fair-value measurements using -			Effect of netting agreements	Balance sheet balance
	Prices quoted in an active market (level 1)	Other significant observable inputs (level 2)	Significant unobservable inputs (level 3)		
Assets					
Bonds available for sale	4,354	5,724	-	-	10,078
Shares not for trading	187	-	-	-	187
Trading Securities	206	-	-	-	206
Assets in respect of derivative instruments	909	612	376	-	1,897
Others	3,507	-	-	-	3,507
Total assets	9,163	6,336	376	-	15,875
Liabilities					
Liabilities in respect of derivative instruments	909	1,393	13	-	2,315
Others	3,692	-	-	-	3,692
Total liabilities	4,601	1,393	13	-	6,007

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

(NIS million)

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

September 30, 2021 (unaudited)					
	Level 1	Level 2	Level 3	Total fair value	Total profit for the nine months ended September 30, 2021
Investment in shares	-	83	-	83	3
Impaired credit the collection of which is contingent on collateral	-	1	17	18	1

September 30, 2020 (unaudited)					
	Level 1	Level 2	Level 3	Total fair value	Total profit for the nine months ended September 30, 2020
Investment in shares	-	29	-	29	1
Impaired credit the collection of which is contingent on collateral	-	-	30	30	-

December 31, 2020 (audited)					
	Level 1	Level 2	Level 3	Total fair value	Total profit for the year ended December 31, 2020
Investment in shares	-	30	-	30	2
Impaired credit the collection of which is contingent on collateral	-	-	20	20	-

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

(NIS million)

For the three months ended September 30, 2021 (unaudited)								
	Fair value as at June 30, 2021	Profits (losses) realized and unrealized Included in the profit and loss statement ⁽¹⁾	Purchases	Payments	Transfers to level 3, gross	Transfer from level 3, gross	Fair value as at September 30, 2021	Unrealized profits (losses) in respect of instruments held as at September 30, 2021
Assets								
Assets in respect of derivative instruments	141	164	12	(170)	-	-	147	64
Liabilities								
Liabilities in respect of derivative instruments	10	(6)	-	-	-	-	16	(7)

For the three months ended September 30, 2020 (unaudited)								
	Fair value as at June 30, 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 September 30, 2020	Unrealized profits (losses) in respect of instruments held as at September 30, 2020
Assets								
Assets in respect of derivative instruments	245	332	14	(285)	-	-	306	152
Liabilities								
Liabilities in respect of derivative instruments	16	(1)	-	-	-	-	17	(1)

For the nine months ended September 30, 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 September 30, 2021	Unrealized profits (losses) in respect of instruments held as at September 30, 2021
Assets								
Assets in respect of derivative instruments	376	656	33	(918)	-	-	147	153
Liabilities								
Liabilities in respect of derivative instruments	13	(6)	-	(3)	-	-	16	(5)

For the nine months ended September 30, 2020 (unaudited)								
	Fair value as at December 31, 2019	Profits (losses) realized and unrealized Included in the profit and loss statement ⁽¹⁾	Purchases	Payments	Transfers to level 3, gross	Transfer from level 3, gross	Fair value as at September 30, 2020	Unrealized profits (losses) in respect of instruments held as at September 30, 2020
Assets								
Assets in respect of derivative instruments	193	1,443	42	(1,372)	-	-	306	208
Liabilities								
Liabilities in respect of derivative instruments	12	(6)	-	(1)	-	-	17	(6)

**NOTE 14C - CHANGES IN ITEMS MEASURED AT FAIR VALUE
ON A RECURRENT BASIS INCLUDED IN LEVEL 3 (CONT'D)**

(NIS million)

For the year ended December 31, 2020 (audited)								
	Fair value as at December 31, 2019	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, 2020	Unrealized profits (losses) in respect of instruments held as at December 31, 2020
Assets								
Assets in respect of derivative instruments	193	1,857	58	(1,732)	-	-	376	301
Liabilities								
Liabilities in respect of derivative instruments	12	(7)	-	(6)	-	-	13	(3)

(1) Realized profits (losses) are included in the profit and loss statement in the item non interest financing income.

**NOTE 14D - QUANTITATIVE INFORMATION ON ITEMS MEASURED
AT FAIR VALUE INCLUDED IN LEVEL 3**

As of September 30, 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	2	(1.95)	(1.95)-(1.94)
Interest rate contract: other	Discounted cash flow	Counter-party credit risk	7	1.61	1.20-1.75
Foreign currency contracts	Discounted cash flow	1. CPI-linked interest	10	(2.39)	(2.75)-(2.10)
		2. Counter-party credit risk	128	1.54	1.00-4.14
Liabilities					
Liabilities in respect of derivative instruments:					
Interest rate contract: NIS-CPI	Discounted cash flow	CPI-linked interest	6	(1.47)	(1.95)-(1.34)
Foreign currency contracts	Discounted cash flow	CPI-linked interest	10	(2.39)	(2.75)-(2.10)
B. Items measured at fair value on a non-recurrent basis					
Impaired credit the collection of which is contingent on collateral	Collateral value		17		

As of September 30, 2020 (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	10	0.59	(0.21)-1.14
Interest rate contract: other	Discounted cash flow	Counter-party credit risk	9	1.64	1.40-1.75
Foreign currency contracts	Discounted cash flow	1. CPI-linked interest	43	0.04	(1.23)-0.31
		2. Counter-party credit risk	244	1.84	1.00-4.60
Liabilities					
Liabilities in respect of derivative instruments:					
Interest rate contract: NIS-CPI	Discounted cash flow	CPI-linked interest	7	0.06	(0.21)-0.15
Foreign currency contracts	Discounted cash flow	CPI-linked interest	10	(0.75)	(1.23)-(0.07)
B. Items measured at fair value on a non-recurrent basis					
Impaired credit the collection of which is contingent on collateral	Collateral value		30		

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

As of December 31, 2020 (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	3	0.10	(0.41)-0.31
Interest rate contract: other	Discounted cash flow	Counter-party credit risk	8	1.65	1.40-1.75
Foreign currency contracts	Discounted cash flow	1. CPI-linked interest	47	(0.36)	(1.28)-(0.18)
		2. Counter-party credit risk	318	1.44	1.00-4.60
Liabilities					
Liabilities in respect of derivative instruments:					
Interest rate contract: NIS-CPI	Discounted cash flow	CPI-linked interest	2	0.22	(0.41)-0.48
Foreign currency contracts	Discounted cash flow	CPI-linked interest	11	(0.96)	(1.28)-(0.64)
B. Items measured at fair value on a non-recurrent basis					
Impaired credit the collection of which is contingent on collateral	Collateral value		20		

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

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

NOTE 15 - EFFECT OF THE SPREADING OF THE CORONAVIRUS

The outbreak of the Coronavirus and the spreading thereof around the world has led to a global health and economic crisis. The spreading of the virus in January 2020 began having an effect on most countries around the world in the course of the first quarter of 2020. In response, governments around the world, including in Israel, had adopted precautionary measures, such as limiting transit between states, isolation means and reduction in public gatherings and traffic, lockdowns, restrictions on operation of private businesses, on governmental and municipal services, and more.

In view of the high uncertainty prevailing with respect to developments in the crisis and the accumulation of long-term negative implications, many countries, among which Israel, might have encountered economic recession. At the beginning of December 2020, vaccination against the Coronavirus was approved for emergency use. A wide vaccination effort began around the world at the end of the fourth quarter, which was reflected in a fast rate of vaccination in Israel.

In February 2021, following the fast rate of vaccination and the decline in morbidity, a part of the restrictions imposed on the population was lifted, among which, distancing restrictions. Since the middle of February, the "green sign" has been introduced in Israel, allowing vaccinated persons and those recuperating from the disease to enter shopping malls, to participate in cultural or sport events and to stay at hotels. During March, a part of entertainment places were reopened, and a gradual return of workers to their places of work has begun.

Towards the end of the second quarter of the year, morbidity in Israel started to rise again as a result of the spread of the Delta mutation of the virus. Following the renewed outbreak, a part of the removed restrictions has been reinstated, and concern existed that following the rise in morbidity, the Government would be obliged to reimpose significant restrictions, which might have led to impairment in activity of the Israeli economy.

Concurrently, since the exit from the third lockdown, the economic recovery trend continues in most of the economic segments and stability in the rate of unemployment continues. Towards the end of the third quarter of the year, the rate of morbidity observed in Israel during the fourth wave had declined, principally on background of the vaccination of the population with the third "booster" inoculation. The confrontation of the economy with this wave did not include the imposition of severe restrictions on activity, however, a certain measure of uncertainty still exists with respect to the risks involved in the spreading of the virus, in view of the risk of the outbreak of additional waves of morbidity, discovery of additional variants of the virus and concern regarding the possibility of new significant restrictions being imposed, which may lead to impairment in activity of the Israeli economy.

Income in respect of credit losses amounted in the period of the first nine months of the year to NIS 206 million, stemming mainly from the decrease in the collective provision for loan losses, in view of the improvement in the macro-economic indices and in indicators pointing at the level of risk inherent in the credit portfolio of the Bank.

Corporate Governance, Additional Information and Appendix

CORPORATE GOVERNANCE	174
Disclosure regarding the internal auditor	174
Meetings of the Board of Directors and its committees	174
Appointments	174
Transactions with Interested Parties	175
Details of the Owners of Control in the Bank	178
ADDITIONAL INFORMATION	179
Legislation and regulatory initiatives	179
Legal proceedings	184
The Rating of the Bank by Rating Agencies	184
Employees compensation Policy	184
Involvement and contribution to the community	185
APPENDIX	186
Appendix 1 - Consolidated Rates of Interest Income and Expenses	186

LIST OF TABLES

1	Collation of Data Concerning Banking Transactions that were Conducted by the Bank and Companies under its Control with the Controlling Owners at the Bank	177
2	Appendix 1 - Consolidated Rates of Interest Income and Expenses and Analysis of Changes in Interest Income and Expenses	186

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 2020.

The report of the internal audit for the year 2020 was discussed in the audit committee of the Bank on April 12, 2021.

The report of the internal audit for the first half of the year 2021 was discussed in the audit committee of the Bank on October 19, 2021.

MEETINGS OF THE BOARD OF DIRECTORS AND ITS COMMITTEES

During January-September 2021, the Bank's Board of Directors held 16 meetings in plenary session and 43 meetings of its various Board Committees.

APPOINTMENTS

On April 6, 2021, Mr. Ophir Kadoh was appointed the CEO of MATAF computerization and financial operations Ltd. (a fully owned subsidiary of the Bank).

TRANSACTIONS WITH INTERESTED PARTIES

a. Amendments to the Securities Regulations (Periodic and immediate reports), 1970 -

Reporting of transactions with controlling interests

No changes occurred during the reported period in the rules regarding the reporting of transactions with controlling interests, as detailed in the Chapter on corporate governance, transactions with interested parties, contained in the financial statements for the year 2018.

b. Determination of criteria regarding transactions of the Bank with interested parties

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

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

For details of transactions, see Chapter "Corporate Governance", interested party transactions, in the financial statements for 2020, subject to the following updates:

1. Regarding Directors and Officers liability insurance:

Following the material changes in the directors and officers liability insurance market, the General Meeting of Shareholders of the Bank held on June 10, 2021, following approvals by the Board of Directors of the Bank and by the Compensation Committee and the Audit Committee, approved the updating of the framework transaction and of the compensation policy in respect of officers of the Bank (see details of which in the Chapter "Corporate Governance", interested party transactions, in the financial statements for 2020), as follows:

- The maximum amount of the insurance coverage remains unchanged, with the addition of reasonable legal defense expenses to the liability limit.
- The maximum amounts that had been determined with respect to the annual insurance fees and to insurance deductibles shall be deleted.

For details regarding the changes in the framework transaction and in the compensation policy, see the Immediate Report by the Bank dated May 4, 2021 (Ref No. 077970-01-2021), presented herewith by way of reference.

In addition to the above, and following approvals by the Compensation Committee and by the Audit Committee, in accordance with Regulations 1(3), 1A1, 1(b)(5) and 1B1 of the Relief Regulations, the Board of Directors of the Bank approved on June 29, 2021, the renewal of the directors and officers liability insurance policy in respect of the Bank and of the Bank Group, including subsidiaries of the Bank and the controlling shareholder of the Bank, FIBI Holdings Ltd., for an additional insurance period beginning on July 1, 2021 and ending on June 30, 2022. The said policy shall apply to officers who had acted and/or shall act at the Bank and at the Group from time to time, including the President and CEO of the Bank and officers who are controlling shareholders and/or their kin and/or persons whom the controlling shareholders may have a personal interest in their inclusion in the insurance policy. For details regarding the insurance policy, see the Immediate Report by the Bank dated June 29, 2021 (Ref No. 109029-01-2021) as well as supplementary report dated September 14, 2021 (Ref No. 146625-01-2021) presented herewith by way of reference.

2. Regarding Directors' remuneration

On May 4, 2021, the Board of Directors of the Bank, following approval by the Compensation Committee, approved an update to the annual remuneration and to the remuneration for participation in meetings, in respect of external Directors and other Directors, officiating or who may officiate from time to time, as the term "expert external director" is defined in the Companies Regulations (Rules regarding remuneration and reimbursement of expenses of an external director), 2000, (hereinafter – "Remuneration Regulations" and "Expert Director"), excluding the Chairman of the Board, in respect of whom separate remuneration for fulfillment of position had been determined, so that following the above update, the remuneration would amount to the "maximum amount for an expert external director" as stated in the Fourth Addendum to the Remuneration Regulations (annual and per meeting), in accordance with the ranking of the Bank (the said amount being rounded off to the nearest amount being a multiplication of five NIS and linked to the CPI in accordance with the Remuneration Regulations). VAT in accordance with the law would be added to the said amounts. With respect to resolutions passed with no meeting being convened and resolutions passed online, the remuneration for participation in meetings would continue to be paid at the rate stated in the Remuneration Regulations. Furthermore, Directors would be entitled to the reimbursement of expenses, as stated in Regulation 6 of the Remuneration Regulations.

Notwithstanding that stated above, at the request of Messrs. Tsadik Bino and Gil Bino, who are controlling shareholders of the Bank, the resolution regarding the updating of remuneration shall not apply to them, and they will continue to receive remuneration in the amount payable to them at the present time, this in continuation to the resolutions that were passed in their respect in September 2020. For details, see the Immediate Report by the Bank dated September 15, 2020 (Ref No. 0922554-01-2020) and the Chapter "Corporate Governance", interested party transactions, in the financial statements for 2020. Furthermore, the above resolution is not relevant to the Chairman of the Board, Mr. Ron Levkowitz, who officiates in accordance with the terms of office that had been approved in his respect as chairman of the board.

The amount of remuneration, as stated above, shall be paid to an expert Director starting with the date of extension of office of an external Director of the Bank under the Companies Act, in accordance with the Remuneration Regulations. On June 10, 2021 the General Meeting of Shareholders of the Bank approved the extension of office of an external director in accordance with the Companies Act.

As of date of this Report, all officiating Directors are expert Directors, within the meaning of the term in the Remuneration Regulations.

Nothing stated above derogates prior resolutions that had been passed by the Bank with respect to Directors' remuneration, including with respect to remuneration payable to non-expert Directors, who may officiate at the Bank from time to time.

d. Additional information regarding transactions with interested parties that have undergone changes in the reported period

Set out below is a collation of data concerning banking transactions that were conducted by the Bank and companies under its control with the controlling owners at the Bank (including their relatives and companies in which controlling owners at the Bank are interested parties), including data concerning transactions conforming to the criteria that were determined with respect to negligible transactions, as detailed in the Chapter Corporate Governance, transactions with interested parties, contained in the financial statements for the year 2018 (NIS thousand):

Indebtedness	Credit	Investment in bonds	Fair value of derivatives	Total balance-sheet monetary indebtedness	Unutilized credit balance	Guarantees granted by Bank for securing credit to a controlling owner or to a party related thereto	Guarantees granted to Bank by controlling owner in favor of third party	Indebtedness of controlling owner in respect of transactions in derivatives	Total
NIS thousand									
Indebtedness of others ⁽¹⁾									
September 30, 2021	80	-	-	80	598	-	-	-	678
December 31, 2020	97	-	-	97	633	-	-	-	730

Deposits	September 30, 2021		December 31, 2020	
	Balance on balance-sheet date	Highest balance during period⁽³⁾	Balance on balance-sheet date	Highest balance during period⁽³⁾
NIS thousand				
Deposits of others ⁽¹⁾	7,040	15,819	5,168	5,904

(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 day.

DETAILS OF THE OWNERS OF CONTROL IN THE BANK

FIBI Holdings Ltd. (hereinafter – "FIBI"), a public company, which shares are traded on the Stock Exchange, owns 48.34% of the issued share capital and voting rights in the Bank (a rate comprising the control core in accordance with the control permit granted by Bank of Israel). The controlling shareholders of FIBI are Mr. Zadik Bino and his children, Messrs. Gil Bino, Hadar Bino-Shmueli and Daphna Bino-Or (hereinafter - "the Bino Family"), Messrs. Michael and Helen Abeles and Messrs. Barry Lieberman, Casey Lieberman-Harris, Lee Lieberman and Joshua Lieberman (each of the said groups through corporations under their full control: Binohon Ltd., Instanz No. 2 Ltd. and Dolphin Energies Ltd.). For details regarding the various arrangements, to which the controlling shareholders are party, in respect of their holdings in FIBI, and indirectly, in the Bank, and with respect to the terms of the control permit dated August 27, 2003, granted to the controlling shareholders by Bank of Israel, as amended from time to time, see the Chapter "Details regarding the controlling interests in the Bank" in the Chapter "Corporate governance" in the financial report for 2019.

In accordance with FIBI's reports as of the date of publication of the financial statements, the holdings of the controlling shareholders in FIBI (in equity and voting) are as follows: Binohon Ltd. – 28.54%, Instanz No. 2 Ltd. – 11.68% and Dolphin Energies Ltd - 11.68% (the holdings of all the controlling shareholders in FIBI comprise the control core therein, in accordance with the control permit granted 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.

The contents of this Chapter is in addition to any reference made in this Report to provisions of the law and to regulatory initiatives, if any.

A PERIOD OF EMERGENCY - THE CORONAVIRUS CRISIS

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

Moreover, several outlines have been published for the deferral of repayment of loans applying to a number of segments of operation (the last of the outlines permitting borrowers to file until March 31, 2021, requests for deferral of repayments until March 31, 2022).

Bank of Israel also published the Banking Order (Customer service) (Supervision over immediate charge card fee services, lawyer warning letter and transaction made through a call center clerk) (Provisional instruction), 2020, applying to private individuals and small businesses, and which declared three banking services as services under supervision - immediate charge card fee services, lawyer warning letter and transaction made through a call center clerk. The order expired on April 13, 2021.

The Securities Authority and the Capital Market Authority also issued mitigating instructions and arrangements intended to allow and/or facilitate the offering of services by digital means, and additional Regulators introduced different manners of conducting business with banks at a distance, subject to approved arrangements.

Also published, among other things, is an amendment to the Debt Execution Act, which states special arrangements with the aim of assisting private individuals and businesses encountering economic distress due to the Corona crisis, as well as Regulations excluding checks dishonored during certain periods, from the number of dishonored checks in respect of imposing limitations on a bank account. In addition, dates of monthly payments have been deferred in respect of certain borrowers, in accordance with the announcements of the Official Receiver and the Commissioner of Insolvency Proceedings and Economic Rehabilitation.

The effective period of a part of the mitigating instructions has expired, a small number of which have been permanently approved, and another part of which are still in effect at date of publication of this Report. Following are the principal details of the instructions, which had been published 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 has been extended to December 30, 2021 (hereinafter - "date of termination of the period"):

- Reduced regulatory capital requirements applying to banks by one percentage point until date of termination of the period. It is also determined that mitigation will apply for a period of two additional years from date of termination of the period, provided that the capital ratios would not be lower than the capital ratios at date of termination of the period,

or the minimum applying to the banking corporation prior to the provisional instruction, the lower of the two. In addition to the above stated, a certain mitigation applies in certain circumstances, at the end of the two years (for details regarding this matter, see Note 8.A.1 to the financial statements).

- A guideline in the matter of the dividend distribution policy and of the acquisition of own shares during the provisional instruction period. In accordance with an update published on September 30, 2021, the Supervisor of Bank clarifies that the uncertainty and risk caused by the Corona crisis are still at a high level and make it difficult to forecast the middle-term capital requirements, and therefore requires the continued careful and conservative capital planning. The Supervisor encourages banks to adopt a careful and conservative distribution of dividends or purchase of own shares, and states that his position is that a distribution of dividends in an amount higher than 30% of the profits of a bank (in the year 2020 and in 2021) shall not be considered as a careful and conservative capital planning (for details of this matter, see Note 8.E. to the financial statements).
- Reduction in the leverage ratio applying to banking corporations by one-half of a percent until the end of the period. The mitigation shall apply for an additional period of two years from date of termination of the period, provided that the leverage ratio shall not be lower than the ratio at the end of the period, or lower than the minimum leverage ratio required from the banking corporation prior to the provisional instruction, the lower of the two (for details regarding this matter, see Note 8.B. to the financial statements).
- 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.
- Mitigation with respect to managing credit facilities in current accounts.
- An extension was granted for submitting financial statements required for the extension of credit to borrowers in accordance with Proper Conduct of Banking Business Directive No. 311.
- The relief allowing approval of a residential loan of up to a financing ratio of 70%, which is not granted for the purpose of acquiring rights to real estate, was cancelled on September 30, 2021.

BANKING

Proper Conduct of Banking Business Directive No. 443 - Dormant deposits and accounts of deceased persons

The Directive was published on November 15, 2020, for the purpose of making more efficient the process of locating dormant deposits and accounts of deceased persons. The Directive requires the establishment of a function dealing with dormant deposits, and states the responsibility of the Board of Directors and of Management for the operation of which. It also expands the duties applying to banking corporations with respect to locating owners of dormant deposits, while determining a hierarchy for required locating operations and instructions regarding the establishment of contact, and includes also instructions regarding accounts of deceased persons and regarding lost connection with hirers of safe deposit boxes. The Directive becomes effective one year following its publication date.

Proper Conduct of Banking Business Directive No. 311A – Consumer credit management

The Directive was published on February 2, 2021, with the aim of securing proper, fair and transparent activity by banking corporations and clearing agents regarding their customers, from the aspect of marketing consumer credit, in order to minimize conduct risk and prevent materialization of other risks. The Directive collects the requirements addressed by the Supervisor of Banks to the banking system regarding activity with retail customers, and includes instructions regarding the duties of Boards of Directors and Managements with respect to outlining the management and marketing strategy for consumer credit and its establishment in a policy and procedures document, that would cover all aspects of consumer

credit at the borrower's level, instructions regarding the manner of marketing consumer credit and regarding processes for approval of such credit. The Directive takes effect on November 2, 2021, except for the items dealing with the marketing of credit, which took effect on May 2, 2021.

Proper Conduct of Banking Business Directive No. 420 – Delivery of notices through communication channels

In accordance with an update of the Directive, 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 at the end of one year since its publication.

Proper Conduct of Banking Business Directive No.359A - Outsourcing

The Directive, which allowed a banking corporation to conduct, through brokers, initiated approaches to households referring them to obtain credit, subject to fulfillment of one of the conditions stated in the Directive, was updated on June 21, 2021, allowing now the payment of reward to the broker, subject to the banking corporation fulfilling the requirements of Directive 311A, in the matter of the marketing of consumer credit. The update takes effect on date of its publication.

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

The Directive was published on September 30, 2021, with a view of regulating the manner of treatment, reporting and authority relating to troubled 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 troubled 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 takes 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, is expected to be 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 choice, as well as inform its customers with respect to the discontinuation of the LIBOR interest quotations and its implications. For additional details, see disclosure regarding the preparations made in respect of the discontinued use of the LIBOR interest in the Chapter "Risk review - Interest risk".

INCREASE IN COMPETITION

Amendment No. 27 to the Banking Act (Customer service) regarding the transfer of a customer between banks and Proper Conduct of Banking Business Directive No. 448 - The online transfer between banks of the financial activity of a customer

The Amendment, published in March 2018, as part of the Economic Program Act (Legislation amendments for the implementation of the economic policy for the 2019 budget year), 2018, took effect on September 22, 2021. In accordance with the Amendment, banks are required to allow the transfer of the financial activity of a customer from the bank, in which it is being conducted ("the bank of origin") to another bank ("the accepting bank") in an online, convenient, reliable and secured manner, with no charge to the customer in respect of such operation, and within seven business days from the date on which the bank of origin received from the accepting bank notice of approval of the customer's request.

Proper Conduct of Banking Business Directive No. 448 - the online transfer between banks of the financial activity of a customer, published in December 2019, details the rules that the bank of origin and the accepting bank have to apply with respect to the handling of the request of a customer for the transfer of his account. The Amendment was amended on August 17, 2021, expanding, inter alia, the duties of disclosure to the customer as regards the process, adding of items relating to the transfer of the checks operation of the customer, and updating of items relating to the implementation of the process in general. Also published were the Banking Rules (Customer service) (Transfer between banks of the financial activity of customers) (Amendment), 2021, stating the classes of accounts and the classes of financial operations to which the said Amendment applies, and the length of the period for directing certain financial activities by the bank of origin.

On February 9, 2021, amendments to the Electronic Clearing Act and to the Unpaid Checks Act were published, regulating the transfer of financial activity between banks in everything relating to checks, and which even states a monetary sanction of NIS 50,000, in respect of violation of any of the provisions of the Act. The monetary sanction item took effect on May 1, 2021.

OPEN BANKING

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

The Directive was published in continuation to the provisions of the Increase in Competition and Decrease in Centralization in the Banking Market in Israel Act (Legislation amendments), 2017, requiring a banking corporation, at the request of the customer, to enable a supplier of a cost comparison service to observe the financial information of that customer existing in the hands of a banking corporation. The Directive applies to banks and credit card companies and includes provisions in matters of corporate governance, of implementation of open banking, both as regards the transfer of information and in respect of payment orders, 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.

The Directive entered into effect on April 18, 2021, except for the matter of delivery of information regarding charge cards, placing a one-time payment order in shekel and providing information regarding the status of a payment order, as stated, which effective date has been deferred to January 31, 2022; delivery of information regarding savings, deposit accounts and credit, which effective date has been deferred to May 31, 2022. The effective date with respect to providing information about securities has been deferred to as yet undetermined date.

Financial Information Service Act, 2021

The Act, which passed its second and third reading by the Knesset on November 5, 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 he (or parties related to him) provides to his 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 application 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.

MISCELLANEOUS MATTERS

Privacy protection

A trend of growth in the scope of regulation relating to privacy protection, is recently noted in Israel and globally. A joint team of the Privacy Protection Authority, the Competition Authority and the Customer Protection and Fair Trade Authority published in January 2021, for public comment, a policy proposition in the matter of adoption of the right for data portability. Under Israeli law, this right may entitle a private individual to apply for the online transfer to his possession of information collected in his respect by a certain entity, so that additional or repeated use may be made of such information.

The Privacy Protection Authority published in March 2021, for public comment, a draft opinion in the matter of the duty of reducing personal data existing in the data bases of different organizations, both private and public, with a view of reducing the collection, maintenance and use of excess information, of reducing the risk of impairment to privacy and the violation of data protection duties.

In April 2021, the Privacy Protection Authority issued a document in the matter of privacy regarding advanced means of payment for the transfer of funds and for payment at trading houses, within the framework of which, the Authority emphasized that consent of the users has to be obtained for the registration and use of such means of payment, in order to allow users to control in an optimal manner, the information relating to them and their privacy.

In May 2021, the Privacy Protection Authority published for public comment, an opinion in the matter of the terms "information" and "information regarding the private business of an individual" contained in the Privacy Protection Act, including examples of elements and data considered as personal data protected by the Privacy Protection Act in the digital era.

Proper Conduct of Banking Business Directive No. 336 – Pledge of assets of a banking corporation

In view of the growth in scope and diversity of operations, in respect of which, banking corporations are required to pledge assets, an amendment to the Directive was published on June 15, 2021, which eliminates the quantitative regulatory limitation on the pledge of assets of a banking corporation. In its place, the Directive introduced requirements for the proper management of the pledging of assets, in order to maintain a proper balance between the need to conduct the business of a banking corporation and the need to protect the rights of depositors in the event of insolvency. Inter alia, it is determined that the board of directors of a banking corporation has to outline the strategy with respect to pledged assets and approve the policy determined in the matter by Management.

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, its subordinate capital notes at the rank of Aaa.il(hyb)/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 3, 2021, 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 2020 Risk Report on the Internet site of the Bank.

INVOLVEMENT AND CONTRIBUTION TO THE COMMUNITY

The Bank continues to act within the framework of the flag plan "Believing-in-you" with the aim of establishing involvement and cooperation by means of voluntary activity of its employees, while creating a joint way having added value.

The Bank has acted and is acting during the spreading period of the Coronavirus to make the necessary modifications for the continuation of the consecutive voluntary activity, under existing limitations and in view of guidelines of the authorized factors.

- **Children and youth in risk situation** - activity focuses on 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. As part of the program, youth are being integrated into business ventures under the different programs that combine study with work and promotion of business entrepreneurship with the help of development of qualifications and skills, while creating social involvement with added value, such as enterprises maintained by the Bank with different associations and diverse activities of employees with youths in risk situation:

Unistream - Activity and training of young persons for integration into the business and entrepreneurship world alongside social responsibility, leadership and empowerment of youth. The program also uses tools belonging to the financial education world. The Bank adopts a number of groups and in parallel participates in events and activities of the Association all over the country.

- **Female business entrepreneurship** - involvement and accompaniment of learning groups for business entrepreneurship for women, while concentrating on enrichment and provision of tools in various subjects, such as: financial awareness, business entrepreneurship, management and excellence skills, and through personal support, tutoring and adoption of groups in various frames. The bank operates with several associations in this field, including in study and enrichment meetings.
- **Defense forces** – Through a number of frameworks, the Bank is involved in encouraging young persons for recruitment and meaningful service in the military. The Bank acts in this respect by means of directing professional bodies that accompany young persons in the period prior to their recruitment to the IDF. The Bank's aim is to create motivation and to strengthen the perception of commitment to the State and its values, while striving for excellence and education for military and civil leadership. The Bank Group assists also solitary servicemen during their military service, by cooperating with external bodies and with the LIBI Foundation, whether by providing financial assistance for housing and a warm home, or by the prior preparations for voluntary work by Bank employees in respect of this initiative. In addition, the Bank acts in cooperation with a framework providing employment direction and training for servicemen ending their military service. Within the framework of the "Adopt a Fighter" initiative, the Bank adopts a battle regiment and participates in regimental events and entertainment evenings. The Bank cooperates, in particular, with the IDF Disabled Organization, accompanying disabled ex-servicemen in enrichment meetings and tours.
- **Specific activity among special populations and sectors** - the Bank encourages and supports volunteers from among Bank employees, interested in taking part in these projects and contribute from their time, experience and expertise, in favor of needy populations and additional sectors. In this framework, the Bank and its subsidiary companies contribute to different associations and organizations in favor of assistance to those populations by cooperating in joint study, experience yielding involvement, digital financial education, volunteering, assistance regarding food packages, language studies and rehabilitating social activity.

APPENDIX 1 - RATES OF INTEREST INCOME AND EXPENSES AND ANALYSIS OF CHANGES IN INTEREST INCOME AND EXPENSES

A. Average balances and interest rates - assets

	For the three months ended September 30, 2021			For the three months ended September 30, 2020		
	Average balance ⁽¹⁾	Interest income (expense)	Rate of income (expense)	Average balance ⁽¹⁾	Interest income	Rate of income
	NIS million		%	NIS million		%
Assets bearing interest						
Credit to the public ⁽²⁾⁽⁵⁾						
- In Israel	87,561	769	3.56	83,700	692	3.35
Total	87,561	769	3.56	83,700	692	3.35
Credit to the Government						
- In Israel	601	4	2.69	839	-	-
Total	601	4	2.69	839	-	-
Deposits with banks						
- In Israel	2,424	-	-	2,457	1	0.16
- Outside Israel	-	-	-	28	-	-
Total	2,424	-	-	2,485	1	0.16
Deposits with bank of Israel						
- In Israel	46,419	11	0.10	39,275	10	0.10
Total	46,419	11	0.10	39,275	10	0.10
Securities borrowed or repurchased						
- In Israel	133	-	-	28	-	-
Total	133	-	-	28	-	-
Held to maturity or available for sale bonds ⁽³⁾						
- In Israel	14,213	23	0.65	11,344	28	0.99
Total	14,213	23	0.65	11,344	28	0.99
Trading bonds						
- In Israel	334	-	-	305	-	-
Total	334	-	-	305	-	-
Total assets bearing interest	151,685	807	2.15	137,976	731	2.14
Debtors regarding credit cards non-bearing interest	3,038			2,777		
Other assets non-bearing interest ⁽⁴⁾	17,069			13,858		
Total assets	171,792			154,611		
Total assets bearing interest attributed to activity outside Israel	-	-	-	28	-	-

**APPENDIX 1 -
RATES OF INTEREST INCOME AND EXPENSES AND ANALYSIS OF CHANGES
IN INTEREST INCOME AND EXPENSES (CONT'D)**

B. Average balances and interest rates - liabilities and capital

	For the three months ended September 30, 2021			For the three months ended September 30, 2020		
	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	28,253	1	0.01	21,688	-	-
Fixed-term	45,985	67	0.58	46,913	50	0.43
Total	74,238	68	0.37	68,601	50	0.29
Deposits from the Government						
- In Israel	160	1	2.52	161	-	-
Total	160	1	2.52	161	-	-
Deposits from banks						
- In Israel	1,066	-	-	1,255	-	-
Total	1,066	-	-	1,255	-	-
Deposits from central banks						
- In Israel	4,028	-	-	801	-	-
Total	4,028	-	-	801	-	-
Bonds						
- In Israel	2,837	27	3.86	4,385	19	1.74
Total	2,837	27	3.86	4,385	19	1.74
Other liabilities						
- In Israel	128	1	3.16	24	-	-
Total	128	1	3.16	24	-	-
Total liabilities bearing interest	82,457	97	0.47	75,227	69	0.37
Deposits from the public non-bearing interest	72,216			62,571		
Creditors in respect of credit cards non-bearing interest	1,544			2,586		
Other liabilities non-bearing interest ⁽⁶⁾	5,480			5,176		
Total liabilities	161,697			145,560		
Total capital resources	10,095			9,051		
Total liabilities and capital resources	171,792			154,611		
Interest spread			1.68			1.77
Net return on assets bearing interest ⁽⁷⁾						
- In Israel	151,685	710	1.89	137,948	662	1.93
- Outside Israel	-	-	-	28	-	-
Total	151,685	710	1.89	137,976	662	1.93
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)**

A. Average balances and interest rates - assets

	For the nine months ended September 30, 2021			For the nine months ended September 30, 2020		
	Average balance ⁽¹⁾	Interest income (expense)	Rate of income (expense)	Average balance ⁽¹⁾	Interest income	Rate of income
	NIS million		%	NIS million		%
Assets bearing interest						
Credit to the public ⁽²⁾⁽⁵⁾						
- In Israel	86,371	2,272	3.52	83,636	2,020	3.23
Total	86,371	2,272	3.52	83,636	2,020	3.23
Credit to the Government						
- In Israel	635	13	2.74	923	(4)	(0.58)
Total	635	13	2.74	923	(4)	(0.58)
Deposits with banks						
- In Israel	2,356	-	-	2,579	5	0.26
- Outside Israel	-	-	-	28	-	-
Total	2,356	-	-	2,607	5	0.26
Deposits with bank of Israel						
- In Israel	46,879	35	0.10	34,013	38	0.15
Total	46,879	35	0.10	34,013	38	0.15
Securities borrowed or repurchased						
- In Israel	105	-	-	56	-	-
Total	105	-	-	56	-	-
Held to maturity or available for sale bonds ⁽³⁾						
- In Israel	14,149	71	0.67	11,074	101	1.22
Total	14,149	71	0.67	11,074	101	1.22
Trading bonds						
- In Israel	298	1	0.45	221	-	-
Total	298	1	0.45	221	-	-
Total assets bearing interest	150,793	2,392	2.12	132,530	2,160	2.18
Debtors regarding credit cards non-bearing interest	2,812			2,599		
Other assets non-bearing interest ⁽⁴⁾	17,033			13,478		
Total assets	170,638			148,607		
Total assets bearing interest attributed to activity outside Israel	-	-	-	28	-	-

**APPENDIX 1 -
RATES OF INTEREST INCOME AND EXPENSES AND ANALYSIS OF CHANGES
IN INTEREST INCOME AND EXPENSES (CONT'D)**

B. Average balances and interest rates - liabilities and capital

	For the nine months ended September 30, 2021			For the nine months ended September 30, 2020		
	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	27,603	1	-	19,628	5	0.03
Fixed-term	47,097	193	0.55	48,107	153	0.42
Total	74,700	194	0.35	67,735	158	0.31
Deposits from the Government						
- In Israel	176	2	1.52	159	2	1.68
Total	176	2	1.52	159	2	1.68
Deposits from banks						
- In Israel	1,064	1	0.13	1,153	1	0.12
Total	1,064	1	0.13	1,153	1	0.12
Deposits from central banks						
- In Israel	3,000	1	0.04	441	-	-
Total	3,000	1	0.04	441	-	-
Bonds						
- In Israel	3,543	103	3.89	4,005	19	0.63
Total	3,543	103	3.89	4,005	19	0.63
Other liabilities						
- In Israel	54	1	2.48	36	-	-
Total	54	1	2.48	36	-	-
Total liabilities bearing interest	82,537	302	0.49	73,529	180	0.33
Deposits from the public non-bearing interest	69,800			58,797		
Creditors in respect of credit cards non-bearing interest	2,196			2,430		
Other liabilities non-bearing interest ⁽⁶⁾	6,224			4,866		
Total liabilities	160,757			139,622		
Total capital resources	9,881			8,985		
Total liabilities and capital resources	170,638			148,607		
Interest spread			1.63			1.85
Net return on assets bearing interest ⁽⁷⁾						
- In Israel	150,793	2,090	1.85	132,502	1,980	2.00
- Outside Israel	-	-	-	28	-	-
Total	150,793	2,090	1.85	132,530	1,980	2.00
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 September 30, 2021			For the three months ended September 30, 2020		
	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	129,407	606	1.89	115,438	601	2.10
Total liabilities bearing interest	67,045	(27)	(0.16)	58,514	(29)	(0.20)
Interest spread			1.73			1.90
Israeli currency linked to the CPI						
Total assets bearing interest	11,226	172	6.27	10,693	90	3.41
Total liabilities bearing interest	7,125	(69)	(3.93)	7,660	(31)	(1.63)
Interest spread			2.34			1.78
Foreign currency (including linked to f-c)						
Total assets bearing interest	11,052	29	1.05	11,817	40	1.36
Total liabilities bearing interest	8,287	(1)	(0.05)	9,053	(9)	(0.40)
Interest spread			1.00			0.96
Total activity in Israel						
Total assets bearing interest	151,685	807	2.15	137,948	731	2.14
Total liabilities bearing interest	82,457	(97)	(0.47)	75,227	(69)	(0.37)
Interest spread			1.68			1.77

	For the nine months ended September 30, 2021			For the nine months ended September 30, 2020		
	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	128,135	1,801	1.88	109,710	1,826	2.23
Total liabilities bearing interest	66,623	(80)	(0.16)	56,924	(101)	(0.24)
Interest spread			1.72			1.99
Israeli currency linked to the CPI						
Total assets bearing interest	11,068	492	5.97	10,575	177	2.24
Total liabilities bearing interest	7,557	(214)	(3.79)	7,386	(30)	(0.54)
Interest spread			2.18			1.70
Foreign currency (including linked to f-c)						
Total assets bearing interest	11,590	99	1.14	12,217	157	1.72
Total liabilities bearing interest	8,357	(8)	(0.13)	9,219	(49)	(0.71)
Interest spread			1.01			1.01
Total activity in Israel						
Total assets bearing interest	150,793	2,392	2.12	132,502	2,160	2.18
Total liabilities bearing interest	82,537	(302)	(0.49)	73,529	(180)	(0.33)
Interest spread			1.63			1.85

**APPENDIX 1 -
RATES OF INTEREST INCOME AND EXPENSES AND ANALYSIS OF CHANGES
IN INTEREST INCOME AND EXPENSES (CONT'D)**

D. Analysis of changes in interest income and expenses

	For the three months ended September 30, 2021 compared with the same period last year			For the nine months ended September 30, 2021 compared with the same period last year		
	Increase (decrease) due to the change		Net change	Increase (decrease) due to the change		Net change
	Quantity	Price		Quantity	Price	
			NIS million			NIS million
Interest bearing assets						
Credit to the public						
In Israel	34	43	77	72	180	252
Total	34	43	77	72	180	252
Other interest bearing assets						
In Israel	6	(7)	(1)	29	(49)	(20)
Total	6	(7)	(1)	29	(49)	(20)
Total interest income	40	36	76	101	131	232
Interest bearing liabilities						
Deposits from the public						
In Israel						
Demand	-	1	1	-	(4)	(4)
Fixed-term	(1)	18	17	(4)	44	40
Total	(1)	19	18	(4)	40	36
Other interest bearing liabilities						
In Israel	6	4	10	28	58	86
Total	6	4	10	28	58	86
Total interest expenses	5	23	28	24	98	122
Total interest income less interest expenses	35	13	48	77	33	110

(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 impaired debts which are non-bearing interest income.

(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 and nine months ended on September 30, 2021 in the amount of NIS 86 million and NIS 80 million, respectively (for the three and nine months ended September 30, 2020 balance of NIS 13 million was deducted and an amount of NIS 11 million, was added).

(4) Including derivative instruments, other non-bearing interest assets and after deduction of provision for credit losses.

(5) Fees in the amount of NIS 51 million and NIS 46 million were included in interest income for the three months ended September 30, 2021 and September 30, 2020, respectively, and amount of NIS 159 million and NIS 142 million were included in interest income for the nine months ended September 30, 2021 and September 30, 2020, 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.