FIRST INTERNATIONAL BANK OF ISRAEL

Financial Statements
as of March 31, 2024

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REPORT OF THE BOARD OF DIRECTORS AND MANAGEMENT AS OF MARCH 31, 2024

The meeting of the Board of Directors held on May 28, 2024, resolved to approve and publish the unaudited consolidated financial statements of the First International Bank of Israel Ltd. (hereinafter - "the Bank") and its consolidated subsidiaries (hereinafter - "the Bank Group"), as of March 31, 2024.

GENERAL OVERVIEW, OBJECTIVES AND STRATEGY

DESCRIPTION OF THE BANK GROUP'S ACTIVITY

The Bank Group continues to put an emphasis on innovation and technology, understanding that the world of modern banking is based on a combination of advanced banking modified to the needs of customers, together with a leading digital capability.
The business operations of the Bank Group focus on several principal areas:

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

The Bank operates through three principal business divisions:

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

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

THE BANK'S RATING BY RATING AGENCIES

On May 2, 2024, S&P Ma'alot ratified the issuer rating of the Bank at a level of AAAil/negative and its subordinate debt notes with a loss absorption mechanism at a level of AAil-, similar to the rating of the four other large banks in Israel.

On May 23, 2023, the international rating agency Moody's ratified the rating of long-term deposits with the Bank in foreign currency and in Israeli currency at A2, the short-term deposits with the Bank at Prime-1, and the rating outlook at "stable". On October 24, 2023, Moody's announced the placing of the credit rating of the five large banks in Israel, including the Bank, on "examination for the lowering of the rating", and this in continuation of a similar move regarding the credit rating of the State of Israel. On February 13, 2024, Moody's announced the lowering of the rating of long-term deposits with the five large banks in Israel, including the Bank, from "A2" to "A3" with a negative outlook, this similarly to a move regarding the credit rating of the State of Israel.

FORWARD-LOOKING INFORMATION

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

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

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

CONDENSED PRINCIPAL FINANCIAL INFORMATION AND PRINCIPAL EXECUTION INDICES

Principal financial ratios	For the three months ended March 31,		For the year ended December 31,
	2024	2023	2023
			Percent
Principal execution indices			
Return on equity attributed to shareholders of the Bank(1)	**18.7**	23.6	19.7
Return on average assets(1)	**1.03**	1.28	1.06
Ratio of equity capital tier 1	**11.78**	10.55	11.35
Leverage ratio	**5.27**	5.15	5.26
Liquidity coverage ratio	**161**	131	156
Net stable funding ratio	**150**	133	146
Ratio of total income to average assets(1)	**2.9**	3.5	3.2
Ratio of interest income, net to average assets (1)	**2.0**	2.6	2.4
Ratio of fees to average assets (1)	**0.7**	0.8	0.7
Efficiency ratio	**46.2**	42.6	43.5
Credit quality indices			
Ratio of provision for credit losses to credit to the public	**1.38**	1.06	1.36
Ratio of total provision for credit losses (2) to credit to the public	**1.53**	1.17	1.50
Ratio of non-accruing debts or in arrears of 90 days or more to credit to the public	**0.60**	0.47	0.60
Ratio of provision for credit losses to total non-accruing credit to the public	**236.1**	232.5	234.5
Ratio of net write-offs to average total credit to the public (1)	**(0.02)**	(0.04)	0.03
Ratio of expenses (income) for credit losses to average total credit to the public (1)	**(0.01)**	0.25	0.42

Principal data from the statement of income	For the three months ended March 31,	
	2024	2023
		NIS million
Net profit attributed to shareholders of the Bank	**569**	631
Interest Income, net	**1,115**	1,275
Expenses (income) from credit losses	**(2)**	72
Total non-Interest income	**466**	425
Of which: Fees	**365**	388
Total operating and other expenses	**731**	724
Of which: Salaries and related expenses	**442**	449
Primary net profit per share of NIS 0.05 par value (NIS)	**5.67**	6.29

Principal data from the balance sheet	31.3.24	31.3.23	31.12.23
			NIS million
Total assets	**225,941**	204,312	221,593
of which: Cash and deposits with banks	**76,731**	57,763	68,866
Securities	**26,375**	19,756	26,985
Credit to the public, net	**115,199**	118,502	117,622
Total liabilities	**212,989**	192,923	208,947
of which: Deposits from the public	**196,615**	173,390	191,125
Deposits from banks	**3,586**	5,481	4,314
Bonds and subordinated capital notes	**4,736**	4,770	4,767
Capital attributed to the shareholders of the Bank	**12,355**	10,888	12,071

Additional data	31.3.24	31.3.23	31.12.23
Share price (0.01 NIS)	**15,440**	12,650	14,990
Dividend per share (0.01 NIS)	**268**	267	795

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

PRINCIPAL RISKS TO WHICH THE BANK IS EXPOSED

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

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

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

Additional information is detailed in the financial statements for 2023.

LEADING AND DEVELOPING RISKS

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

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

Macro-economic risk

The business results of the banking system in Israel, and of the Bank as a part thereof, are affected directly by the economic situation in Israel and globally. Deterioration in economic conditions (including changes in interest rates, in currency exchange rates, in inflation and more), being affected also by the political and defense conditions, may bring about damage to the income of the Bank Group, to growth in scope of troubled debts and to an adverse effect upon the results of the Group.

The level of the macro-economic risk continues to be high, on background of the level of inflation and the high interest rate.

The continuation of the War creates a burden on the activity of the economy, inter alia, causing disruption in significant economic sectors such as real estate, hotels, food and catering services, adversely affecting the condition of borrowers in the economy, being also reflected in the increase in Government expenditure and in the intensification of the Government's deficit. To the extent that the War continues, it may result in growth in the rate of unemployment, in a certain deterioration in the standard of living in Israel and changes in consumption habits, which might be reflected, inter alia, in the reduction in the volume of credit card operations, volatility in the capital market and in exchange rates and more.

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

At the beginning of April 2024, the international rating agency Fitch, announced the ratification of the credit risk rating of the State of Israel at the level of "A+", with the removal of the "negative follow-up" status and determining the rating horizon as "negative". Further on in April, the international rating agency S&P also announced a rating update and forecast for the State of Israel deciding to downgrade the credit rating of the State of Israel from a level of "AA-" to a level of "A+". In addition to that, S&P left the rating horizon at "negative", a situation that may indicate a further downgrading later on during the year. In the course of May, Moody's updated its report on Israel in which it ratified the existing rating at a level of "A2" with a negative horizon, following the downgrading announced by it in February 2024, on background of the War.

For additional details, see the Chapter on principal economic developments, hereunder. For details regarding the effect of the credit rating of the State of Israel, see the Chapter on capital and capital adequacy.

The developments discussed above, affect the risk environment and may bring about an increase in the level of different risks, such as, liquidity, credit, market, money laundering, cyber, business continuity and more.

The Bank follows closely the developments, the macro-economic condition and the impact upon the Bank. Inter alia, the Bank examines their impact upon customers of the Bank, due to the War, upon volatility in the markets and the effect on the NOSTRO investments and liquidity, the operation of the dealing rooms, cyber subjects, compliance, money laundering and the finance of terror, and more. In addition, discussions are being held regarding the current updating of the impact of the situation on the Bank and its customers, including the issuing of different guidelines to various functions at the Bank and conducting scenarios and stress tests.

EFFECT OF THE "SWARDS OF IRON" WAR

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

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

In addition, "first circle" customers, who are individuals and small businesses, would be entitled to exemption from certain commissions for a period of three months. In respect of other customers, the basic outline allowed the deferral of payments respecting mortgages and consumer and commercial credit for a period of three months, free of commissions, in certain amounts and conditions, with the cost of deferral being computed in accordance with the contractual interest rate. The terms stated in the said outline are minimum terms, and each bank was entitled to expand the outline in favor of its customers and at their request.

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

On December 17, 2023, Bank of Israel announced the extension of the basic outline by three additional months, beginning on January 1, 2024. Likewise, Bank of Israel added to the "first circle" the population of the participants in the "Nova" Festival at Re'im, as well as the accounts of those kidnapped, missing and their siblings. The extended outline allows customers who had not yet applied for a deferral to apply for a deferral of three months, and those customers who had been granted such deferral, to apply for a deferral of three additional months (in accordance with the amounts and terms detailed in the primary outline). An additional benefit was granted in respect of the "first circle" group, of exemption from interest charges on a debit balance of up to NIS 30 thousand, to businesses having a turnover of up to NIS 5 million.

On March 4, 2024, Bank of Israel announced the extension of the outline by three additional months, beginning on April 1, 2024. The "first circle" population was also enlarged to include residents of areas which the Government had decided to evacuate but who have as yet in fact not been evacuated, victims of the "Passydack" Festival and of the preparation meeting for the "Midbar an" Festival as well as reserve servicemen hospitalized for a period of at least seven days due to injury caused in the fighting. The terms of the outline have been expanded so that reserve servicemen shall be exempt from interest charges on current account debit balances of up to an amount of NIS 10,000, for a period of three months (provided that immediately prior to the publication of the expansion their account showed a debit balance). Classification of the reserve servicemen for the purpose of granting the benefits, would be made by the Bank in initiated manner with no need for proof.

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

In addition to the said basic outline, the Bank has adopted a line of additional steps in order to assist its customers. Customers residing in the area surrounding the Gaza Strip (within a range of 7 km from the border) have been granted benefits, including exemption from three mortgage repayments, for customers owning a mortgaged property located in the area surrounding the Gaza Strip, and the granting of interest and linkage free loans of up to NIS 20 thousand for a period of two years. Likewise, benefits regarding mortgages were granted to regular servicemen similarly to the basic outline, as stated; two designated funds of NIS 100 million each were established, one for regular servicemen and the other for reserve servicemen, for the granting of interest free loans for a period of one year and business customers were granted the benefit of deferred repayment of loans with no limit to the amount of the loan.

At this stage, assessment of the amount of the said total benefits might reach NIS 175 million, assuming the exercise in full. Such costs would be charged to profit and loss as incurred upon exercise of the benefits by customers. The total amount of benefits recognized in profit and loss in the fourth quarter of 2023 and in the first quarter of the current year, was NIS 47 million. For additional information regarding deferral of loan repayment, see the Chapter "Risk review – credit risk", hereunder.

Following are details regarding benefits within the framework of confrontation with the War (in NIS millions)

	March 31, 2024					
	Housing	Private individuals - other	Small and minute businesses	Middle market businesses	Large businesses	Total
Effect of benefits granted by the Bank in coping with the war						
Modifications of terms of debts	**12**	**11**	**9**	**-**	**-**	**32**
Interest free or reduced interest loans	**-**	**3**	**-**	**-**	**-**	**3**
Waiver of fees	**1**	**9**	**2**	**-**	**-**	**12**
Other benefits	**-**	**-**	**-**	**-**	**-**	**-**
Total benefits granted by the bank	**13**	**23**	**11**	**-**	**-**	**47**
Unutilized benefits	**24**	**69**	**9**	**-**	**-**	**102**
Total benefits assuming full utilization	**37**	**92**	**20**	**-**	**-**	***149**
Additional information regarding activities to benefit borrowers in coping with the war						
Balance of credit with modification of terms of debts	**3,258**	**414**	**1,139**	**178**	**113**	**5,102**
Amount of deferred payments	**74**	**25**	**89**	**16**	**3**	**207**
Average payment deferral in months		**3**	**3**	**3**	**1**	**3**
Of which: troubled credit	**39**	**14**	**30**	**2**	**-**	**85**
Of which: debts of borrowers in financial difficulties which terms had been changed	**1**	**7**	**9**	**-**	**-**	**17**
Balanced of interest free or reduced interest loans granted	**-**	**43**	**1**	**-**	**-**	**44**
Average interest rate						**0%**
Average prime interest rate during the relevant period						**6.0%**
Loans granted within State backed funds						
Credit balance	**-**	**-**	**117**	**55**	**21**	**193**
Average interest rate	**-**	**-**	**7.5%**	**7.2%**	**7.2%**	
Of which: Balance of credit granted with financing by the Bank of Israel	**-**	**-**	**-**	**-**	**-**	**-**
Average interest rate	**-**	**-**	**-**	**-**	**-**	**-**
Balance of loans granted with financing by the Bank of Israel (including through State backed funds)						
Credit balance	**-**	**206**	**-**	**-**	**-**	**206**
Average interest rate						**6.0%**

* Not including the effect of the extension of the outline of April 1, 2024.

Management and the Board of Directors of the Bank maintain current follow-up of all matters and risks pertaining to the War, its implications and financial impact on the Bank and its customers. For additional details, see the Chapter "Risk review" hereunder.

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

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

OBJECTIVES AND STRATEGY

The Bank operates according to a multi-annual strategic plan validated by the Board of Directors. The new corporate strategy for the years 2023-2025, was approved by the Board of Directors in December 2022. In the framework of the new strategy, new digital strategy was also formulated. It is being validated once every six months, in the framework of which, a review of the operations environment is carried out and the implications on the Bank's strategy are examined. If required, processes and strategic goals are updated.

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

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

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

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

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

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

Principal environmental, social, and governance aspects (ESG)

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

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

- Integration of ESG aspects in the capital market area - within the framework of the Bank's leadership in the capital market, the Bank has decided to integrate ESG considerations in investment advisory services, and make information on the subject accessible to its customers, through the Bank investment consultants and trading systems. In this framework, the Bank acts to make accessible ESG information regarding different securities by way of the trading systems, and examines the possibility to integrate ESG scoring in the analysis methodology of the Bank for securities. Concurrently, the Bank concluded, a training layout in the matter, directed at bank investment consultants, with a view of assisting them in integrating the ESG area in consultation processes, in accordance with customer needs and guidance.
- Environmental and climate risk management regarding business credit - The Bank studies regularly, the processes of environmental risks with respect to material credit transactions, and strictly considers environmental risk aspects upon making credit granting decisions, to the extent that the matter is relevant to the transaction. On background of the significant developments in recent years regarding practices for the management of environmental risks, including the directives of the Supervisor of Banks, in respect of principles for effective management of financial risks connected to the climate, the Bank conducts a renewed examination of the processes regarding evaluation and management of the environmental risk, while modifying them, to the extent possible, to accepted practices in the world. In this framework, the Bank is mapping the existing exposure in this area, examines their effect on its activity and is acting to adjust its risk appetite, including determination of goals and limitations.
- Promotion of financial understanding of Bank customers, with a focus on the capital market - the Bank is continuously acting to promote the financial understanding of its various customers, through digital means, such as study courses and video clips. The contents are presented on the Internet website of the Bank and are published to customers, with the aim of expanding the scope of exposure to such contents, and increase the financial knowledge of customers and assist them in making more educated financial decisions. Some of the contents are modified to the unique needs of customers belonging to specific sectors, such as small businesses and self-employed or customers at retirement age. Over and above the plentiful social value of this move, the Bank recognizes the importance of the financial knowledge of its customers, also as part of its risk management tools.
- Promotion of diversity in employment - Within the strategic focusing of the Bank Group on customers coming from different groups of population, through the different banking brands, the Bank sees great importance in attracting employees from divers' groups of the Israeli society.

EXPLENATION AND ANALYSIS OF RESULTS AND BUSINESS POSITION

TRENDS, EVENTS, DEVELOPMENTS AND MATERIAL CHANGES

Main Economic Developments

Below are the main economic developments that affect the economic environment in which the Israeli banking sector operates, including the Swords of Iron War's ongoing effect on the local economy.

In April 2024, the Bank of Israel Research Division published an updated forecast for the Israeli economy, based on the assumption that the direct economic effect of the Swords of Iron War had peaked in the last quarter of 2023. The Bank of Israel estimates that the war's effects on the Israeli economy will be felt until the end of 2024, but their intensity will gradually diminish. This forecast relies on the assumption that the warfare will largely remain confined to the southern front, without a substantial expansion into other fronts. To a significant extent, the economic forecast below relies on the Bank of Israel's updated assessments, even though these forecasts are highly uncertain.

Growth

The Bank of Israel forecast from April 2024 predicts that the product will grow by 2% in 2024 and by 5% in 2025.

Product growth is affected both by demand and supply. On the demand side, the data on credit card purchases in recent months demonstrated a faster recovery rate than had been estimated at the start of the year. On the supply side, the labor shortage is still felt in certain industries, such as construction and agriculture. In addition, it appears that the return of the evacuees from the south and the north to their homes will be postponed to the fourth quarter of 2024. These two factors are expected to bring about a decrease in the volumes of production in the economy.

The foreign rating agencies present a slightly less optimistic forecast than the Bank of Israel's forecast. The S&P and Fitch rating agencies predict that the growth will range from 0.5% to 1.9% in 2024, and that growth will range from 4.1% to 5.0% in 2025.

Turkey has recently resolved to impose an economic trade boycott on Israel, which might affect growth and inflation, especially in the construction and real estate sector. According to estimates, the construction products imported from Turkey comprise about a quarter of the construction industry in Israel's total inputs. The products imported from Turkey can be replaced, whether the substitutes are domestically produced or imported from elsewhere, but the immediate boycott, by itself, is likely to trigger disruptions in the supply chain, which will hinder and slow down several key growth engines, such as the construction sector, which is already facing major challenges.

Credit risk of the economy

In early April 2024, the rating agency Fitch announced that it had ratified the State of Israel's A+ credit rating, while removing the "Rating Watch Negative" status and changing the rating outlook to "negative." Fitch explained that the geopolitical risks associated with the war remained high and that the risk of an escalation remains present. According to the rating agency, "the risks to the credit rating have been broadened and their impact may last longer than previously believed."

Later in the same month, the rating agency S&P also published a rating update and a forecast for the State of Israel. S&P decided to downgrade Israel's credit rating from AA- to A+. In addition, S&P kept the rating outlook at "negative," which indicates an additional potential downgrade later in the year. In the rating update it had published, S&P noted that the recent escalations in the tense security situation aggravate the geopolitical risks and that the regional war is expected to continue until the end of 2024, in contrast to the previous assessment of a shorter duration.

In May, Moody's reported that it affirms the current rating and that it remains unchanged, at A2, with a negative outlook. Moody's currently considers an additional rating downgrade relatively unlikely, subject to the security situation. Moody's warns that the military conflict is likely to adversely affect the fiscal data over time.

State budget

The updated Bank of Israel forecast predicts that the deficit in the government budget for 2024 will total 6.6% of the GDP, and 4.6% of the GDP in 2025. In January 2024, the Bank of Israel predicted that the deficit would total 5.7% and 3.8% of the GDP, respectively. S&P estimates that the government deficit will rise to 8% this year, which is higher than the Treasury's estimate of an expected deficit of 6.6% at the end of 2024. Moody's latest report indicates a downward trend in the fiscal data. According to Moody's, the budget deficit and government debt are expected to rise significantly, compared to previous forecasts. Moody's expects this year's deficit to total 7.8%, almost a full percent more than the estimate they had issued only a few months ago. Among other things, Moody's noted that additional expenses, such as housing solutions for the evacuees from northern Israel following the conflict, also contribute to the increased expenditure and the deepening deficit.

The Bank of Israel estimates that the debt-to-GDP ratio is expected to rise to 67% in 2024 and remain at a similar level in 2025. Here, too, we observe a 1% upward revision from the January forecast. These updates were made after the state budget for 2024 passed the second and third readings in the Knesset in March 2024. Compared to the original budget, the budget now includes higher civil and military expenditure facilities. On the other hand, the fiscal measures that the Knesset has enacted so far with respect to 2025 include a permanent NIS 8 billion increase in income, mainly due to the increase in the VAT rate from 17% to 18%. The rating agency Fitch, on the other hand, is less optimistic, and it estimates that the debt-to-GDP ratio will rise to higher levels than the Bank of Israel estimates, and that the budgetary challenges will not be fully resolved before the end of 2025.

Inflation

The Bank of Israel revised its estimate on the inflation rate in 2024 upward. The central bank now estimates that in 2024, inflation will reach 2.7% (compared to 2.4% in its January 2024 forecast), while in 2025, the inflation is expected to be more moderate, at 2.3% (2.0% in the January forecast). The analysts' estimates have also been revised upward recently, after several indices turned out to be higher than expected. According to the revised estimates, they present an about 3.0% inflation rate a year forward.

The higher inflation in 2024-2025 stems from multiple factors, including, among other things, the observed recovery in the employment market, that coincides with a tight labor market that is going through a labor shortage, especially in the agricultural and construction sectors. Other factors that affect the greater price pressures are the rising prices of raw materials worldwide (among other things, that increase is affected by the cost of transporting goods), as well as the higher cigarette and fuel taxes. In its assessment for 2025, the Bank of Israel also considered the scheduled increase in the VAT, from 17% to 18%. Although that increase is defined as "temporary," it causes higher expectations. The Turkish boycott, as noted above, is likely to bring about a reduction in imports and might raise the cost of construction inputs. One must keep in mind that some of the products imported from Turkey are considered critical to the local industry and to continuous production. Finding alternatives to these products in the interim is likely to take time and manifest in additional inflationary pressures.

Housing market

The housing starts and completions data published in the last few months do not keep up with the demand in the construction industry. There are several causes for the greater demand, including the higher demand from immigrants to Israel as well as the number of evacuees (mainly from the north), on top of the ongoing demand for housing solutions. On the other hand, it appears that not all construction sites have resumed full activity. This imbalance generates pressure on this industry, which leads to higher prices.

Labor market

In March, the unemployment rate remained at 3.3%. The increase in the ratio between the demand for labor and the number of unemployed individuals (0.96 in March 2024, compared with 0.86 in the previous month and 0.8 in January-September 2023) indicates that the labor market is growing tighter. The excess demand for labor increases the wage pressure. According to the Bank of Israel forecast, the expected unemployment rate in 2024 is 3.7% . This is a significant revision compared with the forecast from January 2024, in which the projected rate was 5.3%.

Bank of Israel interest rate

Following about four years in which the Bank of Israel did not lower the interest rate, it has decided to reduce the interest rate by 0.25% at the beginning of the year. Since then, the Bank of Israel has left the interest rate the same (at 4.5%) in its last two decisions. The decision to leave the interest rate unchanged was made against the background of uncertainty and the concerns of higher inflation. In recent months, the Governor noted that if the inflation environment stabilizes at a lower level than the upper threshold of the Bank of Israel's target range (1% to 3%), interest rate reductions would be more likely. However, the geopolitical uncertainty and the concerns of an escalation in the security situation, as well as the local currency's volatility, currently weigh heavier in the Monetary Committee's decisions, and the Committee prefers to be cautious and wait before announcing more interest rate reductions. The Bank of Israel Research Division estimates that the interest rate is expected to be at 3.75% in the first quarter of 2025. In contrast, the Israeli markets reveal expectations of a single 0.25% interest rate reduction in the coming year, as of the end of April.

Exchange rate

The geopolitical situation is expected to continue well into 2024, and their intensity will have a direct effect on the shekel/dollar exchange rate. In recent months, the exchange rate against the dollar ranged from NIS 3.55-3.80 per dollar.

The global environment

In April 2024, the International Monetary Fund (IMF) published the macroeconomic forecast for the global economy, where it referred to several countries, including Israel. According to the IMF, the global growth rate is expected to be at 3.2% in each of the years 2024 and 2025, similar to the growth rate in 2023. As for inflation, consumer prices worldwide are expected to climb by an average of 5.9% this year, which is moderate compared with the 6.8% increase in 2023. Next year, the global inflation rate is expected to fall to 4.5%. The IMF expects the United States' economy – the world's largest – to grow by 2.7% this year. This is another upward revision by the IMF, after the IMF's growth forecast for the United States was at 2.1% in January this year and 1.5% in October 2023. In 2025, the United States' economy is expected to grow by 1.9%. Compared with the United States, the expected growth in the Eurozone was slightly reduced to 0.8% in 2024 (from 0.9% in the January forecast) and 1.5% in 2025 (from 1.7% in the January forecast).

According to estimates, central banks worldwide are expected to change their monetary policy and start to lower the interest rate over the second half of 2024. The prevailing estimate is that the Federal Reserve (in the United States) and the ECB (in Europe) will be the first central banks to take this step from among the world's major economies.

The sentiments in the capital markets in the first quarter of the year were positive, and major and important U.S. indices, such as the S&P 500 and the NASDAQ 100, increased handsomely in that period. The sentiment was positive in Europe and Japan as well, and the increases there even outpaced the increases recorded in the United States. The positive trend in the markets relies heavily on the assessment that the global economy is not headed toward a recession and that many central banks around the world are likely to change their monetary policy in the first quarter of the year. Near the end of the quarter, the investors' optimism began to fade, as the realization that the interest rate environment was not going to change so soon and that the process of lowering the interest rate would probably begin only in the third quarter of 2024, began to sink in. In addition, the growing geopolitical tensions in the region and in Eastern Europe did not help the markets, and created volatility. In light of the above, the increases in the stock indices slowed down from the beginning of the second quarter of the year until the middle of May. During that period, most global markets demonstrated increases that ranged from 2% to 3%. When looking at the main indices' performance from the beginning of the year to mid-May, one can see that in the United States, the S&P 500 increased by about 12% and the NASDAQ index increased by about 11.5%. In Europe, the Euro Stoxx increased by 14.5%, and in Japan, the Nikkei increased by 16.8%.

Trade on the Tel Aviv Stock Exchange did not perform as well as the global indices in the same period. The geopolitical tensions surrounding the war are generating uncertainty that also reflects on the local economy, which is expected to face many challenges in the coming year. From the start of the year to mid-May, the TA-35 and the TA-125 increased by about 6.3% and 5.8%, respectively. The TA Global-BlueTech index that jumped by about 14.3%, and the Cleantech index that jumped by about 13.7%, stood out among the industry-specific indices. On the other hand, the TA-Banks index decreased by a moderate 1.0%.

In the domestic bonds channel, a moderate negative trend has been recorded since the beginning of 2024 in government debt, with decreases ranging from 0.3% to 2.3%. In the corporate channel, the markets showed moderate increases ranging from 1.1% to 2.7%.

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

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

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

As stated in the Chapter "Market risk" hereunder, the Bank is exposed to market risk, including interest risk. The average rate of Bank of Israel interest in the first quarter of 2024 rose by 0.58% in relation to the corresponding period last year. The rise in the interest rate had a positive effect on the Bank's income, which was partly offset by the change in the mix of deposits by the public, due to a transition from current account deposits, which bear no interest, to other interest-bearing channels. Continuation of the said trend is expected, according to Bank estimates, to cause a decline in the interest margin of deposits and in the net interest income of the Bank. The Bank's estimates with respect to the expected changes in net interest income in the coming quarters comprise "forward-looking information" that is, inter alia, affected by the interest environment, the level of inflation, volume of operations and customer preferences.

The following Table shows the development of net interest income, by supervisory segments of activity (in NIS millions):

	Margin(1) on extending credit	Margin(1) on receiving deposits	Other(2)	Total	Margin(1) on extending credit	Margin(1) on receiving deposits	Other(2)	Total
	For the three months ended March 31, 2024				For the three months ended March 31, 2023			
Households	**251**	**382**	**33**	**666**	283	352	27	662
Private banking	**-**	**30**	**-**	**30**	-	32	-	32
Small and minute businesses	**119**	**126**	**15**	**260**	145	135	16	296
Middle market businesses	**45**	**25**	**8**	**78**	48	27	7	82
Large businesses	**113**	**29**	**27**	**169**	101	32	22	155
Institutional bodies	**2**	**46**	**1**	**49**	2	47	1	50
Financial management	**-**	**-**	**(137)**	**(137)**	-	-	(2)	(2)
Total interest income, net	**530**	**638**	**(53)**	**1,115**	579	625	71	1,275
Margin from operations (%)	**1.8%**	**1.3%**			2.0%	1.5%		
Bank of Israel interest (average)				**4.51%**				3.93%

(1) The financial margin is computed as the gap between the interest paid or received and the average cost of money to the Bank, derived from the average maturity matching the credit terms or deposit terms in the relevant linkage segments and calculated according to an internal model. Therefore, it should be taken into consideration, when performing a comparison between the Bank's margins and the margins of other banking entities.

(2) Including asset and liability management operations.

In relation to the rise in inflation, the Bank is exposed to the CPI in a way in which it has a surplus of CPI linked assets over linked liabilities in an amount of NIS 7.6 billion, as of March 31, 2024, as compared to NIS 6.0 on March 31, 2023. The rise in the CPI contributed NIS 27 million to the Bank's income in the first three months of the year, compared with NIS 64 million in the same period last year.

MATERIAL DEVELOPMENTS IN REVENUES, EXPENSES AND OTHER COMPREHENSIVE INCOME

PROFIT AND PROFITABILLITY

Net profit attributed to the shareholders of the Bank amounted to NIS 569 million in the first three months of 2024, as compared to NIS 631 million in the same period last year, a decrease of 9.8%.

The return of net profit to the capital attributed to the shareholders of the Bank (annualized) amounted to 18.7% in the period January-March 2024, compared to 23.6% in the same period last year and 19.7% in 2023.

Condensed statement of income

	For the three months ended March 31,		
	2024	2023	change
		NIS million	%
Net financing earnings[1]	**1,215**	1,311	(7.3)
Expenses (income) from credit losses	**(2)**	72	
Net financing earnings after expenses from credit losses	**1,217**	1,239	(1.8)
Fees and other income	**366**	389	(5.9)
Operating and other expenses	**731**	724	1.0
Profit before taxes	**852**	904	(5.8)
Provision for taxes on profit	**279**	315	(11.4)
The bank's share in profit of equity-basis investee, after taxes	**18**	65	(72.3)
Net profit:			
Before attribution to non-controlling interests	**591**	654	(9.6)
Attributed to non-controlling interests	**(22)**	(23)	(4.3)
Attributed to shareholders of the Bank	**569**	631	(9.8)
Net return on equity attributed to the Bank's shareholders[2]	**18.7%**	23.6%	

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

(2) Annualized.

DEVELOPMENT IN INCOME AND EXPENSES

The Net Financing earnings

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

	2024				2023
	Q1	Q4	Q3	Q2	Q1
					NIS million
Interest income	**2,576**	2,561	2,590	2,523	2,176
Interest expenses	**1,461**	1,415	1,363	1,205	901
Net interest income	**1,115**	1,146	1,227	1,318	1,275
Non-interest financing income (expenses)	**100**	64	(1)	43	36
Net reported financing earnings	**1,215**	1,210	1,226	1,361	1,311
Elimination of non-current activities:					
Reconciliations to fair value of derivative instruments	**(1)**	(4)	3	8	(7)
Income (expenses) from realization and reconciliations to fair value of bonds	**1**	(9)	(58)	(26)	(8)
Earnings (losses) from investments in shares	**51**	22	13	29	(6)
Total non-current activities	**51**	9	(42)	11	(21)
Financing earnings from current activity[(1)]	**1,164**	1,201	1,268	1,350	1,332

(1) Of which in respect of changes in the CPI - an income of NIS 27 million in the first three months of 2024, in comparison with an income of NIS 64 million in the same period last year.

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

The financing earnings from current activity amounted to NIS 1,164 million, compared with NIS 1,332 million in the corresponding period last year, a decrease of 12.6%. The decrease is mainly explained by the transfer to deposits bearing interest instead of current account, which do not bear interest and from the effect of the changes in the CPI.

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

	For the three months ended March 31,	
	2024	2023
		in %
Income rate on asset bearing interest[(1)]	**5.18**	5.09
Expense rate on liabilities bearing interest[(1)]	**3.91**	3.10
Total interest spread	**1.27**	1.99
Ratio between net interest income and assets bearing interest balance[(1)]	**2.24**	2.98

(1) Annualized.

In the first three months of the year, a decrease of 0.74 percentage points occurred in the ratio between net interest income and assets bearing interest balance, compared with the same period last year. The decrease stems from the decline of net interest income, mainly due to the transfer to deposits bearing interest instead of current account, which do not bear interest.

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 2 million in the first three months of 2024, compared with expenses of NIS 72 million in the same period last year. The net specific income in respect of credit losses, amounted to NIS 6 million in the first three months of the year, compared with NIS 14 million in the same period last year. The collective expense in respect of credit losses amounted to NIS 4 million, in the first three months of the year, compared with NIS 86 million, in the same period last year. The decrease in the collective expense from credit losses, compared with the same period last year, derived from an improvement in the existing and anticipated macro-economic indices during the first quarter of the year.

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

	For the three months ended March 31,	
	2024	**2023**
		NIS million
Individual expense in respect of credit losses	**24**	26
Decrease in individual expense in respect of credit losses and collection of debts written off in accounting	**(30)**	(40)
Individual income, net in respect of credit losses	**(6)**	(14)
Collective expense in respect of credit losses	**4**	86
Total expenses (income) in respect of credit losses	**(2)**	72
Of which:		
Expenses (income) in respect of commercial credit risk	**(13)**	61
Expenses in respect of housing credit risk	**27**	-
Expenses (income) in respect of other private credit risk	**(16)**	11
Expenses in respect of Banks, Governments and Bonds credit risk	**-**	-
		In %
Ratio of individual income in respect of credit losses to average total credit to the public(1)	**(0.02%)**	(0.05%)
Ratio of collective expense in respect of credit losses to average total credit to the public(1)	**0.01%**	0.30%
Ratio of total expenses (income) in respect of credit losses to average total credit to the public(1)	**(0.01%)**	0.25%

(1) Annualized.

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

Fees totaled NIS 365 million in the first three months of 2024, compared with NIS 388 million in the same period last year, a decrease of 5.9%.

Set out below are details of fees income:

	For the three months ended	
	March 31, 2024	**March 31, 2023**
		NIS million
Account management	**46**	56
Credit cards	**29**	29
Transactions in securities	**197**	187
Conversion differentials	**46**	62
Fees from financing transactions	**22**	26
Other Fees	**25**	28
Total Fees	**365**	388

The decrease in income from account management is explained, among other things, by waiver of fees, in the framework of benefits which the Bank granted to its customers for confronting the effects of the war.

Operating and other expenses totaled NIS 731 million in the first three months of 2024, compared with NIS 724 million in the same period last year, an increase of 1.0%.

Set out below are details of operating and other expenses:

	For the three months ended	
	March 31, 2024	March 31, 2023
		NIS million
Salaries and related expenses	**442**	449
Maintenance and depreciation of premises and equipment	**87**	84
Amortization of intangible assets	**31**	30
Other expenses	**171**	161
Total operating and other expenses	**731**	724

Salaries and related expenses totaled NIS 442 million in the first three months of 2024, compared with NIS 449 million in the same period last year, a decrease of 1.6%. The decrease in salaries expenses, mainly stems from the provision for bonuses, among other things, due to the signing of labor agreements for the years 2023-2026 in the same period last year. This decrease was partially offset by the raise in current salaries.

Maintenance and depreciation of buildings and equipment expenses amounted to NIS 87 million in the first three months of the year, compared to NIS 84 million in the same period last year, an increase of 3.6%.

Expenses of amortization of intangible assets amounted to NIS 31 million in the first three months of the year compared to NIS 30 million in the same period last year.

Other expenses totaled NIS 171 million in the first three months of 2024, compared with NIS 161 million in the same period last year, and increase of 6.2%, stemming, among other things, from an increase in computer expenses.

The provision for taxes on operating earnings amounted to NIS 279 million in the first three months of 2024, compared with NIS 315 million in the same period last year. The effective tax rate as a proportion of earnings before taxes amounted to 32.7%, compared with 34.8% in the same period last year. The effective tax rate was affected by income in respect of income taxes in respect of previous years in the amount of NIS 49 million and from the update of the statutory tax rate as detailed below.
In march 2024, the Knesset passed the Special Payments for Achievement of the Budget Goals (Provisional Instruction – Swords of Iron) Act, 2024, according to which, a bank that does not have a small scope of activity (namely, a bank the asset value of which is lower than 5% of the total asset value of all banks in Israel) will pay an annual payment equal to 6% of the profit earned on its operations in Israel in the years 2024 and 2025, up to a certain ceiling. The tax rate will be calculated proportionally from the date which the law will be affected, April 1, 2024. Accordingly, the statutory tax rate in 2024 amounts to 38.03%, as compared to the previous tax rate of 34.2% (see also Note 1.F. to the financial statements).

The Bank's share in the operating earnings of investee company after the tax effect amounted to NIS 18 million, compared with NIS 65 million in the same period last year. The decrease derived mainly from the consummation of the sale transaction of ICC building in the same period last year.

The total comprehensive income attributed to the shareholders of the Bank amounted to NIS 553 million. This amount was affected by the net profit for the period attributed to the shareholders of the Bank of NIS 569 million, by other comprehensive loss in respect of adjustments of available-for-sale bonds to market value in an amount of NIS 23 million and by other comprehensive income in respect of employees' benefits in an amount of NIS 7 million.

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

The consolidated balance sheet as of March 31, 2024 amounted to NIS 225,941 million compared with NIS 221,593 million as of December 31, 2023, an increase of 2.0%.

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

	March 31, 2024	December 31, 2023	Change
		%	NIS million
Credit to the public, net	**115,199**	117,622	(2.1)
Securities	**26,375**	26,985	(2.3)
Cash and deposits with banks	**76,731**	68,866	11.4
Deposits from the public	**196,615**	191,125	2.9
Bonds and subordinated capital notes	**4,736**	4,767	(0.7)
Shareholders' equity	**12,355**	12,071	2.4

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

	March 31, 2024	December 31, 2023	Change
		NIS million	%
Off-balance sheet financial instruments excluding derivatives:			
Documentary credit	**271**	141	92.2
Guarantees and other liabilities	**8,801**	9,296	(5.3)
Unutilized credit lines for derivatives instruments	**2,870**	2,617	9.7
Unutilized revolving credit and other on-call credit facilities	**11,630**	11,245	3.4
Unutilized credit lines for credit card facilities	**10,083**	10,337	(2.5)
Facilities for the lending of securities	**962**	853	12.8
Irrevocable commitments to grant credit, not yet executed and commitments to issue guarantees	**11,066**	10,475	5.6
Total	**45,683**	44,964	1.6

Derivative financial instruments:

	March 31, 2024			December 31, 2023		
	Positive fair value	Negative fair value	Face value	Positive fair value	Negative fair value	Face value
						NIS million
Interest contracts	**368**	**227**	**19,443**	361	242	17,643
Currency contracts	**679**	**582**	**90,638**	1,102	1,355	84,419
Contracts in respect of shares	**2,274**	**2,273**	**61,924**	2,186	2,185	62,168
Commodities and other contracts	**3**	**3**	**270**	2	2	157
Total	**3,324**	**3,085**	**172,275**	3,651	3,784	164,387

Credit to the public, net as of March 31, 2024 amounted to NIS 115,199 million compared with NIS 118,502 million as of March 31, 2023 and NIS 117,622 million as of December 31, 2023, a decrease of 2.8% and 2.1%, respectively.

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

	March 31, 2024	December 31, 2023	Change		Segment's share of credit to the public as of March 31, 2024	December 31, 2023
		NIS million	NIS million	%	%	%
Local currency						
- Non-linked	**94,237**	95,191	(954)	(1.0)	**81.8**	80.9
- CPI-linked	**15,191**	15,366	(175)	(1.1)	**13.2**	13.1
Foreign currency (including f-c linked)	**5,060**	6,477	(1,417)	(21.9)	**4.4**	5.5
Non-monetary items	**711**	588	123	20.9	**0.6**	0.5
Total	**115,199**	117,622	(2,423)	(2.1)	**100.0**	100.0

Gross Credit to the public by supervisory segments of activity

	As of March 31, 2024	March 31, 2023	December 31, 2023	Change March 31, 2023	December 31, 2023
			NIS million		%
Large business segment	**31,890**	30,407	35,245	4.9	(9.5)
Medium business segment	**7,535**	7,717	7,442	(2.4)	1.2
Small and minute business segment	**18,169**	20,930	18,093	(13.2)	0.4
Household segment excluding housing loans	**22,482**	23,492	22,181	(4.3)	1.4
Housing loans	**35,564**	35,516	35,450	0.1	0.3
Private banking segment	**118**	97	98	21.6	20.4
Institutional entities	**1,058**	1,610	731	(34.3)	44.7
Total	**116,816**	119,769	119,240	(2.5)	(2.0)

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 161,321 million as of March 31, 2024 compared with NIS 162,564 million as of December 31, 2023, a decrease of 0.8%.

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

Sector	March 31, 2024		December 31, 2023		
	Total credit risk	Sector's share in total credit risk	Total credit risk	Sector's share in total credit risk	Change
	NIS million	%	NIS million	%	%
Financial services (including holding companies)	**23,611**	**14.6**	24,613	15.1	(4.1)
Construction and real estate	**24,628**	**15.3**	25,125	15.5	(2.0)
Industry	**10,432**	**6.5**	10,611	6.5	(1.7)
Commerce	**9,213**	**5.7**	9,895	6.1	(6.9)
Private customer, including housing loans	**77,980**	**48.3**	76,797	47.2	1.5
Others	**15,457**	**9.6**	15,523	9.6	(0.4)
Total	**161,321**	**100.0**	162,564	100.0	(0.8)

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):

					March 31, 2024
Borrower no.	Sector of the economy	Balance-sheet credit risk*	Off-balance-sheet credit risk	Aggregate credit risk	Aggregate credit risk after permitted deductions
					NIS million
1.	Financial services	**1,522**	**17**	**1,539**	**109**
2.	Financial services	**630**	**416**	**1,046**	**737**
3.	Financial services	**931**	**103**	**1,034**	**1,034**
4.	Financial services	**873**	**8**	**881**	**42**
5.	Financial services	**170**	**701**	**871**	**871**
6.	Industry	**41**	**777**	**818**	**818**

					December 31, 2023
Borrower no.	Sector of the economy	Balance-sheet credit risk*	Off-balance-sheet credit risk	Aggregate credit risk	Aggregate credit risk after permitted deductions
					NIS million
1.	Financial services	1,190	290	1,480	672
2.	Financial services	1,360	25	1,385	218
3.	Financial services	1,131	4	1,135	1,135
4.	Financial services	195	701	896	896
5.	Financial services	741	124	865	432
6.	Financial services	816	22	838	34

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

The investment in securities as of March 31, 2024 totaled NIS 26,375 million compared with NIS 26,985 million at the end of 2023, a decrease of 2.3%.

Set out below is the composition of the securities portfolio:

	March 31, 2024	December 31, 2023	Share of total securities March 31, 2024	Share of total securities December 31, 2023
		NIS million		%
Government bonds	**24,101**	25,304	**91.4**	93.8
Banks' bonds (1)	**1,154**	956	**4.4**	3.5
Corporate bonds	**207**	182	**0.8**	0.7
Shares (2)	**913**	543	**3.4**	2.0
Total	**26,375**	26,985	**100.0**	100.0

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

(2) Investment in shares includes inter alia investment in private equity funds, investment in shares and EITF and investment in hedging funds.

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

	March 31, 2024	December 31, 2023	Change	Change	Segment's share of total securities March 31, 2024	Segment's share of total securities December 31, 2023
		NIS million	NIS million	%	%	%
Local currency						
- Non-linked	**11,874**	10,434	1,440	13.8	**45.0**	38.7
- CPI-linked	**1,952**	1,874	78	4.2	**7.4**	6.9
Foreign currency denominated & linked	**11,636**	14,134	(2,498)	(17.7)	**44.2**	52.4
Non-monetary items	**913**	543	370	68.1	**3.4**	2.0
Total	**26,375**	26,985	(610)	(2.3)	**100.0**	100.0

Set out below are the sources for the price quotations which the Bank used for determining the fair value of securities as of March 31, 2024:

	Price quoted in active market	Indicative price*	Counter-party price**	Total
				NIS million
Shares and private investment funds	**726**	**4**	**183**	**913**
Local currency government bonds	**13,276**	**-**	**-**	**13,276**
Local currency corporate bonds	**466**	**84**	**-**	**550**
Foreign-currency and f-c linked bonds	**25**	**11,611**	**-**	**11,636**
Total	**14,493**	**11,699**	**183**	**26,375**
% of portfolio	**54.9**	**44.4**	**0.7**	**100.0**

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

** Counter-party price-Price quotation obtained from the entity with which the transaction is conducted.

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

	March 31, 2024	December 31, 2023
		NIS million
Israel (incl. Israel Government - NIS 2,911 million, 31.12.23 - NIS 3,078 million)	**3,249**	3,189
USA (incl. USA Government - NIS 7,914 million, 31.12.23 - NIS 10,407 million)	**8,104**	10,647
Canada	**105**	144
Far East, Australia and others (3 countries; 31.12.23 - 3 countries)	**98**	75
Europe (3 countries, 31.12.23 - 3 countries)	**80**	79
Total	**11,636**	14,134

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

Bonds denominated in or linked to foreign currency - amounting to NIS 11,636 million (Dollar 3,161 million) (mainly bonds of US Government amounting to NIS 7,914 million and foreign currency denominated Israel Government bonds amounting to NIS 2,911 million). All of the foreign bonds are investment grade and 97% rated A or higher. This portfolio is diversified, in a manner whereby exposure to any single issuer (which is not a government) does not exceed 1% of the total foreign currency bond portfolio. The duration (average term-to-maturity) of the foreign currency bond portfolio is 1.4 years. The balance of unrealized gross losses (included in shareholders' equity under reconciliations to fair value in respect of the presentation of bonds available for sale) as of the report date in respect of this portfolio amounted to NIS 8 million (Dollar 2.2 million), similar to December 31, 2023.

Set out below are additional details on local currency corporate bonds by sectors of economy:

	March 31, 2024	December 31, 2023
		NIS million
Electricity and water	**34**	23
Construction and real estate	**23**	26
Financial services	**18**	20
Banks	**429**	381
Industry	**11**	10
Transportation	**29**	29
Commerce	**6**	-
Total	**550**	489

The balance of losses, net (before the tax effect), included in other cumulative comprehensive profit, in respect of the difference between the fair value of bonds included in the available-for-sale portfolio and their amortized cost, as of March 31, 2024, amounted to NIS 167 million (NIS 98 million, net after tax).
As of May 15, 2024, the balance of gross losses, amounted to NIS 249 million (NIS 146 million, net after tax).

Cash and deposits at banks as of March 31, 2024 totaled NIS 76,731 million compared with NIS 68,866 million at the end of 2023, an increase of 11.4%.

Deposits from the public as of March 31, 2024 totaled NIS 196,615 million compared with NIS 191,125 million at the end of 2023, an increase of 2.9%.

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

	As of				Segment's share of total deposits from the public on	
	March 31, 2024	December 31, 2023		Change	March 31, 2024	December 31, 2023
		NIS million	NIS million	%	%	%
Local currency						
- Non-linked	**156,579**	150,675	5,904	3.9	**79.6**	78.8
- CPI-linked	**5,158**	5,614	(456)	(8.1)	**2.6**	3.0
Foreign currency denominated & linked	**34,167**	34,248	(81)	(0.2)	**17.4**	17.9
Non-monetary items	**711**	588	123	20.9	**0.4**	0.3
Total	**196,615**	191,125	5,490	2.9	**100.0**	100.0

Deposits from the public by supervisory segments of activity

	As of			Change	
	March 31, 2024	March 31, 2023	December 31, 2023	March 31, 2023	December 31, 2023
			NIS million		%
Large business	**18,717**	15,522	20,831	20.6	(10.1)
Medium business	**6,452**	6,660	6,919	(3.1)	(6.7)
Small and minute business	**26,558**	26,346	26,560	0.8	-
Household	**73,420**	69,262	72,207	6.0	1.7
Private banking	**12,104**	10,586	11,733	14.3	3.2
Institutional entities	**59,364**	45,014	52,875	31.9	12.3
Total	**196,615**	173,390	191,125	13.4	2.9

Securities portfolios belonging to customers of the Bank Group

The total of the securities portfolios of customers of the Bank Group as of March 31, 2024, amounted to NIS 524 billion, as compared to NIS 481 billion at the end of 2023, an increase of 9.0%.

Bonds and subordinated capital notes as of March 31, 2024 amounted to NIS 4,736 million, as compared with NIS 4,767 million as of December 31, 2023.

CAPITAL AND CAPITAL ADEQUACY

The capital attributed to the shareholders of the Bank amounted as of March 31, 2024 to NIS 12,355 million, as compared with NIS 12,071 million as of December 31, 2023, an increase of 2.4%. The change in capital attributed to the shareholders of the Bank was affected by the net profit for the period amounting to NIS 569 million, by other comprehensive loss in respect of adjustments of available-for-sale bonds in an amount of NIS 23 million and by other comprehensive income in respect of employees' benefits in an amount of NIS 7 million and from a decrease in dividends paid in the amount of NIS 269 million.

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. In accordance with Proper Conduct of Banking Business Directives regarding minimum capital ratios, the Bank is required to maintain a minimum Tier I equity capital ratio of 9% and a comprehensive capital ratio of 12.5%, being a banking corporation, the total consolidated stated assets of which does not exceeds 24% of total stated assets of the banking sector.

Likewise, in accordance with Proper Conduct of Banking Business Directive No. 329 regarding "limitation on the granting of residential loans", the Bank is required to raise the targeted Tier I equity capital level by one percent of the outstanding balance of residential loans at the reporting date. It should be noted that in accordance to the provisional instruction dated April 27, 2020, the requirement would not apply in respect of residential loans granted from March 19, 2020 until the end of the provisional instruction (September 30, 2021).

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

In view of all that stated above, and in consideration of additional capital requirement from the balance of housing loans, the minimal Tier I equity capital ratio and the minimal comprehensive capital ratio required from the Bank by the Supervisor of Banks, amount on a consolidated basis, as of March 31, 2024, to 9.25% and 12.50%, respectively.

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

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

For detailed information, see the risk report for 2023 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 9.35%, and the ratio of the comprehensive capital will be no less than 12.50%.
- In stress situations - the ratio of Tier I equity capital shall not be less than 6.50%, and the ratio of comprehensive capital shall not be less than 9.00%.

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

Stress tests

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

For detailed information, see the risk report for 2023 on the Bank's website.

Letter of the Bank of Israel in respect of operational efficiency

On January 12, 2016, Bank of Israel issued a letter, in the matter of "operational efficiency of the banking sector in Israel". In accordance with the letter, the board of directors of a banking corporation has to outline a multi-annual program for the improvement of efficiency.

A banking corporation that conforms with the terms of the letter would be entitled to a relief, whereby it may spread, by the "straight line" method, over a period of five years, the effect of the cost of the program. On December 16, 2019 the Supervisor of Banks published a letter that extends the effectiveness of these guidelines, until December 31, 2021.

The volume of the efficiency measures in manpower, as from the years 2018 and 2020, in respect of which the reliefs are applicable, amounted to NIS 118 million, net after tax.

The impact of the efficiency measures on the ratio of equity to risk components is recognized, as stated, in installments over five years, and is estimated as of March 31, 2024 to be lower by 0.02% on Tier 1 equity capital.

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

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

On December 1, 2020, the Supervisor of Banks published a letter in the matter of "regulatory capital - effect of implementation of accounting principles regarding expected credit losses", which included, inter alia, an update of Proper Conduct of Banking Business Directive No. 299, according to which, it is stated that to the extent that as a result of the initial implementation of these rules, the Tier I equity capital of a banking corporation has declined, then the bank may spread the amount of the decline over a period of three years (hereinafter – "the transition period"). Save for this relief, as stated, the initial implementation of the said rules, would have led to an additional decline of 0.01% in the capital adequacy ratios as of March 31, 2024.

The effect of the credit ratings of the state of Israel

The credit rating of the state of Israel has an effect on the capital requirements, since the capital requirements in respect of exposure to governments, public sector entities and financial institutions, are derived from the credit rating of the state of Israel. On April, S&P decreased the credit rating of the State of Israel from the level of AA- to the level of A+. The credit rating decrease will result in a decline of 0.26% and 0.33% in the Tier 1 capital ratio and the comprehensive capital ratio, respectively, in the second quarter of the year, in respect of the data as of March 31, 2024.

Implementation of the instructions

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

Within the framework of Pillar II - the Bank is required to conduct an internal process for the assessment of capital adequacy (the ICAAP process). This process is designed to ensure the maintenance of an adequate level of capital means supporting the overall risks inherent in the operations of the Bank. The possible effects of the war were included in the process. The ICAAP document relating to the data as of September 30, 2023, has been carried out as requested. 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.

		March 31, 2024	December 31, 2023
		As of	
1.	**Capital for calculation of capital ratio, after deduction and supervisory adjustments (NIS million)**		
	Tier 1 capital, after deductions and supervisory adjustments	**12,567**	12,292
	Tier 2 capital, after deductions	**3,372**	3,569
	Total capital	**15,939**	15,861
2.	**Weighted balances of risk assets (NIS million)**		
	Credit risk	**95,286**	97,053
	Market risk	**971**	886
	Operational risk	**10,427**	10,360
	Total weighted balances of risk assets	**106,684**	108,299
3.	**Ratio of capital to risk assets**		
	Ratio of tier 1 equity capital to risk assets	**11.78%**	11.35%
	Comprehensive ratio of capital to risk assets	**14.94%**	14.65%
	Minimal ratio of equity capital tier 1 required by the Supervisor of banks	**9.25%**	9.24%
	Minimal ratio of comprehensive capital required by the Supervisor of Banks	**12.50%**	12.50%

The Tier I equity capital ratio as of March 31, 2024, amounted to 11.78% compared to 11.35% as of December 31, 2023. The ratio of comprehensive capital to risk components as of March 31, 2024, amounted to 14.94%, compared to 14.65% as of December 31, 2023.

The comprehensive capital as of March 31, 2024 amounted to NIS 15,939 million, compared to NIS 15,861 million as of December 31, 2023.

The capital base was affected from earnings of NIS 569 million, by other comprehensive loss in respect of presentation of available for sale bonds at fair value in the amount of NIS 23 million and by other comprehensive gain in respect of employees' benefits in the amount of NIS 7 million. However, this increase was offset by dividend paid in the amount of NIS 269 million.

Risk assets as of March 31, 2024 amounted to NIS 106,684 million as compared to NIS 108,299 million as of December 31, 2023, a decrease of 1.6%, stemming from a decrease in credit to the public.

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:

	March 31, 2024	December 31, 2023
		In percent
Bank Massad Ltd.		
Ratio of Tier 1 capital to risk assets	**18.62%**	18.06%
Ratio of comprehensive capital to risk assets	**19.71%**	19.16%

Leverage ratio - The Bank implements the Proper Conduct of Banking Business Directive No. 218 in the matter of leverage ratio (hereinafter - "the Directive"). The leverage ratio is expressed in percentages and is defined as the ratio between capital measurement and exposure measurement. Capital for the purpose of measuring the leverage ratio is the Tier I equity capital, as defined in Proper Conduct of Banking Business Directive No. 202. In accordance with the Directive, a banking corporation should attain a leverage ratio of no less than 5% on a consolidated basis, applying to a banking corporation, the total consolidated stated assets of which do not exceed 24% of total stated assets of the banking sector as a whole (including the Bank). On November 15, 2020 the Bank of Israel published an update to Proper Conduct of Banking Business Directive No. 250 - Adjustments to Proper Conduct of Banking Business Directives in order to cope with the Coronavirus crisis (Provisional Instruction). The update mitigates the requirement of the leverage ratio by 0.5 percent point, so the Bank has to comply with leverage ratio of no less than 4.5% (instead of 5%) on a consolidated basis.

In accordance with a letter amending Proper Conduct of Banking Business Directive No. 250, dated December 20, 2023, the relief will be valid until December 31, 2025. Banking corporation which will make use of the relief on December 31, 2025, will be required to return to the leverage ratio prevailing before the provisional instruction within two quarters, thus, at the end of the validity of the provisional instruction, the leverage ratio of the banking corporation will not be less than the actual minimal leverage ratio or the minimal leverage ratio applying to the banking corporation prior to the Provisional Instruction, whichever is lower.

The leverage ratio of the Bank as of March 31, 2024, amounts to 5.15%, compared to 5.19% as of December 31, 2023.

DIVIDEND DISTRIBUTION POLICY

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

It should be noted that in addition to the provisions of the Companies Law, dividend distribution by the Bank is subject to additional restrictions that are detailed in Note 24A.b. to the financial statements for the year 2023.
Since the outbreak of the War, the Supervisor of Banks addressed to the banking system the following letters in the matter of “Capital planning and earnings distribution policy”: a letter dated November 12, 2023, in which the banking corporations were required to re-examine their dividend policy for the period proximate to the date of the letter, on the background of the war and the increasing uncertainty in respect of its continuity and the scope of its impact on the economy; a letter dated March 5, 2024, with a similar requirement, on background of the continuation of the War and the scope of its effect on the economy, requiring extra caution in the matter; and a letter dated May 16, 2024, in which the Supervisor notes that the present geopolitical situation requires the continuation of a conservative and educated examination of the capital planning and of the dividend distribution policy, while taking into consideration the actual capital ratios and the capital cushions required by the different possible scenarios.
Taking into consideration the abovementioned letters of the Supervisor, the Board of Directors of the Bank decided on May 28, 2024, to approve a dividend distribution in cash to the shareholders of the Bank in a total amount of NIS 228 million (gross).
It is clarified, that no change has occurred in the dividend distribution policy of the Bank, and it remained unchanged. The Board of Directors of the Bank will continue to discuss the implementation of the dividend distribution policy of the Bank, in view of the developments and their effect on the economy and on the Bank.
The ex-dividend date was fixed for June 5, 2024, and payment of the dividend shall be made on June 17, 2024. The amount of the dividend is before any tax, including tax which the Bank has to withhold according to the law.

Following are details regarding dividends distributed by the Bank, as from the year 2022:

Declaration date	Payment date	Total dividend paid	Dividend per share
		NIS million	NIS
January 6, 2022	January 24, 2022	215	2.14
March 7, 2022	March 24, 2022	165	1.65
May 24, 2022	June 12, 2022	160	1.59
August 24, 2022	September 1, 2022	170	1.70
November 22, 2022	December 8, 2022	235	2.34
March 21, 2023	April 4, 2023	268	2.67
May 17, 2023	June 1, 2023	220	2.19
August 15, 2023	August 31, 2023	220	2.19
November 28, 2023	December 14, 2023	90	0.90
March 12, 2024	March 31, 2024	269	2.68

SUPERVISORY SEGMENTS OF ACTIVITY

The reporting on segments of activity is in accordance with the format and classification set in the Directive of the Reporti ng to the Public of the Supervisor of Banks. This reporting is materially different from the segments of activity used by the Bank according to Management approach, which are detailed in Note 28A to the financial statements for the year 2023. The supervisory segemen ts 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 segements of activity and for details regarding main instructions, estimates and princ ipals of reporting, see Note 28 to the financial statements for the year 2023.

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

a. Total income*

	For the three months ended March 31,			Segment's share of total income For the three months ended March 31,	
	2024	**2023**	**Change**	**2024**	**2023**
		NIS million	%		%
Large business	**210**	198	6.1	**13.3**	11.6
Medium business	**96**	103	(6.8)	**6.1**	6.1
Small and minute business	**344**	396	(13.1)	**21.8**	23.3
Household	**812**	814	(0.2)	**51.3**	47.9
Private banking	**56**	56	-	**3.5**	3.3
Institutional entities	**102**	104	(1.9)	**6.5**	6.1
Financial management	**(39)**	29		**(2.5)**	1.7
Total	**1,581**	1,700	(7.0)	**100.0**	100.0

b. Net profit attributed to the shareholders of the bank

	For the three months ended March 31,	
	2024	**2023**
		NIS million
Large business	**123**	88
Medium business	**38**	30
Small and minute business	**107**	117
Household	**261**	259
Private banking	**21**	22
Institutional entities	**34**	38
Financial management	**(15)**	77
Total	**569**	631

* Including net interest income and non-interest income.

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

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

	For the three months ended March 31, 2024				For the three months ended March 31, 2023			
	Small and minute business	Medium business	Large business	Total	Small and minute business	Medium business	Large business	Total
								NIS million
Net interest income	**260**	**78**	**169**	**507**	296	82	155	533
Non-interest income	**84**	**18**	**41**	**143**	100	21	43	164
Total income	**344**	**96**	**210**	**650**	396	103	198	697
Expenses (income) from credit losses	**18**	**7**	**(36)**	**(11)**	31	25	6	62
Operating and other expenses	**164**	**31**	**62**	**257**	179	30	55	264
Net profit attributed to the shareholders of the Bank	**107**	**38**	**123**	**268**	117	30	88	235
Average balance of credit to the public	**17,817**	**7,320**	**33,371**	**58,508**	20,937	7,941	28,714	57,592
Balance of credit to the public at the end of the reported period	**18,169**	**7,535**	**31,890**	**57,594**	20,930	7,717	30,407	59,054
Average balance of deposits from the public	**26,844**	**6,241**	**18,806**	**51,891**	26,490	6,581	16,018	49,089
Balance of deposits from the public at the end of the reported period	**26,558**	**6,452**	**18,717**	**51,727**	26,346	6,660	15,522	48,528

Main changes in the results of activity in the first three months of 2024 compered with the corresponding period last year

Total net interest income amounted to NIS 507 million, compared with NIS 533 million in the same period last year, a decrease of 4.9%, stemming mainly from the decrease in the volume of activity in the small and minute businesses segment.

Non-interest income amounted to NIS 143 million, compared to NIS 164 million in the corresponding period last year, a decrease of 12.8%, stemming from decrease in income from conversion differentials and from income from capital markets.

Income in respect of credit losses amounted to NIS 11 million, in comparison with an expense of NIS 62 million in the same period last year. The expenses in the same period last year include collective provision, due to the concern of anticipated macro effects, inlight of the uncertainty in the economic conditions, the impact of the increase in the interest rate the development of geopolitical conditions locally and globally and the probability to an economic recession.

The operating and other expenses amounted to NIS 257 million, compared to NIS 264 million in the corresponding period last year, a decrease of 2.7%, deriving mainly from a decrease in salaries and related expenses, explained by a reduction in provision for bonuses, among other, due to the signing of labor agreements for the years 2023-2026, n the same period last year.

The net profit attributed to the shareholders of the Bank amounted to NIS 268 million, in comparison with NIS 235 million in the same period last year. The growth in net earnings is explained by the decrease in the provision for credit losses, partially offset by a decrease in the net interest income.

Average balance of credit to the public amounted to NIS 58,508 million, in comparison with NIS 57,592 million in the same period last year, an increase of 1.6%.

Credit to the public as of March 31, 2024 amounted to NIS 57,594 million, in comparison with NIS 59,054 million as of March 31, 2023, a decrease of 2.5%.

Average balance of deposits from the public amounted to NIS 51,891 million, in comparison with NIS 49,089 million in the same period last year, an increase of 5.7%.

Deposits from the public as of March 31, 2024 amounted to NIS 51,727 million, in comparison with NIS 48,528 million as of March 31, 2023, an increase of 6.6%.

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 March 31, 2024			For the three months ended March 31, 2023		
	households	private banking	Total	households	private banking	Total
						NIS million
Net interest income	**666**	**30**	**696**	662	32	694
Non-interest income	**146**	**26**	**172**	152	24	176
Total income	**812**	**56**	**868**	814	56	870
Expenses from credit losses	**11**	**-**	**11**	11	-	11
Operating and other expenses	**387**	**24**	**411**	375	22	397
Net profit attributed to the shareholders of the Bank	**261**	**21**	**282**	259	22	281
Average balance of credit to the public	**56,575**	**89**	**56,664**	57,809	85	57,894
Balance of credit to the public at the end of the reported period	**58,046**	**118**	**58,164**	59,008	97	59,105
Average balance of deposits from the public	**72,600**	**11,633**	**84,233**	67,913	10,334	78,247
Balance of deposits from the public at the end of the reported period	**73,420**	**12,104**	**85,524**	69,262	10,586	79,848

Main changes in the results of activity in the first three months of 2024 compered with the corresponding period last year

Total net interest income amounted to NIS 696 million, as compared with NIS 694 million in the corresponding period last year.

Non-interest income amounted to NIS 172 million, in comparison with NIS 176 million in the corresponding period last year, a decrease of 2.3%.

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

Operating and other expenses amounted to NIS 411 million in the first three months of 2024, compared with NIS 397 million in the corresponding period last year, an increase of 3.5%.

The net profit attributed to the shareholders of the Bank amounted to NIS 282 million, compared with NIS 281 million in the corresponding period last year.

Average balance of credit to the public amounted to NIS 56,664 million, in comparison with NIS 57,894 million in the same period last year, a decrease of 2.1%.

Credit to the public as of March 31, 2024 amounted to NIS 58,164 million, in comparison with NIS 59,105 million as of March 31, 2023, a decrease of 1.6%.

Average balance of deposits from the public amounted to NIS 84,233 million, in comparison with NIS 78,247 million in the same period last year, an increase of 7.7%.

Deposits from the public as of March 31, 2024 amounted to NIS 85,524 million, in comparison with NIS 79,848 million as of March 31, 2023, an increase of 7.1%.

FINANCIAL MANAGEMENT SEGMENT

Total income attributed to this segment in the first three months of the year amounted to NIS 39 million compared with NIS 29 million in the corresponding period last year.

The net losses of the Financial Management Segment in the first three months of the year amounted to NIS 15 million compared with earnings in the amount of NIS 77 million in the corresponding period last year.

PRINCIPAL INVESTEE COMPANIES

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

The Bank's investment in Massad amounted to NIS 621 million as of March 31, 2024.

Total assets of Massad as of March 31, 2024 amounted to NIS 11,994 million compared with NIS 11,804 million as of December 31, 2023, an increase of 1.6%.

Shareholders' equity of Massad as of March 31, 2024, totaled NIS 1,217 million compared with NIS 1,173 million as of December 31, 2023, an increase of 3.8%.

Net earnings of Massad for the first three months of the year totaled NIS 45.0 million compared with NIS 46.2 million in the same period last year, a decrease of 2.6%.

The Bank's share in Massad's operating results for the first three months of the year amounted to NIS 23.0 million compared with NIS 23.6 million in the same period last year, a decrease of 2.5%.

Net return on equity (on an annualized basis) amounted to 15.0% compared with 18.2% in the corresponding period last year. The comprehensive ratio of capital to risk assets amounted to 19.71%, compared with 17.0% at the end of 2023. The Tier 1 equity capital ratio amounted to 18.62% compared with 18.06% at the end of 2023.

In the framework of the ICAAP process for the data of September 30, 2023 the minimal capital targets were set as follows: tier 1 equity capital ratio will be no less than 10.5% and the comprehensive capital ratio will be no less than 12.65%.

The wording of the indemnification's liability, which were granted to office holders in Massad Bank, were amended according to the changes made in the wording of the indemnification's liabilities granted to office holders of the Bank, as detailed in Note 25- Commitments and contingent liabilities, in the annual financial statements for the year 2023.

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

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

The Bank's investment in ICC amounted to NIS 800 million as of March 31,2024.

The ratio of comprehensive capital to risk assets amounted to 14.1%, compare with 14.3% at the end of 2023.

The Tier 1 equity capital ratio amounted to 13.0% compared with 13.3% at the end of 2023.

The Bank's share in the net earnings of ICC before the tax effect amounted in the first three months of 2024 to NIS 20.8 million, compared with NIS 73.2 in the same period last year, a decrease of 71.6%.

The decrease in net earnings is explained by one-time effects recorded in the same period last year, as follows:

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

The Banking Regulations (Licensing) (A bank having a wide scope of operations), 2023 (hereinafter – "the Regulations") were published on January 30, 2023.

In accordance with the reports of ICC and with the Increase in Competition and Reduction in Centralization in the Banking Market in Israel (Legislation amendments) Act, 2017, Discount Bank Ltd., which controls ICC, is obliged to sell the means of control it holds in ICC within a period of three years from date of publication of the Regulations or, under certain circumstances, by the end of four years, if it is decided on an outline of a public issue of shares. Furthermore, the provisions of the Increase in Competition and Reduction in Centralization in the Banking Market in Israel (Legislation amendments) Act, 2017, will apply to the sale. On March 13, 2024, a draft bill was published, in the framework of which, certain adjustments were made, including postponement of the last date of separating ICC from Discount bank by nine months.

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

REVIEW OF RISKS

This chapter was written in great detail in the financial statements for 2023. Therefore, it should be read together with the chapter of the risk review published in the annual reports for 2023. Additional information about the risks can be found on the report on risks and additional supervisory reporting in the Bank's internet website.

General

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

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

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

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

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

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

   Mrs. Liliya Kaplan, CPA - serves as the Head of risk management division, CRO, operational risk manager, supervisor of the internal enforcement and manager of business continuity.

   Mr. Benzi Adiri CPA, Head of the Business Division-serves as Credit Risk Manager. On March 31, 2024, Mr. Benzi Adiri announced his retirement from the Bank which will take effect on June 30, 2024.

   The financial risks are managed by Mrs. Ella Golan, head of resources and financial management division.

   The Strategic risk, is managed by Mrs. Shirli Shoham Klein, Head of the Advanced Banking department.

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

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

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

   Adv. Haviva Dahan, head of the legal department - Legal Risk Manager. On January 28, 2024, Adv. Haviva Dahan announced her desire to retire. The final date will be determined in coordination with the bank.

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

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

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

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

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

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

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

   The Bank applies stress tests for reviewing capital adequacy and the capital ratio according to the triennial capital planning. The stress tests combine the realization of a number of risk centers at the same time. The stress tests used by the Bank are based on sensitivity analysis, historical scenarios, hypothetical scenarios and macro-economic scenarios. The stress tests were updated during the year 2023, reflecting also the possible effects of the increase in inflation and changes in monetary policy, the effect of which are expressed in negative rate of growth and increasing rate of unemployment. In addition, the war scenario was updated and was adjusted to the Swards if Iron war.

   The stress tests comprise a complementary tool for the mapping and managing the risks embedded in the overall activities of the Bank and the risks derived from them. The scenarios and their results are tool for identifying weakness points and taking decisions. The Bank has management plans for coping with the stress scenarios, by taking different measures. In addition, according to the Bank of Israel requirement, the Bank calculates stress test on the basis of parameters which are uniform to the banking system. The uniform stress tests are tool for the Bank of Israel, in order to receive an updated holistic image of the Israeli economy and the ability of the banking system to continue and grant credit to the public while maintaining its stability. During March 2023, a uniform scenario based on the data for September 2022, was submitted at the request of Bank of Israel. The scenario was structured in accordance with two level of severity - basic (representing the anticipated path of the economy) and stressed. The capital ratios in all scenarios exceeds the relevant limitations. On April 9, 2024, a letter from the Bank of Israel was received requesting to perform stress test based on a uniform scenario for the ear 2023 and the submission of the results and methodology documents until July 11, 2024.

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 2023.

CREDIT RISK

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

Within the framework of the implementation of the Basel Rules, the Group applies the standard approach in respect of exposure to credit risk.

In the interest announcement of January 2024, Bank of Israel lowered the interest rate by 0.25%, to a level of 4.5%, and since then, it left the interest rate unchanged. The high interest environment alongside expectations for higher inflation affect the financing expenses of households and business entities, make current expenditure more costly and may aggravate the financial situation of borrowers, including customers of the Bank.

The Bank continues to follow the effects of the interest and Index rates and the fluctuation in the exchange rates, on the different activity segments and in particular, the effect on the debts repayment ability of customers of the Bank.

Effect of the "Swords of Iron" War

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

In addition, the Bank continues to support the needs of customers in this period, allowing, inter alia, deferral of customer loan repayment, including loans that had been granted by the different funds partly backed by State guarantees. As of April 30, 2024, the balance of the loans in respect of which repayments had been deferred, amounted to NIS 5,114 million, and total repayments actually deferred amounted to NIS 208 million.

Recently, Turkey decided to impose an economic trade boycott on Israel. This boycott might have an effect on growth and on inflation, especially in the construction and real estate sector. Accordingly, the Bank has made an examination as to the possible effects upon its customers.

Credit quality and problematic credit risk

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

	March 31, 2024				March 31, 2023			
	Commercial	Housing	Private	Total	Commercial	Housing	Private	Total
								NIS million
Credit risk in credit granting rating(1)								
Balance sheet credit risk	**56,666**	**35,117**	**21,624**	**113,407**	59,562	35,040	22,573	117,175
Off-balance sheet credit risk(3)	**23,812**	**3,427**	**16,437**	**43,676**	24,618	2,161	13,503	40,282
Total credit risk in credit granting rating	**80,478**	**38,544**	**38,061**	**157,038**	84,180	37,201	36,076	157,457
Credit risk not in credit granting rating:								
Non problematic	**1,119**	**203**	**583**	**1,905**	1,324	269	627	2,220
Problematic accruing	**935**	**53**	**162**	**1,150**	646	59	162	867
Problematic not-accruing	**399**	**191**	**95**	**685**	307	148	90	545
Total balance sheet credit risk	**2,453**	**447**	**840**	**3,740**	2,277	476	879	3,632
Off-balance sheet credit risk(3)	**410**	**-**	**88**	**498**	661	6	78	745
Total credit risk not in credit granting rating	**2,863**	**447**	**928**	**4,238**	2,938	482	957	4,377
Of which: accruing debts in arrears of 90 days or more	**6**	**-**	**11**	**17**	8	-	14	22
Total overall credit risk of the public(2)	**83,341**	**38,991**	**38,989**	**161,321**	87,118	37,683	37,033	161,834
Non-performing assets								
Debts not accruing interest income	**399**	**191**	**95**	**685**	307	148	90	545

	December 31, 2023			
	Commercial	Housing	Private	Total
				NIS million
Credit risk in credit granting rating(1)				
Balance sheet credit risk	59,678	34,961	21,289	115,928
Off-balance sheet credit risk(3)	23,015	2,430	16,682	42,127
Total credit risk in credit granting rating	82,693	37,391	37,971	158,055
Credit risk not in credit granting rating:				
Non problematic	1,170	216	586	1,972
Problematic accruing	840	68	174	1,082
Problematic not-accruing	394	205	91	690
Total balance sheet credit risk	2,404	489	851	3,744
Off-balance sheet credit risk(3)	670	-	95	765
Total credit risk not in credit granting rating	3,074	489	946	4,509
Of which: accruing debts in arrears of 90 days or more	13	-	17	30
Total overall credit risk of the public(2)	85,767	37,880	38,917	162,564
Non-performing assets				
Debts not accruing interest income	394	205	91	690

(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) Balance sheet credit risk and off-balance sheet credit risk, including in respect of derivative instruments. Including: debts, bonds and securities which were borrowed.
(3) Credit risk in off-balance sheet financial instruments as was calculated for the purpose of limitations on the indebtedness of a borrower.

Changes in non-accruing debts

	For the three months ended March 31, 2024				For the three months ended March 31, 2023			
	Commercial	Housing	Private	Total	Commercial	Housing	Private	Total
				NIS million				NIS million
Balance of non-accruing debts at beginning of year	**394**	**205**	**91**	**690**	303	145	96	544
Classified as non-accruing during the period	**76**	**28**	**23**	**127**	90	34	7	131
Removed from non-accruing classification	**(2)**	**(39)**	**(5)**	**(46)**	(2)	(31)	(4)	(37)
Accounting write-offs	**(10)**	**-**	**(6)**	**(16)**	(5)	-	(7)	(12)
Collection of debts	**(59)**	**(3)**	**(8)**	**(70)**	(79)	-	(2)	(81)
Balance of non-accruing debts at end of period	**399**	**191**	**95**	**685**	307	148	90	545
Changes in provision for credit losses in respect of non-accruing debts								
Balance of provision for credit losses at the beginning of the year	**121**	**12**	**28**	**161**	79	6	28	113
Increase in provisions	**20**	**3**	**12**	**35**	23	-	9	32
Collection and write-offs	**(15)**	**(4)**	**(11)**	**(30)**	(17)	-	(9)	(26)
Balance of provision for credit losses at the end of the period	**126**	**11**	**29**	**166**	85	6	28	119

	For the year ended December 31, 2023			
	Commercial	Housing	Private	Total
				million
Balance of non-accruing debts at beginning of year	303	145	96	544
Classified as non-accruing during the period	295	172	85	552
Removed from non-accruing classification	(21)	(96)	(20)	(137)
Accounting write-offs	(24)	-	(28)	(52)
Collection of debts	(159)	(16)	(42)	(217)
Balance of non-accruing debts at end of period	394	205	91	690
Changes in provision for credit losses in respect of non-accruing debts				
Balance of provision for credit losses at the beginning of the year	79	6	28	113
Increase in provisions	92	6	21	119
Collection and write-offs	(50)	-	(21)	(71)
Balance of provision for credit losses at the end of the period	121	12	28	161

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

	For the three months ended March 31, 2024				For the three months ended March 31, 2023			
	Commercial	Housing	Private	Total	Commercial	Housing	Private	Total
Analysis of quality of credit to the public								
Ratio of non-accruing credit to credit to the public	**0.68%**	**0.54%**	**0.42%**	**0.59%**	0.50%	0.42%	0.38%	0.46%
Ratio of non-accruing credit or in arrears of 90 days or more to credit to the public	**0.69%**	**0.54%**	**0.47%**	**0.60%**	0.52%	0.42%	0.44%	0.47%
Ratio of problematic credit to credit to the public	**2.26%**	**0.69%**	**1.14%**	**1.57%**	1.56%	0.58%	1.07%	1.17%
Ratio of credit not at credit execution rating to credit to the public	**4.17%**	**1.26%**	**3.74%**	**3.20%**	3.74%	1.34%	3.75%	3.03%
Analysis of expenses in respect of credit losses for the reporting period								
Ratio of expenses in respect of credit losses to the average balance of credit to the public*	**(0.09%)**	**0.30%**	**(0.29%)**	**(0.01%)**	0.41%	-	0.20%	0.25%
Ratio of net accounting write-offs as to the average balance of credit to the public*	**(0.01%)**	**(0.06%)**	**-**	**(0.02%)**	(0.09%)	-	0.04%	(0.04%)
Analysis of provision for credit losses in respect of credit to the public								
Ratio of provision for credit losses to credit to the public	**1.69%**	**0.58%**	**1.87%**	**1.38%**	1.29%	0.41%	1.43%	1.06%
Ratio of provision for credit losses to the balance of non-accruing credit to the public	**248.6%**	**107.9%**	**441.1%**	**236.1%**	256.4%	98.0%	372.2%	232.5%
Ratio of provision for credit losses to the balance of credit to the public, non-accruing or in arrears of 90 days or more	**244.9%**	**107.9%**	**395.3%**	**230.3%**	249.8%	98.0%	322.1%	223.5%
Ratio of provision for credit losses to net accounting write-offs*	**(248.0)**	**(10.3)**	**-**	**(67.4)**	(14.1)	-	41.9	(26.4)

*Annualized.

	For the year ended December 31, 2023			
	Commercial	Housing	Private	Total
Analysis of quality of credit to the public				
Ratio of non-accruing credit to credit to the public	0.64%	0.58%	0.41%	0.58%
Ratio of non-accruing credit or in arrears of 90 days or more to credit to the public	0.66%	0.58%	0.49%	0.60%
Ratio of problematic credit to credit to the public	2.00%	0.77%	1.20%	1.48%
Ratio of credit not at credit execution rating to credit to the public	3.90%	1.38%	3.84%	3.14%
Analysis of expenses in respect of credit losses for the reporting period				
Ratio of expenses in respect of credit losses to the average balance of credit to the public	0.52%	0.11%	0.67%	0.42%
Ratio of net accounting write-offs as to the average balance of credit to the public	-	0.01%	0.13%	0.03%
Analysis of provision for credit losses in respect of credit to the public				
Ratio of provision for credit losses to credit to the public	1.64%	0.51%	1.94%	1.36%
Ratio of provision for credit losses to the balance of non-accruing credit to the public	255.8%	88.3%	471.4%	234.5%
Ratio of provision for credit losses to the balance of credit to the public, non-accruing or in arrears of 90 days or more	247.7%	88.3%	397.2%	224.7%
Ratio of provision for credit losses to net accounting write-offs	-	90.5	14.8	52.2

TOTAL CREDIT RISK ACCORDING TO ECONOMIC SECTORS

(NIS million)

	March 31, 2024						
					Credit losses (2)		
	Total credit risk(1)	Of which: Credit execution rating (3)	Of which: Problematic credit risk (4)	Of which: not accruing credit risk	Expenses (income) for credit losses	Net accounting write-offs	Provision for Credit losses
In respect of borrowers in Israel							
Public-Commercial:							
Industry	**10,280**	**9,653**	**364**	**172**	**(9)**	**(2)**	**216**
Construction and Real estate - construction (5)	**17,241**	**16,672**	**406**	**28**	**12**	**-**	**203**
Construction and Real estate - real estate activities	**7,351**	**7,031**	**116**	**41**	**11**	**-**	**154**
Commerce	**9,131**	**8,516**	**382**	**128**	**(6)**	**6**	**279**
Financial services	**23,473**	**23,343**	**9**	**7**	**(10)**	**-**	**22**
Other business services	**15,300**	**14,707**	**257**	**80**	**(4)**	**(5)**	**241**
Total commercial	**82,776**	**79,922**	**1,534**	**456**	**(6)**	**(1)**	**1,115**
Private individuals - housing loans	**38,991**	**38,544**	**244**	**191**	**27**	**(5)**	**221**
Private individuals - others	**38,989**	**38,061**	**265**	**96**	**(16)**	**-**	**447**
Total public - activity in Israel	**160,756**	**156,572**	**2,043**	**743**	**5**	**(6)**	**1,783**
Banks in Israel and Israeli government	**19,066**	**19,066**	**-**	**-**	**(1)**	**-**	**-**
Total activity in Israel	**179,822**	**175,593**	**2,043**	**743**	**4**	**(6)**	**1,783**
In respect of borrowers abroad							
Total public - activity abroad	**565**	**556**	**1**	**-**	**(6)**	**-**	**6**
Banks and foreign governments abroad	**9,563**	**9,563**	**-**	**-**	**-**	**-**	**-**
Total activity abroad	**10,128**	**10,119**	**1**	**-**	**(6)**	**-**	**6**
Total	**189,950**	**185,712**	**2,044**	**743**	**(2)**	**(6)**	**1,789**

NOTES:

(1) Balance sheet credit risk and off-balance sheet credit risk, including in respect of derivative instruments. Includes debts, bonds, securities borrowed, balance credit risk 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 119,561, 25,464, 2, 273 and 44,650 million, respectively.

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

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

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

(5) Including balance sheet credit risk amounting to NIS 138 million and non-utilized credit facilities amounting to NIS 5 million, in respect of housing loans extended to certain purchasing groups currently in the process of construction.

TOTAL CREDIT RISK ACCORDING TO ECONOMIC SECTORS

(NIS million)

	March 31, 2023						
					Credit losses [2]		
	Total credit risk[1]	Of which: Credit execution rating [3]	Of which: Problematic credit risk [4]	Of which: not accruing credit risk	Expenses (income) for credit losses	Net accounting write-offs	Provision for Credit losses
In respect of borrowers in Israel							
Public-Commercial:							
Industry	11,478	10,863	407	132	6	-	179
Construction and Real estate - construction [5]	17,556	17,213	170	35	25	(7)	199
Construction and Real estate - real estate activities	7,572	7,234	61	44	12	(3)	78
Commerce	9,756	9,051	298	85	20	(3)	208
Financial services	24,112	23,989	6	2	(5)	-	29
Other business services	16,045	15,271	178	59	3	(1)	195
Total commercial	86,519	83,621	1,120	357	61	(14)	888
Private individuals - housing loans	37,683	37,201	207	148	-	-	151
Private individuals - others	37,033	36,076	259	91	11	2	353
Total public - activity in Israel	161,235	156,898	1,586	596	72	(12)	1,392
Banks in Israel and Israeli government	13,749	13,749	-	-	-	-	2
Total activity in Israel	174,984	170,647	1,586	596	72	(12)	1,394
In respect of borrowers abroad							
Total public - activity abroad	599	559	-	-	-	-	4
Banks and foreign governments abroad	9,664	9,664	-	-	-	-	-
Total activity abroad	10,263	10,223	-	-	-	-	4
Total	185,247	180,870	1,586	596	72	(12)	1,398

NOTES:

(1) Balance sheet credit risk and off-balance sheet credit risk, including in respect of derivative instruments. Includes debts, bonds, securities borrowed, balance credit risk in respect of derivative instruments and credit risk in off balance sheet instruments as were calculated in respect of limitations of a borrower of NIS 123,436, 19,342, 45, 928 and 41,496 million, respectively.

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

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

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

(5) Including balance sheet credit risk amounting to NIS 138 million and non-utilized credit facilities amounting to NIS 10 million, in respect of housing loans extended to certain purchasing groups currently in the process of construction.

TOTAL CREDIT RISK ACCORDING TO ECONOMIC SECTORS

(NIS million)

	December 31, 2023						
					Credit losses (2)		
	Total credit risk(1)	Of which: Credit execution rating (3)	Of which: Problematic credit risk (4)	Of which: not accruing credit risk	Expenses (income) for credit losses	Net accounting write-offs	Provision for Credit losses
In respect of borrowers in Israel							
Public-Commercial:							
Industry	10,507	9,750	454	186	48	1	221
Construction and Real estate - construction (5)	17,189	16,799	302	30	18	(6)	190
Construction and Real estate - real estate activities	7,915	7,598	78	31	78	(4)	144
Commerce	9,831	9,138	493	137	111	3	291
Financial services	24,476	24,300	9	8	(6)	(4)	33
Other business services	15,367	14,689	221	60	58	10	241
Total commercial	85,285	82,274	1,557	452	307	-	1,120
Private individuals - housing loans	37,880	37,391	273	205	40	2	189
Private individuals - others	38,917	37,971	275	92	148	29	463
Total public - activity in Israel	162,082	157,636	2,105	749	495	31	1,772
Banks and Israeli government in Israel	17,789	17,789	-	-	-	-	2
Total activity in Israel	179,871	175,425	2,105	749	495	31	1,774
In respect of borrowers abroad							
Total public - activity abroad	482	419	24	-	7	-	11
Banks and foreign governments abroad	11,900	11,900	-	-	-	-	-
Total activity abroad	12,382	12,319	24	-	7	-	11
Total	192,253	187,744	2,129	749	502	31	1,785

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 122,014, 26,442, 57, 417 and 43,323 million, respectively.

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

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

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

(5) Including balance sheet credit risk amounting to NIS 140 million and off-balance sheet credit risk amounting to NIS 5 million, in respect of loans extended to certain purchasing groups currently in the process of construction.

Counter-party credit risk management

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

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

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

External credit rating(4)	As of March 31, 2024			As of December 31, 2023		
	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-	**329**	**-**	**329**	204	2	206
A+ to A-	**2,057**	**33**	**2,090**	2,322	35	2,357
BBB+ to BBB-	**47**	**-**	**47**	44	-	44
BB- to B-	**2**	**1**	**3**	1	1	2
Unrated	**5**	**-**	**5**	5	-	5
Total credit exposure to foreign financial institutions	(5)**2,440**	**34**	**2,474**	(5)2,576	38	2,614

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) 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.

(5) Of which: total balance sheet exposure to the USA includes deposits in the amount of NIS 1,012 million, bonds in the amount of NIS 161 million and fair value of derivatives financial instruments in the amount of NIS 14 million (31.12.2023 – NIS 1,018 million, NIS 211 million and NIS 4 million, respectively). Most of the exposure is to the largest financial institutions in the USA.

GENERAL NOTES:

a. Credit positions and problematic loans balances are presented after deduction of the provision for credit losses.

b. For further information regarding the composition of credit positions in respect of derivative instruments against banks and (local and foreign) dealers/brokers, see Note 10 to the condensed 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 298 million as of March 31, 2024 (December 31, 2023 - NIS 316 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 three months of the year no material change has occurred in the credit exposure of the Bank to these financial institutions and these financial institutions did not lose their external grading.

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

Most of the Group's present credit exposure (98%) is attributed to leading financial institutions in OECD countries, which are graded AAA to A-, and 13% 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 444 million investment in foreign currency bonds.
The bonds portfolio, included in the foreign financial institutions exposure, is diversified and all these bonds are investment grade bonds, of which 90.7% are rated A- or higher.
The average duration of the portfolio is 2 years.
In addition, balance-sheet credit risk includes NIS 1.9 billion of deposits placed with foreign banks, mainly for a short period of a day to a week.

As of March 31, 2024, there is no country which the credit exposure of the Bank group to financial institutions exceeding 15% of the Bank's equity capital, which amounted to NIS 2,391 million (as defined in Proper Conduct of Banking Business Regulation No. 202 concerning capital component).

EXPOSURE TO FOREIGN COUNTRIES

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

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

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

	March 31, 2024			December 31, 2023		
	exposure			exposure		
	Balance sheet [(2)(3)]	Off Balance sheet[(2)(3)(4)]	Total	Balance sheet [(2)(3)]	Off Balance sheet[(2)(3)(4)]	Total
United States	**9,784**	**33**	**9,817**	11,821	41	11,862
Other	**1,546**	**366**	**1,912**	1,661	380	2,041
Total exposure to foreign countries	**11,330**	**399**	**11,729**	13,482	421	13,903
Off which: Total exposure to PIGS countries (Portugal, Italy, Greece and Spain)	**39**	**2**	**41**	30	2	32
Off which: Total exposure to LDC countries	**162**	**42**	**204**	171	42	213
Off which: Total exposure to countries with liquidity problems	[(5)]**21**	**1**	**22**	[(5)]11	1	12

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

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

RISKS IN THE HOUSING LOANS PORTFOLIO

Credit policy at the Bank Group regarding mortgages

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

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

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

The Bank performs monthly control on the development of risk characteristic of the mortgage portfolio, in accordance with restrictions according to parameters of the credit policy. In addition, the Bank monitors changes in the volume of problematic debts in the mortgage portfolio, as well as the rate of arrears thereof, comparing the data with that of the whole banking sector.

Also, the Bank continues to monitor the possible implications of the recent developments in the macro-economic environment, on its mortgage portfolio.

Volume of housing loans

	For the three months ended March 31		
	2024	2023	Change
		NIS million	%
Housing loans extensions			
Loans from bank funds	**878**	945	(7.1)
Loans from treasury funds	**2**	3	(33.3)
Grants from treasury funds	**1**	2	(50.0)
Total new loans	**881**	950	(7.3)
Refinanced loans from bank funds*	**88**	54	63.0
Total extensions	**969**	1,004	(3.5)

	As of March 31,		
	2024	2023	Change
		NIS million	%
Balance of housing loans, net			
Loans from bank funds	**35,496**	35,508	-
Loans from treasury funds**	**215**	236	(8.9)
Grants from treasury funds**	**75**	76	(1.3)
Total balance of housing loans	**35,786**	35,820	(0.1)

* Not including loans with deferral of payments over three months.

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

Loan to value

One of the main parameters used by the Bank in examining the risk in the housing loan portfolio is the loan to value ratio (LTV). The LTV is calculated in accordance with Banking Supervision Division's Directive No. 876 - "Report on housing loans," and is the ratio between the amount of credit and the value of the assets serving as collateral at the date 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 as of March 31, 2024 included 68% of credit granted at an LTV of up to 60% similar to March 31, 2023.

98% of total loans were granted at an LTV of up to 75%, Similar to March 31, 2023.

Housing loan extensions from the Bank's sources in the first three months of 2024 included 62% of credit granted at an LTV of up to 60%, compared with 64% in the same period last year. All loan extensions were granted at an LTV of up to 75%, similar to the same period last year.

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

Debt-income ratio

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

The portfolio of housing loans extended from the Bank's sources as of March 31, 2024 included 88% of credit granted at a debt-income ratio of up to 35% compared with 89% as of March 31, 2023. 99% of the credit was extended to borrowers on the basis of a debt-income ratio of up to 50%, similar to the same period last year.

Housing loan extensions from the Bank's sources in the first three months of 2024 included 77% of credit granted at a debt-income ratio of up to 35% compared to 83% in the same period last year. All of the credit was extended to borrowers on the basis of a debt-income ratio of up to 50% similar to the same period last year.

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

Floating-rate loans

The portfolio of housing loans from the Bank's sources as of March 31, 2024 includes 59% of credit that was granted at floating-rate interest and amounts to NIS 21,158 million.

Housing loan extensions from the Bank's sources in the first three months of 2024 include NIS 380 million of credit granted at floating-rate interest of up to five years constituting 43% of extensions. An amount of NIS 110 million is floating-rate credit for five years and above, constituting 13% of extensions.

Long-term loans

The portfolio of housing loans from the Bank's sources as of March 31, 2024 includes 72% of credit whose redemption period as of the report date is up to 25 years and amounts to NIS 25,695 million.

Housing loan extensions from the Bank's sources in the first three months of 2024 include 49% of credit whose redemption period as of the report date is up to 25 years and amounts to NIS 426 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 provision for credit losses)

	For residential purposes											Secured by a residential apartment	Total
	Unlinked segment				CPI-linked segment				Foreign-currency linked segment		Total		
	Fixed-rate		Floating rate		Fixed-rate		Floating rate		Floating rate				
	Balance	Rate	Balance	Rate	Balance	Rate	Balance	Rate	Balance	Rate	Balance	Balance	Balance
	NIS million	%	NIS million	%	NIS million	%	NIS million	%	NIS million	%	NIS million	NIS million	NIS million
31.3.24	**10,087**	**29.2**	**14,896**	**43.2**	**3,948**	**11.5**	**5,563**	**16.1**	**4**	**-**	**34,498**	**998**	**35,496**
31.12.23	10,079	29.3	14,828	43.1	3,935	11.4	5,593	16.2	5	-	34,440	966	35,406

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

	Three months 2024	Three months 2023	2023	2022
Total housing loan extensions (NIS million)	**878**	945	3,456	7,124
Rate of change in housing loan extensions compared with previous year	**(7.1%)**	(57.3%)	(51.5%)	(11.0%)
Rate of expense (income) on credit losses relative to mortgages at the Bank's risk	**0.31%**	(0.01%)	0.12%	0.08%
Cumulative rate of provision for credit losses relative to mortgages at the Bank's risk	**0.61%**	0.43%	0.54%	0.43%

Effect of the "Swords of Iron" War on housing loans credit

On background of the War and in order to assist Bank customers, the Bank has formed an outline that includes alleviations regarding credit and commissions applying to particular customers, including deferral of mortgage payments in addition to exemption from payments. For details, see the effect of the "Swords of Iron" War, above.

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, which are categorized with risk level lower than the average, part of whom in the education system and part in the defense system. The credit policy for private individuals reflects the risk appetite of the Bank and its intensions as to the risk levels it wants to take as well as the wanted profile for the private individuals credit portfolio and its volume in respect to the overall credit portfolio.

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

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

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

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

Teaching personnel loan tender are loans repaid by the direct withholding from salary.

In May 2023, the Bank was successful in a tender for the provision of credit and banking services to the defense system personnel for a period of seven years, starting on December 1, 2023, together with an option for extension of the period for three additional years. The tender stated, inter alia, the terms for the granting of credit and for the management of accounts for the defense system personnel, as well as the terms for operating Bank branches at IDF bases. These loan repayments and additional loans granted to the defense forces population and loans granted in the framework of factory/ sectors agreements are repaid by the direct withholding from salary. Winning the tender provides the Bank with business opportunities for extending its operations among the tender's population and for increasing its share of additional populations.

85% of the balance of the credit risk to private individuals is in respect of customers with fixed income credited to their accounts in an amount exceeding NIS 10 thousand.

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

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

Set out below is the distribution of Private individuals credit risk in Israel:

	March 31 2024	March 31 2023	December 31 2023	Change March 31 2023	Change December 31 2023
			NIS million		%
Current account and utilized balances of credit cards	**5,723**	5,812	5,455	(1.5)	4.9
Other loans	**16,739**	17,639	16,684	(5.1)	0.3
Total balance credit risk	**22,462**	23,451	22,139	(4.2)	1.5
Unutilized current account credit lines	**5,175**	4,960	5,073	4.3	2.0
Unutilized credit lines in credit cards	**8,540**	7,942	8,739	7.5	(2.3)
Other off-balance credit risks	**2,793**	660	2,947	323.2	(5.2)
Total off-balance credit risk	**16,508**	13,562	16,759	21.7	(1.5)
Total credit risk	**38,970**	37,013	38,898	5.3	0.2
Average volume of credit, including overdrafts, credit cards and loans	**21,235**	22,406	21,943	(5.2)	(3.2)

Set out below is the distribution of problematic private individuals credit risk in Israel:

	March 31 2024	March 31 2023	December 31 2023	Change March 31 2023	Change December 31 2023
			NIS million		%
Non-accruing credit risks	**96**	91	92	5.5	4.3
Accruing problematic credit risk	**169**	168	183	0.6	(7.7)
Non-problematic credit risk	**38,705**	36,754	38,623	5.3	0.2
Total credit risk	**38,970**	37,013	38,898	5.3	0.2
Of which: accruing debts in arrears of 90 days or more	**11**	14	17	(21.4)	(35.3)
Balance of restructured debts out of the problematic credit	**97**	90	94	7.8	3.2
Expense (income) rate of credit losses out of total credit to the public*	**(0.28%)**	0.19%	0.67%		

* Annualized.

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

				March 31, 2024
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	**205**	**43**	**248**	**218**
Up to 10	**2,780**	**351**	**3,131**	**2,345**
From 10 to 20	**4,699**	**1,261**	**5,960**	**3,940**
Over 20	**7,333**	**5,790**	**13,123**	**10,005**
Total	**15,017**	**7,445**	**22,462**	**16,508**

				March 31, 2023
Fixed income credited to the account*	Total financial assets** lower than NIS 50 K	Total financial assets** higher than NIS 50 K	Balance sheet Credit risk	Off-balance sheet credit risk
NIS thousands				NIS million
No fixed income	210	29	239	197
Up to 10	3,152	404	3,556	2,022
From 10 to 20	4,882	1,393	6,275	3,497
Over 20	7,558	5,823	13,381	7,846
Total	15,802	7,649	23,451	13,562

				December 31, 2023
Fixed income credited to the account*	Total financial assets** lower than NIS 50 K	Total financial assets** higher than NIS 50 K	Balance sheet Credit risk	Off-balance sheet credit risk
NIS thousands				NIS million
No fixed income	171	25	196	200
Up to 10	2,783	335	3,118	2,438
From 10 to 20	4,709	1,189	5,898	3,967
Over 20	7,525	5,402	12,927	10,154
Total	15,188	6,951	22,139	16,759

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

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

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

			Balance sheet credit risk
	March 31, 2024	March 31, 2023	December 31, 2023
Period to redemption			NIS million
Up to one year	**6,194**	6,248	5,950
From one to three years	**3,112**	3,171	3,084
From three to five years	**4,290**	4,845	4,363
From five to seven years	**2,408**	2,757	2,447
Over seven years	**6,458**	6,430	6,295
Total	**22,462**	23,451	22,139

Distribution by size of credit to the borrower*

	March 31, 2024			March 31, 2023			December 31, 2023		
Credit range to the borrower	Balance sheet credit risk	Off-balance sheet credit risk	Total credit risk**	Balance sheet credit risk	Off-balance sheet credit risk	Total credit risk**	Balance sheet credit risk	Off-balance sheet credit risk	Total credit risk**
NIS thousands			NIS million			NIS million			NIS million
Up to 10	**213**	**528**	**741**	216	450	666	204	544	748
From 10 to 20	**420**	**1,041**	**1,461**	437	878	1,315	403	1,070	1,473
From 20 to 40	**1,159**	**2,529**	**3,688**	1,166	2,069	3,235	1,122	2,576	3,698
From 40 to 80	**2,832**	**4,417**	**7,249**	2,923	3,553	6,476	2,774	4,469	7,243
From 80 to 150	**5,229**	**4,232**	**9,461**	5,657	3,449	9,106	5,227	4,306	9,533
From 150 to 300	**6,876**	**2,685**	**9,561**	7,153	2,265	9,418	6,808	2,713	9,521
Over 300	**5,733**	**1,076**	**6,809**	5,899	898	6,797	5,601	1,081	6,682
Total	**22,462**	**16,508**	**38,970**	23,451	13,562	37,013	22,139	16,759	38,898

* 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 housing loans.

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

	March 31, 2024	March 31, 2023	December 31, 2023
	Balance sheet credit risk	Balance sheet credit risk	Balance sheet credit risk
Type of credit	NIS million	NIS million	NIS million
Current account	**1,515**	1,494	1,552
Credit card	**4,208**	4,318	3,903
Credit carrying variable interest	**15,964**	16,910	15,898
Credit carrying fixed interest	**775**	729	786
Total	**22,462**	23,451	22,139

Collateral

	March 31, 2024			March 31, 2023			December 31, 2023		
	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*	**4,364**	**123**	**4,487**	4,634	441	5,075	4,392	126	4,518
* Of which:									
Non-liquid collateral	**4,066**	**94**	**4,160**	4,231	413	4,644	4,046	96	4,142
Liquid collateral	**298**	**29**	**327**	403	28	431	346	30	376

Description of operations

A. The underwriting of credit to private individuals

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

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

B. The manner of supervising and monitoring risk characteristics

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

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

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

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

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

The second line of defense includes performance of periodic examination, on the macro-economic events that may influence the debt-income ratio of the customers. The examination is performed on mortgages and credit portfolio which is not housing loans. In addition, crosswise analyses are performed in respect of various risk characteristics and the examination of the effect of the changing inflation environment on the different risk variables, such as the distribution of the portfolio according to risk grade of the customer, failure ratios, such as problematic credit ratios, provisions ratios and write-offs ratios.

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

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

CONSTRUCTION AND REAL ESTATE SECTOR RISKS

The Bank adopts a measured credit policy, approved by the Board of Directors of the Bank, which is examined every year and is revised in accordance with changes in conditions in the country, in the real estate sector, changes in regulation (such as: directives of the Supervisor of Banks and government regulations) etc. The said policy is expressed in the examination of the financing ratio, determination of different limitations, conducting sensitivity analysis with respect to financing of construction projects, examination of the ratio of the borrower's equity and requirement for early sales in order to reduce the risk to the extent possible. Moreover, the Bank has adopted a specific policy in respect of the different lines of operation in the real estate and construction field, including the financing of housing construction, financing of income producing property construction, as well as financing of construction intended for income producing offices, commercial and industrial properties.

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

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

The Bank strictly prices each transaction in accordance with the risk involved and with the required allocation of capital.

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

In the recent year, decline in the demand for acquisition of residential apartments was recorded, this, among other things, on the background of the rise in inflation and in the interest rate. In recent months, recovery took place in the demand for the purchase of apartments. However, extensive uncertainty still exists in this sector. The Bank is monitoring these trends and the implications thereof, on a current basis. The proportional policy of the Bank has resulted in no material impact, as of today, on the quality of the credit portfolio.

Effect of the "Swards of Iron" War

The construction and real estate sector continues to be directly affected by the War, especially on the supply side, due to the continuing significant shortage of labor in construction sites, whether due to the non-entry of Palestinian building workers from the Judea, Samaria and the Gaza Strip areas, or due to the slow recruitment pace of foreign building workers.

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

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

		March 31,	December 31,
	2024	2023	2023
			NIS million
Overall credit risk(1)			
Projects not yet completed			
Of which: Open land	**7,251**	7,648	7,271
Property under construction	**5,415**	5,617	5,508
Completed building projects	**5,862**	6,109	6,008
Other(2)	**6,064**	5,754	6,317
Total	**24,592**	25,128	25,104

(1) Of which: credit secured by residential property in the amount of NIS 10,973 million (stated credit NIS 8,061 million and off-balance sheet credit NIS 2,912 million). Credit secured by industrial property in the amount of NIS 1,202 million (stated credit NIS 1,044 million and off-balance sheet credit NIS 158 million), and credit secured by commercial property in the amount of 6,327 million (stated credit NIS 5,638 million and off-balance sheet credit NIS 689 million). (31.12.23 - NIS 11,063 million, NIS 1,212 million and NIS 6,486 million, respectively).

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

The ratio of credit not at credit execution rating, to total credit risk in the construction and real estate sector as of March 31, 2024, amounted to 3.6%, as compared with 2.8% as of December 31, 2023.

The ratio of problematic credit to total credit risk in the construction and real estate sector as of March 31, 2024, amounted to 2.1%, compared to 1.0% as of December 31, 2023.

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 2023.
As of March 31, 2024 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 323 million, compared to NIS 446 million as of March 31, 2023 and NIS 729 million at the end of 2023.

SIGNIFICANT EXPOSURES TO BORROWER GROUPS

As of March 31, 2024, there is no borrower group which its indebtedness on consolidated basis, after deductions of permissible deduction according to section 5 of Directive 313, exceeds 15% of the bank's capital, calculated according to Proper Conduct of Banking Business Directive concerning measurement and capital adequacy.

MARKET RISK

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

At the beginning of 2024, on background of the War, Bank of Israel lowered the interest rate by 0.25% to a level of 4.5%, with the aim of stabilizing the markets and reducing the level of uncertainty, alongside, stability in prices and support of economic activity. The prognosis for 2024 is that the central banks around the world and especially in the US, will also begin to lower the interest.

The Bank takes various actions in order to cope with the effects of the said changes, including performance of sensitivity tests and current examinations testing the repayment ability of customers, according to the various segments of operation, with specific treatment of the findings, updating of assumptions applied in different models regarding credit and market risk, creating transactions for the management of exposure in the CPI linked segment and modification of the rates of the collateral required for capital market operations. Furthermore, in view of expectations for the reduction in interest rates, the Bank acts to increase the scope of assets earning a fixed interest rate and reduce exposure to the reduction in interest.

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

Methodology for the estimation of exposure to market risk

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

Effect of the "Swards of Iron" War

On background of the War, there is intensification of the uncertainty regarding macro-economic forecasts in Israel, in particular with respect to the anticipated rate of inflation and the rate of the monetary interest.

Since the beginning of 2024 and in the light of the continuation of the War, the local stock market shows deficient yield as compared to other markets around the world, while the yield of government bonds increased. Moreover, high volatility exists in the foreign exchange market as against the shekel.

The high volatility in the markets had no material impact upon the Bank.

INTEREST EXPOSURE

Interest risk is the risk to earnings or equity stemming from fluctuations in interest rates, which affect the Bank's earnings by a change in net income, as well as affect the value of the Bank's assets, liabilities and off-balance sheet instruments, due to changes in the present value of future cash flows (and in certain cases, the cash flows themselves) following a change in interest rates. The main forms of the interest risk to which the Bank is exposed to are: risk of repricing, yield curve risk, basis risk and option risk. Interest risk in respect of the entire portfolio is one of the dominant risks to which the Bank is exposed in all matters relating to their effect on the fair value of assets and liabilities and its effect on earnings. The Bank manages the interest risks in accordance with the Bank of Israel directive 333 in the matter of interest risk management, with emphasis on interest risk relating to the banking portfolio. The Bank determined a policy for the management of interest risk, in accordance with the regulations.

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

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

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

	March 31, 2024			March 31, 2023			December 31, 2023		
	NIS	Foreign currency	Total	NIS	Foreign currency	Total	NIS	Foreign currency	Total
			NIS million			NIS million			NIS million
Adjusted fair value, net (1)	**11,660**	**101**	**11,761**	9,883	216	(4)10,099	11,290	237	11,527
Of which: banking portfolio	**10,126**	**91**	**10,217**	9,429	147	9,576	10,055	189	10,244

Additional details as to the assumptions used to calculate the adjusted fair value of the financial instruments, see note 14A to the condensed financial statements, excluding attribution to payment periods of on demand deposits (current account) while in the note balance sheet balance constitute the estimate of fair value.

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

	March 31, 2024			March 31, 2023			December 31, 2023		
	NIS	Foreign currency	Total	NIS	Foreign currency	Total	NIS	Foreign currency	Total
			NIS million			NIS million			NIS million
Parallel changes									
Parallel increase of 1%	**(250)**	**(51)**	**(301)**	37	1	(4)38	17	(27)	(10)
Of which: banking portfolio	**(254)**	**(45)**	**(299)**	36	-	(4)36	19	(26)	(7)
Parallel decrease of 1%	**288**	**57**	**345**	(22)	4	(18)	13	22	35
Of which: banking portfolio	**287**	**51**	**338**	(20)	-	(20)	10	24	34
Non-parallel changes									
Steeping(2)	**(350)**	**(1)**	**(351)**	(221)	27	(194)	(254)	20	(234)
Flattening(3)	**300**	**(3)**	**297**	245	(24)	221	277	(32)	245
Interest increases in short term	**159**	**(24)**	**135**	234	(22)	212	253	(39)	214
Interest decreases in short term	**(164)**	**32**	**(132)**	(226)	29	(197)	(246)	33	(213)

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

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

(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) During 2023, an update to the demand deposits was performed. Comparative data as of 31.12.2023 were not restated.

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

	March 31, 2024			March 31, 2023			December 31, 2023		
	Interest income	Non-interest income	Total*	Interest income	Non-interest income	Total*	Interest income	Non-interest income	Total*
			NIS million			NIS million			NIS million
Parallel changes									
Parallel increase of 1%	**121**	**-**	**121**	99	(1)	98	152	(3)	149
Of which: banking portfolio	**102**	**-**	**102**	99	-	99	141	-	141
Parallel decrease of 1%	**(422)**	**-**	**(422)**	(463)	1	(462)	(483)	3	(480)
Of which: banking portfolio	**(403)**	**-**	**(403)**	(463)	-	(463)	(472)	-	(472)

* After offsetting effects.

The income sensitivity in the table above, was calculated based on several parameters and different assumptions, among others, the use of assumptions in respect of changes in the deposits spreads, the transfer of funds from current accounts to deposits in case of interest raise, as against stability in the balances, in case of an interest decline. During 2023, on the background of the changes in the interest environment, adjustments were made to the assumptions in the base of the calculation. Comparative data for 31.12.2023 were not restated.

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 March 31, 2024	As of December 31, 2023	As of March 31, 2024	As of December 31, 2023
Non-linked local currency	**2,279**	2,540	**18**	20
CPI-linked local currency	**7,579**	7,206	**59**	57
Foreign currency and f-c linked	**(110)**	48	**(1)**	-

Sensitivity of capital to changes in the exchange rate

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

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

Set out below is the sensitivity of the Bank's capital to theoretical changes in the exchange rates of the principal currencies as of March 31, 2024 (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)**	**-**
10% decrease	**(2)**	**2**
5% increase	**7**	**-**
10% increase	**18**	**-**

NOTES:

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

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

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

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

Sensitivity of capital to changes in the CPI

The Bank operates in the CPI market by extending uses such as loans, mortgages and the purchase of bonds and by raising CPI linked funds. In addition, the Bank performs CPI forward transactions on behalf of its customers and itself.

The Bank is not exposed in its CPI forward activity to material CPI risks.

Set out below is the sensitivity of the Bank's capital to theoretical changes in the CPI as of March 31, 2024 (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	**(147)**
3% increase	**147**

MANAGEMENT OF RISKS IN DERIVATIVE FINANCIAL INSTRUMENTS

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

	As of March 31, 2024			As of December 31, 2023		
	Derivatives not for trading	Derivatives for trading	Total	Derivatives not for trading	Derivatives for trading	Total
Hedging transactions:						
Interest rate contracts	**1,620**	**-**	**1,620**	2,667	-	2,667
Other transactions:						
Interest rate contracts	**260**	**17,563**	**17,823**	258	14,718	14,976
Foreign currency contracts	**23,672**	**66,966**	**90,638**	22,565	61,854	84,419
Contracts on shares, share indexes, commodities and other contracts	**1**	**62,193**	**62,194**	1	62,324	62,325
Total derivative financial instruments	**25,553**	**146,722**	**172,275**	25,491	138,896	164,387

LIQUIDITY RISK

Liquidity risk is the risk that the Bank will have difficulty in honoring its liabilities due to unexpected withdrawals of deposits from the public, uncertainty regarding the availability of sources and other unexpected liabilities, including sharp decline in the value of liquid assets available to the Bank. Materialization of the risk might cause the Bank shortage in liquid means, that will force the Bank to realize assets in prices lower than the market prices and/or raise funds in a price higher than market prices and in extreme situations might endanger the stability of the Bank.

Effect of the "Swords of Iron" War

The economy in Israel operates in an environment characterized by high uncertainty and geopolitical instability. Since the outbreak of the War, the changes in the exchange rate, in the stock markets and in the yield of government bonds, have a direct impact on liquidity risk.

Involvement of Bank of Israel in the stabilization of the local market was fruitful, by announcing a plan for the sale of US dollars and for the supply of liquidity to the SWAP market, in order to mitigate the fluctuations in the rate of exchange. In addition, Bank of Israel also enabled institutional bodies to enter into shekel RIPO transactions with it, in order to reduce flush sales on the bond market.

At the beginning of the year, Bank of Israel lowered the interest rate in the economy by 0.25% to a level of 4.5%, in order to ease the burden on the business and private sectors.

The Bank maintains high liquidity balances in foreign currency and in shekel, over and above the regulatory and internal specifications, in comparison with the balances held under regular business conditions. The Bank continues to conduct a close follow-up over liquidity ratios together with control and monitoring operations.

Liquidity coverage ratio

	For the three months ended	
	March 31, 2024	December 31, 2023
		%
Liquidity coverage ratio consolidated data	**161%**	156%
Liquidity coverage ratio Bank data	**160%**	156%
Minimal liquidity coverage ratio as per the Supervisor of Bank	**100%**	100%

Net stable Funding Ratio - NSFR

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

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

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

Set out below is the net stable funding ratio:

	March 31	December 31
	2024	2023
		percent
Net stable funding ratio (consolidated)	**150%**	146%
Minimal net stable funding ratio required by the Supervisor of Banks	**100%**	100%

Liquidity position and the composition of assets and liabilities

The liquidity assets at the group, which includes cash, deposits at the Bank of Israel, deposits at banks and liquid securities, amounted to NIS 102 billion as of March 31, 2024, compared with NIS 95.1 billion at the end of 2023. Of this amount, the balance of cash, deposits with the Bank of Israel and deposits with banks amounted to NIS 76.7 billion, and NIS 25.3 billion were invested in securities, principally Israel government bonds.

The ratio of deposits from the public to credit to the public as of March 31, 2024 amounted to 170.7% compared with 162.5% on December 31, 2023.

As of March 31, 2024, deposits from the public, bonds and subordinated notes totaled NIS 201.4 billion compared with NIS 195. 9 billion at the end of 2023, an increase of 2.8%.

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

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

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

	As of March 31, 2024	As of December 31, 2023
		NIS million
1	**4,361**	4,860
2	**3,671**	3,908
3	**3,268**	3,239

OTHER RISKS

For information regarding other risks and the way they are managed, among others, the operational risks (including business continuity, data security and cyber events), strategy risk, compliance risk (including conduct risk), anti money laundering a nd terror finance risk (including cross border risks), finance risk, environment and climate risks, legal risk, reputation risk, re gulatory risk and model risk- see the chapter on risk review in the annual financial statements of the Bank for 2023 and the risk report for 2023 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 2023.

No change occurred in the table of risk factors during the first three months of 2024 compared with the table published in th e annual financial statements for 2023.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES, CONTROLS AND PROCEDURES

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 2023, with no changes therein, except as stated hereunder.

Provision for credit losses

In determining the provision for credit losses, the Bank relates to a wide array of data, in part being internal data of the Bank and in part being general data, inter alia, macro-economic indicators. As regards the macro-economic indicators, the Bank, in its assumptions as of March 31, 2024, based itself upon economic forecasts. It is noted that the macro-economic values, as stated, form part of a wide set of parameters, assessments and subjective evaluations used in determining the provision for credit losses, and that changes in these assessments and subjective evaluations may, to a large extent, divert the collective provision for credit losses.

In the wake of the outbreak of the War, a mapping process has been conducted, in participation with the business functions and the Risk Management Division, of the different segments of operation that might be impacted by the security situation, with a view of identifying customers which might be affected by the situation in a way that would have an effect upon their financial stability and repayment ability. In the first stage, customer accounts in the real estate, tourism, hotels, guest services, food and catering services and aviation, textile and retail businesses, such as: clothing, electric, household goods and furniture manufacturing sectors have been examined. Also examined were accounts of companies engaged in non-bank credit. In addition, due to the volatility in foreign currency exchange rates, accounts of customers indicating exposure to currency exchange rates (especially importers) have been examined. A dynamic follow-up list has been compiled, which is being reviewed from time to time and which includes debts as stated, on which is based an additional qualitative provision for anticipated credit losses. Recently, Turkey resolved to impose economic trade embargo on Israel. This embargo may have an impact on growth and on inflation, especially on the construction and real estate field. Accordingly, the Bank performs follow-up on the possible effects on its customers.

In addition, in order to test the sensitivity of the provision for credit losses to assumptions and evaluations that are different than those noted in the economic forecast, as stated, and which had been used in determining the provision for loan losses as of March 31, 2024, the Bank had tested additional scenarios, a pessimistic scenario and an optimistic scenario. The work assumptions by the Bank applied in the pessimistic scenario are: continuation of the state of war, low growth rates of the GDP and of private consumption. Furthermore, the Bank had intensified the forecast for the upward trend in the rate of unemployment for the next four consecutive quarters. In the optimistic scenario, different mitigations had been applied to the work assumptions regarding the said parameters. The said sensitivity analysis, the results of which are based on subjective evaluations, indicate that computation of the provision for credit losses as of March 31, 2024, based on the pessimistic forecast, would have resulted in an increase of NIS 42 million, while computation of the collective provision based on the optimistic forecast, would have led to a reduction of NIS 36 million in the collective provision. It is emphasized, that the pessimistic scenario does not constitute a stress test.

It is emphasized, that the credit loss expense depends on a wide array of factors to which uncertainty applies, when on the one hand, a slower recovery pace of the economy may lead to a higher provision, while on the other hand, existence of mitigating factors, such as a faster pace of economic recovery as well as internal factors at the Bank, such as the quality of the credit underwriting process and the quality of collateral and of the control mechanisms, may result in a reduction in the level of expense.

Assessment of the provision for credit losses requires that Management uses estimates and evaluations that are, generally, based on economic forecasts, evaluations of market developments and estimates of their effect on credit risk and the future realization of credit losses.

Estimates made by the Bank in the matter of the provision for credit losses are considered forward looking information, as defined by the Securities Act, 1968. These are based, inter alia, on information and publications by third parties and on estimates in the hands of the Bank at date of publication of the financial statements. Use of assessments and evaluations requires application of judgment leading the Management of the Bank to believe that these are reasonable at date of publication of the financial statements. Nevertheless, and of the nature of things, credit losses that may evolve in the future with respect to the existing credit portfolio, might be materially different than the estimates made.

CONTROLS AND PROCEDURES

ASSESSMENT OF CONTROLS AND PROCEDURES CONCERNING DISCLOSURE IN THE FINANCIAL REPORT

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

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

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

The Management of the Bank, in cooperation with the CEO of the Bank and the Chief Accountant, assessed as of March 31, 2024 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 March 31, 2024, 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.

Tel Aviv, May 28, 2024

Ron Levkovich
Chairman of the Board

Eli Cohen
CEO

CERTIFICATION

I, Eli Cohen, declare that:

1. I have reviewed the quarterly report of the First International Bank of Israel Ltd. (hereinafter: “the Bank”) for the quarter ended March 31, 2024 (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, May 28, 2024

Eli Cohen
Chief Executive Officer

CERTIFICATION

I, Nachman Nitzan, declare that:

1. I have reviewed the quarterly report of the First International Bank of Israel Ltd. (hereinafter: "the Bank") for the quarter ended March 31, 2024 (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, May 28, 2024

Nachman Nitzan
Executive Vice President,
Chief Accountant

FINANCIAL STATMENTS

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

Introduction

We have reviewed the accompanying financial information of The First International Bank of Israel Ltd. and its subsidiaries (hereinafter- "the Bank"), comprising of the condensed consolidated interim balance sheet as of March 31, 2024 and the related condensed consolidated interim statements of income, comprehensive income, changes in equity and cash flows for the three 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.)

May 28, 2024

CONSOLIDATED STATEMENT OF INCOME

(NIS million)

		For the three months ended March 31		For the year Ended December 31
	NOTE	2024	2023	2023
		(unaudited)	(unaudited)	(audited)
Interest Income	2	**2,576**	2,176	9,850
Interest Expenses	2	**1,461**	901	4,884
Interest Income, net		**1,115**	1,275	4,966
Expenses (income) from credit losses	6,12	**(2)**	72	502
Net Interest Income after expenses from credit losses		**1,117**	1,203	4,464
Non- Interest Income				
Non-Interest financing income	3	**100**	36	142
Fees		**365**	388	1,502
Other income		**1**	1	8
Total non- Interest income		**466**	425	1,652
Operating and other expenses				
Salaries and related expenses		**442**	449	1,746
Maintenance and depreciation of premises and equipment		**87**	84	341
Amortizations and impairment of intangible assets		**31**	30	122
Other expenses		**171**	161	668
Total operating and other expenses		**731**	724	2,877
Profit before taxes		**852**	904	3,239
Provision for taxes on profit		**279**	315	1,090
Profit after taxes		**573**	589	2,149
The bank's share in profit of equity-basis investee, after taxes		**18**	65	113
Net profit:				
Before attribution to non-controlling interests		**591**	654	2,262
Attributed to non-controlling interests		**(22)**	(23)	(90)
Attributed to shareholders of the Bank		**569**	631	2,172

			NIS
Primary profit per share attributed to the shareholders of the Bank			
Net profit per share of NIS 0.05 par value	**5.67**	6.29	21.65

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

Ron Levkovich
Chairman of the Board

Eli Cohen
Chief Executive Officer

Nachman Nitzan
Executive Vice President,
Chief Accountant

Tel-Aviv, May 28, 2024

STATEMENT OF COMPREHENSIVE INCOME[1]

(NIS million)

	For the three months ended March 31		For the year Ended December 31
	2024	**2023**	**2023**
	(unaudited)	(unaudited)	(audited)
Net profit before attribution to non-controlling interests	**591**	654	2,262
Net profit attributed to non-controlling interests	**(22)**	(23)	(90)
Net profit attributed to the shareholders of the Bank	**569**	631	2,172
Other comprehensive income (loss) before taxes:			
Adjustments of available for sale bonds to fair value, net	**(44)**	(30)	213
Adjustments of liabilities in respect of employee benefits[2]	**11**	(3)	25
Other comprehensive income (loss) before taxes	**(33)**	(33)	238
Related tax effect	**17**	11	(81)
Other comprehensive income (loss) before attribution to non-controlling interests, after taxes	**(16)**	(22)	157
Less other comprehensive income attributed to non-controlling interests	**-**	2	9
Other comprehensive income (loss) attributed to the shareholders of the Bank, after taxes	**(16)**	(24)	148
Comprehensive income before attribution to non-controlling interests	**575**	632	2,419
Comprehensive income attributed to non-controlling interests	**(22)**	(25)	(99)
Comprehensive income attributed to the shareholders of the Bank	**553**	607	2,320

(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)

		March 31,		December 31,
		2024	2023	2023
	NOTE	(unaudited)	(unaudited)	(audited)
Assets				
Cash and deposits with banks		**76,731**	57,763	68,866
Securities[4]	5	**26,375**	19,756	26,985
Securities which were borrowed		**2**	45	57
Credit to the public	6,12	**116,816**	119,769	119,240
Provision for Credit losses	6,12	**(1,617)**	(1,267)	(1,618)
Credit to the public, net		**115,199**	118,502	117,622
Credit to the government		**965**	935	1,055
Investment in investee company		**800**	730	786
Premises and equipment		**867**	899	877
Intangible assets		**325**	307	328
Assets in respect of derivative instruments	10	**3,324**	4,047	3,651
Other assets[2]		**1,353**	1,328	1,366
Total assets		**225,941**	204,312	221,593
Liabilities and Shareholders' Equity				
Deposits from the public	7	**196,615**	173,390	191,125
Deposits from banks		**3,586**	5,481	4,314
Deposits from the Government		**710**	828	750
Bonds and subordinated capital notes		**4,736**	4,770	4,767
Liabilities in respect of derivative instruments	10	**3,085**	3,572	3,784
Other liabilities[1][3]		**4,257**	4,882	4,207
Total liabilities		**212,989**	192,923	208,947
Capital attributed to the shareholders of the Bank		**12,355**	10,888	12,071
Non-controlling interests		**597**	501	575
Total equity		**12,952**	11,389	12,646
Total liabilities and shareholders' equity		**225,941**	204,312	221,593

(1) Of which: provision for credit losses in respect of off-balance sheet credit instruments in the amount of NIS 170 million and NIS 129 million and NIS 165 million as of 31.3.24, 31.3.23 and 31.12.23, respectively.

(2) Of which: other assets measured at fair value in the amount of NIS 5 million and NIS 15 million and NIS 10 million as of 31.3 .24, 31.3.23 and 31.12.23, respectively.

(3) Of which: other liabilities measured at fair value in the amount of NIS 5 million and NIS 21 million and NIS 11 million as of 31.3.24, 31.3.23 and 31.12.23, 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 March 31, 2024 (unaudited)					
	Share capital and premium (1)	Accumulated other comprehensive loss	Retained earnings (2)	Total share-holders' equity	Non-controlling interests	Total equity
Balance as of December 31, 2023 (audited)	**927**	**(155)**	**11,299**	**12,071**	**575**	**12,646**
Net profit for the period	**-**	**-**	**569**	**569**	**22**	**591**
Dividend	**-**	**-**	**(269)**	**(269)**	**-**	**(269)**
Other comprehensive loss, after tax effect	**-**	**(16)**	**-**	**(16)**	**-**	**(16)**
Balance as of March 31, 2024	**927**	**(171)**	**11,599**	**12,355**	**597**	**12,952**

	For the three months ended March 31, 2023 (unaudited)					
	Share capital and premium (1)	Accumulated other comprehensive loss	Retained earnings (2)	Total share-holders' equity	Non-controlling interests	Total equity
Balance as of December 31, 2022 (audited)	927	(303)	9,935	10,559	476	11,035
Adjustment of the opening balance, net of tax, due to the effect of initial implementation*	-	-	(10)	(10)	-	(10)
Adjusted balance as of January 1, 2023, following initial implementation	927	(303)	9,925	10,549	476	11,025
Net profit for the period	-	-	631	631	23	654
Dividend	-	-	(268)	(268)	-	(268)
Other comprehensive income (loss), after tax effect	-	(24)	-	(24)	2	(22)
Balance as of March 31, 2023	927	(327)	10,288	10,888	501	11,389

	For year ended December 31, 2023 (audited)					
	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 December 31, 2022	927	(303)	9,935	10,559	476	11,035
Adjustment of the opening balance, net of tax, due to the effect of initial implementation*	-	-	(10)	(10)	-	(10)
Adjusted balance as of January 1, 2023, following initial implementation	927	(303)	9,925	10,549	476	11,025
Net profit for the year	-	-	2,172	2,172	90	2,262
Dividend	-	-	(798)	(798)	-	(798)
Other comprehensive income, after tax effect	-	148	-	148	9	157
Balance as of December 31, 2023	927	(155)	11,299	12,071	575	12,646

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

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

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

STATEMENT OF CASH FLOWS

(NIS million)

	For the three months ended March 31		For the year Ended December 31
	2024	2023	2023
	(unaudited)	(unaudited)	(audited)
Cash flows from (for) operating activity:			
Net profit for the period	**591**	654	2,262
Adjustments necessary to present cash flows from (for) operating activity:			
The Bank's share in profit of investee company	**(18)**	(65)	(113)
Depreciation of premises and equipment	**16**	16	64
Amortization of intangible assets	**31**	30	122
Gain on sale of premises and equipment	**-**	-	(6)
Expenses (income) from credit losses	**(2)**	72	502
Loss (gain) from sale of available for sale bonds and not for trading shares and provision for impairment of available-for-sale bonds and not for trading shares	**(12)**	8	99
Realized and non-realized loss from adjustment to fair value of trading securities	**-**	4	2
Non-realized loss (gain) from adjustment to fair value of not for trading shares	**(35)**	11	(14)
Deferred taxes, net	**(1)**	(33)	(148)
Defined benefit of pension and severance pay plans	**18**	14	58
Adjustments of exchange rate differences	**144**	273	274
Dividend received from investee company	**-**	21	21
Net change in current assets:			
Trading securities	**(889)**	(351)	(1,427)
Other assets	**(5)**	(60)	(15)
Assets in respect of derivative instruments	**343**	(1,279)	(931)
Net change in current liabilities:			
Other liabilities	**91**	348	(544)
Liabilities in respect of derivative instruments	**(699)**	1,250	1,462
Accumulation differences included in investing and financing activities	**(148)**	17	(337)
Net cash from (for) operating activity	**(575)**	930	1,331
Cash flows from (for) investing activity			
Change in Deposits with banks	**210**	151	398
Change in Securities borrowed	**55**	(33)	(45)
Change in Credit to the public	**1,148**	(1,209)	492
Change in Credit to the government	**90**	(69)	(189)
Purchase of available for sale bonds and not for trading shares	**(12,708)**	(8,584)	(33,029)
Proceeds from redemption of bonds held to maturity	**113**	259	348
Proceeds from sale of available for sale bonds and not for trading shares	**87**	793	4,157
Proceeds from redemption of available for sale bonds	**12,846**	4,068	19,304
Acquisition of premises and equipment	**(6)**	(13)	(52)
Proceeds of sale of premises, equipment and other assets	**-**	-	19
Investment in intangible assets	**(28)**	(20)	(133)
Net cash from (for) investing activity	**1,807**	(4,657)	(8,730)

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

STATEMENT OF CASH FLOWS (CONT'D)

(NIS million)

	For the three months ended March 31,		For the year ended December 31
	2024	2023	2023
	(unaudited)	(unaudited)	(audited)
Cash flows from financing activity			
Change in Deposits from the public	**7,854**	3,515	20,361
Change in Deposits from banks	**(724)**	599	(564)
Change in Deposits from the government	**3**	553	491
Proceeds from issue of bonds and subordinate debt notes	**-**	-	-
Redemption of bonds and subordinate debt notes	**(19)**	(19)	(145)
Dividend paid to shareholders	**(269)**	(268)	(798)
Net cash from financing activity	**6,845**	4,380	19,345
Increase in cash	**8,077**	653	11,946
Cash balances at beginning of period	**67,557**	55,423	55,423
Effect of changes in exchange rates on cash balances	**(2)**	131	188
Cash balances at end of period	**75,632**	56,207	67,557
Interest and taxes paid and/or received:			
Interest received	**2,486**	2,007	9,129
Interest paid	**(1,330)**	(668)	(3,780)
Dividends received	**5**	7	43
Income tax paid	**(351)**	(361)	(1,482)
Income tax received	**4**	44	67

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

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - PRINCIPAL ACCOUNTING POLICIES

A. GENERAL

The First International Bank of Israel Ltd. (hereinafter - "the Bank") is an Israeli corporation. The condensed consolidated interim financial statements of the Bank as of March 31, 2024, 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, 2023, and the related notes thereto (hereinafter - "the Annual Report").

The accounting policy of the Group applied in these condensed consolidated interim financial statements, is the same policy applied in the Annual Report.

In accordance with the guidelines of the Supervisor of Banks, publication of condensed financial statements is made on the basis of consolidated financial statements only. The condensed consolidated interim financial statements were approved for publication by the Board of Directors on May 28, 2024.

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 application of accounting standards, updates of accounting standards and directives of the Supervisor of Banks in the period prior to their implementation

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

The update abolishes the instructions concerning restructure of troubled debts by lenders, while improving the disclosure requirements regarding borrowers found in financial difficulties. In addition, the update adds disclosure requirements regarding gross write-offs according to the year of granting the credit.

The principal changes stated in the circular include, inter alia, cancellation of the definition "debts that have undergone restructuring of a troubled debt", which includes removal of the requirement to examine whether the bank had granted a waiver for the purpose of determining such classification, and its replacement by the term "changes in terms of debts of borrowers in financial difficulties"; updating the disclosure requirements in financial statements to include disclosure regarding any change in the terms of a debt of a borrower in financial difficulties, including waiver of principal, reduction in the interest rate or extension of the loan period that does not result in a negligible deferral in repayments; enlarging the disclosure as to "quality of credit according to year of granting the credit", so as to include information regarding gross accounting write-offs made during the year.

Banking corporations were required to implement the instruction starting on January 1, 2024, in accordance with the guidelines and the transitional instructions stated in the instruction.

On date of initial application, the Bank adopted certain concessions available in the transitional instructions, including determination of the balance of debts of borrowers in financial difficulties that have undergone changes in terms until December 31, 2023, based on the balance of debts that have undergone restructuring of a troubled debt until that date. Likewise, in accordance with the transitional instructions, the Bank did not include in the financial statements for the first quarter of 2024, a quantitative disclosure in accordance with the format determined with respect to the details concerning the classes of changes made during this quarter to debts of borrowers in financial difficulties, as well as details regarding the financial effects of such changes and details regarding the different classes of debts that defaulted during this quarter, after undergoing a change in terms. For additional information, see Note "Additional information regarding credit risk, credit to the public and allowance for credit losses".

Furthermore, the disclosures in Note "Additional information regarding credit risk, credit to the public and allowance for credit losses" to the financial statements were updated in accordance with the new disclosure format. The comparative data was not restated.

The application of the new instruction has no material effect on the balance of the allowance for credit losses.

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

(1) Update of Standard ASU 2023-007 in the matter of improvement of the disclosure requirements regarding reportable segments of operation

On November 27, 2023, the FASB published Standards ASU 2023-07 in the matter of improvement of the disclosure requirements regarding segments of operation (hereinafter – "the update). The update improves the disclosure requirements applying to entities, including addition of a requirement to provide disclosure within the framework of the note on segments with respect to "significant expenses" reported to the CODM (Chief Operating Decision Maker), providing explanation regarding the manner in which the CODM makes use of segment reporting, expanding certain annual disclosure requirements to interim periods, exposing the identity and duties of the CODM and clarification that Item 280 applies also to entities having one segment only. The provisions of the update apply to public entities in the US starting with annual periods beginning after December 15, 2023, and to interim periods starting after December 15, 2024. Earlier adoption is possible. Upon initial application, the entity is required to apply this update retroactively for all periods presented in the financial statements, unless this is not practicable.

(2) Update of Standard ASU 2023-09 in the matter of improvements of the disclosure requirements regarding taxes on income

On December 14, 2023, the FASB published Standard ASU 2023-09 in the matter of improvement of the disclosure requirements regarding taxes on income (hereinafter – "the update"). The amendments contained in the update add new improved disclosure requirements as well as delete certain disclosure requirements. The provisions of the update apply to public entities in the US starting with annual periods beginning after December 15, 2024. Earlier adoption is possible. Upon initial application, the entity is required to apply this update by way of "from now onwards". Retroactive application for prior periods is possible.

E. EFFECT OF THE "SWORDS OF IRON" WAR

The "Swords of Iron" War continued also in the first quarter of 2024 and thereafter. Alongside the principal arena of the War in the Gaza Strip, escalation took place on additional fronts. A slowdown in economic activity took place at the outbreak of the War and in the following months due to the extensive call up of reservists, the firing of rockets at population centers, disruption of supply chains and shutdown of a part of the work places. Later on, with the reduction in the scope of rocket fire and mobilization of reservists, actual recovery is noticed in economic activity in most sectors of the economy, in growth in consumer demand and renewed increase in the turnover of businesses. Likewise, as of the end of the first quarter of 2024, the Tel Aviv Stock Exchange presented a recovery trend and the shekel appreciated against the foreign currencies, despite the sharp decline at the beginning of the War.

On background of the War and its immediate and long-term implications on the economic activity in the country and on the fiscal condition of Israel, and in view of the high uncertainty existing with respect to the length and characteristics of the War, the rating agency Moody's, lowered the credit rating of Israel from a level of A1 to a level of A2 with a negative rating horizon. In contrast, the international rating agency Fitch, left the economic rating level of Israel as is at "A+", but updated downwards its rating forecast from "stable" to "negative". Likewise, the international rating agency S&P also published an updated rating and forecast for the State of Israel, deciding to lower the credit rating of Israel from a level of "AA-" to a level of "A+". In addition, it left the rating horizon at "negative", a situation that may indicate an additional lowering of the rating further on during the year.

With the aim of assisting customers of banks in coping with the implications of the War, the Supervisor of Banks issued an assistance outline for bank customers in coping with the implications of the War for a period of three months, which was extended and expanded several times during the War. On March 4, 2024, in view of the continuation of the War and its implications on the financial conduct of customers and wishing to provide concessions to reservists on active service, the Supervisor of Banks announced the expansion of the outline for three additional months, starting on April 1, 2024.

The outline for the deferral of loan repayments and other concessions formed by Bank of Israel, comprises part of the steps taken in the wake of the War. The Bank of Israel outline includes, inter alia, guidelines permitting deviation from credit lines, concessions to borrowers in making new repayment arrangements, waiver of interest on arrears and deferral of interest and principal payments.

In addition to the outline published by Bank of Israel, the Bank has pitched in to help customers affected by the War offering them additional relief, such as exemption from three mortgage repayments for customers residing in the area surrounding the Gaza Strip and the granting of additional credit and loans from customer assistance funds. Furthermore, the Bank has pitched in to assist residents of the confrontation line and emergency organizations by way of donations and encouragement of voluntary work in the community.

At this stage, the assessments of the value of all the said benefits may reach an amount of NIS 179 million, assuming the exercise in full of the benefits. These costs would be recognized in profit and loss upon exercise of the benefits by customers. The total cost of benefits exercised in the fourth quarter of 2023 and in the first quarter of the current year recognized in profit and loss, amounts to NIS 47 million.

A high level of uncertainty exists with regards to the implications and the continuation of the War and to the economic activity of various sectors in Israel to which the Bank is exposed. This may be reflected, inter alia, in the growth in credit risk and in liquidity difficulties of borrowers, and as a result thereof, deterioration in credit quality, both in the business sector and in the private sector.

The Bank estimates at this stage, based on information available at date of approval of the financial statements, that the present events and the escalation in the defense situation in Israel, may have an adverse effect on its business results, due to a decline in volume of operations in the economy. Such decline may be reflected in reduced interest income, growth in credit losses, decline in commission income and in other business operations. Whereas the event in question is not under control of the Bank and developments in the field may affect assessments by the Bank, as of date of this Report, the Bank is unable to assess and evaluate the scope of the anticipated effect of the War on its results in the medium and long terms. The Bank currently follows the situation and makes modifications to operations and to risk management in accordance with developments.

F. CHANGES IN TAX RATES

In march 2024, the Knesset passed the Special Payments for Achievement of the Budget Goals (Provisional Instruction – Swords of Iron) Act, 2024, according to which, a bank that does not have a small scope of activity (namely, a bank the asset value of which equals 5% or a lower rate of the total asset value of all banks in Israel) will pay to the Israel Treasury with respect to the period from April 1, 2024 and until December 31, 2025, an annual payment equal to 6% of the profit earned on its operations in Israel. In case that the total payments received from the banks under this Act exceeds the maximum amount stated in the Act, each bank would be reimbursed according to its proportionate share in that annual payment. Under certain circumstances, the Minister of Finance, with the approval of the Finance Committee of the Knesset, may shorten the period of payment to December 31, 2024.

Furthermore, a Value Added Tax Order (The rate of tax applying to nonprofit organizations and financial institutions) (Amendment) 2024, was published on April 14, 2024, raising the VAT rate from 17% to 18% as from January 1, 2025. However a bank that is subject to the payment of 6% on earnings in 2025, in accordance with the Special Payments for Achievement of the Budget Goals (Provisional Instruction – Swords of Iron) Act, 2024, described above, shall pay profit tax and payroll tax at a rate of 17%.

In view of the above legislation provisions, the estimated effective annual tax rate used in the first quarter of 2024, for the purpose of computing the current tax expense, computed on the basis of the new tax rates, amounts to 38.0%, as compared to the previous tax rate of 34.2%.

NOTE 2 - INTEREST INCOME AND EXPENSES

(NIS million)

		For the three months ended March 31	
		2024	**2023**
			(unaudited)
A.	**Interest income** [1]		
	From credit to the public	**1,577**	1,596
	From credit to the Government	**-**	6
	From deposits with banks	**26**	20
	From deposits with Bank of Israel and from cash	**736**	420
	From bonds	**237**	134
	Total interest income	**2,576**	2,176
B.	**Interest expenses**		
	On deposits from the public	**1,421**	828
	On deposits from the Government	**6**	2
	On deposits from banks	**6**	7
	On deposits with Bank of Israel	**2**	1
	On bonds and subordinated capital notes	**25**	63
	On other liabilities	**1**	-
	Total interest expenses	**1,461**	901
	Total interest income, net	**1,115**	1,275
C.	**Details on net effect of hedging derivative instruments on interest income and expenses**		
	Interest income[2]	**17**	21
D.	**Details of interest income from bonds on cumulative basis**		
	Held to maturity	**15**	21
	Available for sale	**212**	110
	Held for trading	**10**	3
	Total included in interest income	**237**	134

(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 March 31	
	2024	**2023**
		(unaudited)
A. Non-interest financing income in respect of non-trading activities		
1. From activity in derivative instruments		
Total from activity in derivative instruments(1)	**165**	295
2. From investments in bonds		
Profits from sale of bonds available for sale(2)	**1**	6
Losses from sale of bonds available for sale(2)	**-**	(3)
Provision for impairment of available-for-sale bonds(2)	**-**	(8)
Total from investment in bonds	**1**	(5)
3. Net exchange differences	**(144)**	(273)
4. From investment in shares		
Profits from sale of shares not for trading	**11**	-
Losses from sale of shares not for trading	**-**	(3)
Dividend from shares not for trading	**5**	9
Unrealized profits (losses)(3)	**35**	(11)
Total from investment in shares	**51**	(5)
Total non-interest financing income in respect of non-trading activities	**73**	12

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

	For the three months ended March 31	
	2024	**2023**
		(unaudited)
B. Net income in respect of non-interest financing activity for trading(3)		
Net income in respect of other derivative instruments	**27**	28
Net realized and unrealized losses from adjustments to fair value of bonds held for trading(1)	**-**	(3)
Net realized and unrealized losses from adjustments to fair value of shares held for trading(2)	**-**	(1)
Total non-interest financing income from trading activities(4)	**27**	24
Total non-interest financing income	**100**	36
Details on non-interest financing income in respect of trading activities, by risk exposure		
Interest rate exposure	**7**	7
Exposure to shares	**1**	1
Foreign currency exposure	**19**	16
Total	**27**	24

(1) No gains/losses exist in respect of trading bonds on hand at balance sheet date.
(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 March 31, 2024
Balance as of December 31, 2023 (audited)	**(82)**	**(92)**	**(174)**	**(19)**	**(155)**
Net change during the period	**(23)**	**7**	**(16)**	**-**	**(16)**
Balance as of March 31, 2024 (unaudited)	**(105)**	**(85)**	**(190)**	**(19)**	**(171)**
					For the three months ended March 31, 2023
Balance as of December 31, 2022 (audited)	(222)	(109)	(331)	(28)	(303)
Net change during the period	(20)	(2)	(22)	2	(24)
Balance as of March 31, 2023 (unaudited)	(242)	(111)	(353)	(26)	(327)
					For the year ended December 31, 2023
Balance as of December 31, 2022 (audited)	(222)	(109)	(331)	(28)	(303)
Net change during 2023	140	17	157	9	148
Balance as of December 31, 2023 (audited)	(82)	(92)	(174)	(19)	(155)

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

(NIS million)

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

	For the three months ended March 31 (unaudited)					
	2024			2023		
	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 gain (losses) from adjustments to fair value	**(59)**	**28**	**(31)**	23	(8)	15
Gain (losses) in respect of available for sale bonds reclassified to income statement (1)	**15**	**(7)**	**8**	(53)	18	(35)
Net change during the period	**(44)**	**21**	**(23)**	(30)	10	(20)
Employee benefits:						
Net actuarial gain (loss) for the period	**7**	**(2)**	**5**	(5)	2	(3)
Net losses reclassified to the statement of profit and loss (2)	**4**	**(2)**	**2**	2	(1)	1
Net change during the period	**11**	**(4)**	**7**	(3)	1	(2)
Changes in the components of cumulative other comprehensive income (loss) attributed to non-controlling interests						
Total change during the period	**(1)**	**1**	**-**	3	(1)	2
Changes in the components of cumulative other comprehensive income (loss) attributed to the Bank's shareholders						
Total change during the period	**(32)**	**16**	**(16)**	(36)	12	(24)

	For the year ended December 31, 2023 (audited)		
	Before tax	Tax effect	After tax
Changes in the components of cumulative other comprehensive income (loss) before attribution to non-controlling interests			
Adjustments in respect of presentation of available for sale bonds according to fair value			
Unrealized net losses from adjustments to fair value	217	(74)	143
Gains in respect of available for sale bonds reclassified to income statement (1)	(4)	1	(3)
Net change during the period	213	(73)	140
Employee benefits:			
Net actuarial gain for the period	17	(5)	12
Net losses reclassified to the statement of profit and loss (2)	8	(3)	5
Net change during the period	25	(8)	17
Changes in the components of cumulative other comprehensive income (loss) attributed to non-controlling interests			
Total change during the period	13	(4)	9
Changes in the components of cumulative other comprehensive income (loss) attributed to the Bank's shareholders			
Total change during the period	225	(77)	148

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

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

NOTE 5 - SECURITIES

(NIS million)

	March 31, 2024 (unaudited)					
A. Debentures held to maturity	**Book value**	**Amortized cost**	**Provision for credit losses**	**Unrealized gains from adjustment to fair value**	**Unrealized losses from adjustment to fair value**	**Fair value (1)**
Of Israeli government	3,515	3,515	-	2	154	3,363
Of financial institutions in Israel	77	77	2	-	3	76
Of others in Israel	(5)67	67	-	3	-	70
Total debentures held to maturity	3,659	3,659	2	5	157	3,509

B. Bonds available for sale	**Book value**	**Amortized cost**	**Provision for credit losses**	**Cumulative other comprehensive income**		**Fair value (1)**
				Profits	**Losses**	
Of Israeli government	11,234	11,379	-	19	164	11,234
Of foreign governments	7,914	7,918	-	1	5	7,914
Of financial institutions in Israel	(6)668	682	-	1	15	668
Of foreign financial institutions	444	447	-	1	4	444
Of others in Israel	66	67	-	-	1	66
Of foreign others	39	39	-	-	-	39
Total bonds available for sale	20,365	20,532	-	(2)22	(2)189	20,365

C. Investment in not for trading shares	**Book value**	**cost**	**Provision for credit losses**	**Unrealized gains from adjustment to fair value**	**Unrealized losses from adjustment to fair value**	**Fair value (1) (4)**
Not for trading shares	913	828	-	(3)87	(3)2	913
Of which: shares, the fair value of which is not ready determinable	187	187	-	-	-	187
Total not for trading securities	24,937	25,019	2	114	348	24,787

D. Bonds held for trading	**Book value**	**Amortized cost**	**Provision for credit losses**	**Unrealized gains from adjustment to fair value**	**Unrealized losses from adjustment to fair value**	**Fair value (1)**
Bonds of Israeli government	1,438	1,438	-	-	-	1,438
Total securities	26,375	26,457	2	114	348	26,225

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 193 million.

NOTE 5 - SECURITIES (CON'T)

(NIS million)

	March 31, 2023 (unaudited)					
A. Debentures held to maturity	Book value	Amortized cost	Provision for credit losses	Unrealized gains from adjustment to fair value	Unrealized losses from adjustment to fair value	Fair value (1)
Of Israeli government	3,181	3,181	-	-	180	3,001
Of financial institutions in Israel	83	83	-	-	5	78
Of others in Israel	(5)86	86	-	5	1	90
Total debentures held to maturity	3,350	3,350	-	5	186	3,169

B. Bonds available for sale	Book value	Amortized cost	Provision for credit losses	Cumulative other comprehensive income: Profits	Cumulative other comprehensive income: Losses	Fair value (1)
Of Israeli government	8,199	8,500	-	6	307	8,199
Of foreign governments	6,721	6,754	-	1	34	6,721
Of financial institutions in Israel	270	290	-	-	20	270
Of foreign financial institutions	355	363	-	-	8	355
Of others in Israel	36	39	-	-	3	36
Of foreign others	38	39	-	-	1	38
Total bonds available for sale	15,619	15,985	-	(2)7	(2)373	15,619

C. Investment in not for trading shares	Book value	cost	Provision for credit losses	Unrealized gains from adjustment to fair value	Unrealized losses from adjustment to fair value	Fair value (1) (4)
Not for trading shares	413	359	-	(3)64	(3)10	413
Of which: shares, the fair value of which is not ready determinable	212	207	-	(3)5	-	212
Total not for trading securities	19,382	19,694	-	76	569	19,201

D. Securities held for trading	Book value	Amortized cost	Provision for credit losses	Unrealized gains from adjustment to fair value	Unrealized losses from adjustment to fair value	Fair value (1)
Bonds of Israeli government	373	373	-	-	-	373
Shares	1	1	-	-	-	1
Total trading securities	374	374	-	-	-	374
Total securities	19,756	20,068	-	76	569	19,575

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

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

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

(3) Recorded in the Statement of Income.

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

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

NOTE 5 - SECURITIES (CON'T)

(NIS million)

A. Debentures held to maturity	Book value	Amortized cost	Provision for credit losses	Unrealized gains from adjustment to fair value	Unrealized losses from adjustment to fair value	Fair value (1)
						December 31, 2023 (audited)
Of Israeli government	3,285	3,285	-	-	146	3,139
Of financial institutions in Israel	79	79	-	-	4	75
Of others in Israel	(5)71	71	-	4	-	75
Total debentures held to maturity	3,435	3,435	-	4	150	3,289

B. Bonds available for sale	Book value	Amortized cost	Provision for credit losses	Cumulative other comprehensive income		Fair value (1)
				Profits	Losses	
Of Israeli government	10,160	10,272	-	33	145	10,160
Of foreign governments	10,407	10,397	-	14	4	10,407
Of financial institutions in Israel	405	421	-	1	17	405
Of foreign financial institutions	509	511	-	2	4	509
Of others in Israel	33	35	-	-	2	33
Of foreign others	41	42	-	-	1	41
Total bonds available for sale	21,555	21,678	-	(2)50	(2)173	21,555

C. Investment in not for trading shares	Book value	cost	Provision for credit losses	Unrealized gains from adjustment to fair value	Unrealized losses from adjustment to fair value	Fair value (1) (4)
Not for trading shares	543	465	-	(3)82	(3)4	543
Of which: shares, the fair value of which is not ready determinable	227	221	-	(3)6	-	227
Total not for trading securities	25,533	25,578	-	136	327	25,387

D. Bonds held for trading	Book value	Amortized cost	Provision for credit losses	Unrealized gains from adjustment to fair value	Unrealized losses from adjustment to fair value	Fair value (1)
Bonds of Israeli government	1,452	1,451	-	1	-	1,452
Total securities	26,985	27,029	-	137	327	26,839

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

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

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

(3) Recorded in the Statement of Income.

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

(5) Including problematic bonds accruing interest income in amount of NIS 4 million.

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

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

	March 31, 2024 (unaudited)							
	Less than 12 months[1]				12 months and above[2]			
	Fair Value	Unrealized losses 0-20%[3]	Unrealized losses 20-40%[4]	Unrealized losses Total	Fair Value	Unrealized losses 0-20%[3]	Unrealized losses 20-40%[4]	Unrealized losses Total
Bonds held for redemption[5]								
Of Israeli Government	**492**	**13**	**-**	**13**	**2,473**	**117**	**24**	**141**
Of Israeli financial institutions	**-**	**-**	**-**	**-**	**56**	**3**	**-**	**3**
Total bonds held for redemption	**492**	**13**	**-**	**13**	**2,529**	**120**	**24**	**144**
Available for-sale bonds								
Of Israeli government	**8,514**	**75**	**-**	**75**	**1,967**	**89**	**-**	**89**
Of foreign governments	**4,479**	**4**	**-**	**4**	**1,201**	**1**	**-**	**1**
Of Israeli financial institutions	**145**	**1**	**-**	**1**	**279**	**14**	**-**	**14**
Of foreign financial institutions	**-**	**-**	**-**	**-**	**145**	**4**	**-**	**4**
Of others in Israel	**-**	**-**	**-**	**-**	**30**	**1**	**-**	**1**
Of foreign others	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total bonds available for sale	**13,138**	**80**	**-**	**80**	**3,622**	**109**	**-**	**109**

	March 31, 2023 (unaudited)							
	Less than 12 months[1]				12 months and above[2]			
	Fair Value	Unrealized losses 0-20%[3]	Unrealized losses 20-40%[4]	Unrealized losses Total	Fair Value	Unrealized losses 0-20%[3]	Unrealized losses 20-40%[4]	Unrealized losses Total
Bonds held for redemption[5]								
Of Israeli Government	2,614	139	-	139	292	21	20	41
Of Israeli financial institutions	58	5	-	5	-	-	-	-
Of others in Israel	18	1	-	1	-	-	-	-
Total bonds held for redemption	2,690	145	-	145	292	21	20	41
Available for-sale bonds								
Of Israeli government	6,727	141	-	141	2,134	166	-	166
Of foreign governments	5,294	27	-	27	533	7	-	7
Of Israeli financial institutions	246	18	-	18	24	2	-	2
Of foreign financial institutions	128	3	-	3	80	5	-	5
Of others in Israel	30	2	-	2	6	1	-	1
Of foreign others	23	1	-	1	-	-	-	-
Total bonds available for sale	12,448	192	-	192	2,777	181	-	181

NOTE 5 - SECURITIES (CON'T)

(NIS million)

	December 31, 2023 (audited)							
	Less than 12 months(1)				12 months and above(2)			
	Fair Value	Unrealized losses 0-20%(3)	Unrealized losses 20-40%(4)	Unrealized losses Total	Fair Value	Unrealized losses 0-20%(3)	Unrealized losses 20-40%(4)	Unrealized losses Total
Bonds held for redemption(5)								
Of Israeli Government	122	9	-	9	2,661	115	22	137
Of Israeli financial institutions	-	-	-	-	55	4	-	4
Total bonds held for redemption	122	9	-	9	2,716	119	22	141
Available for-sale bonds								
Of Israeli government	4,145	47	-	47	2,498	98	-	98
Of foreign governments	2,601	3	-	3	908	1	-	1
Of Israeli financial institutions	94	2	-	2	221	15	-	15
Of foreign financial institutions	-	-	-	-	164	4	-	4
Of others in Israel	-	-	-	-	29	2	-	2
Of foreign others	-	-	-	-	24	1	-	1
Total bonds available for sale	6,840	52	-	52	3,844	121	-	121

(1) Investments in an unrealized loss position less than 12 months.
(2) Investments in an unrealized loss position more than 12 months.
(3) Investments which their unrealized loss constitutes up to 20% of their amortized cost.
(4) Investments which their unrealized loss constitutes between 20% to 40% of their amortized cost.
(5) Amortized cost of bonds held for redemption amounts to NIS 3,178 million (31.3.23 - NIS 3,168 million, 31.12.23 - NIS 2,988 million).

Additional information regarding securities in loss position

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

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

(NIS million)

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

	March 31, 2024 (unaudited)					
	Credit to the public				Banks Governments and bonds	Total
	Commercial	Housing	Other private	Total		
Recorded balance:						
Debts examined on an individual basis	**52,510**	**-**	**291**	**52,801**	**27,807**	**80,608**
Debts examined on a collective basis	**6,280**	**35,564**	**22,171**	**64,015**	**-**	**64,015**
Total	**58,790**	**35,564**	**22,462**	**116,816**	**27,807**	**144,623**
Of which:						
Non-accruing debts	**399**	**191**	**95**	**685**	**-**	**685**
Debts in arrears of 90 days or more	**6**	**-**	**11**	**17**	**-**	**17**
Other problematic debts	**926**	**53**	**151**	**1,130**	**-**	**1,130**
Total problematic debts	**1,331**	**244**	**257**	**1,832**	**-**	**1,832**
Provision for credit losses:						
In respect of debts examined on an individual basis	**889**	**-**	**8**	**897**	**2**	**899**
In respect of debts examined on a collective basis	**103**	**206**	**411**	**720**	**-**	**720**
Total	**992**	**206**	**419**	**1,617**	**2**	**1,619**
Of which: non-accruing debts	**126**	**11**	**29**	**166**	**-**	**166**
Of which: Other problematic debts	**122**	**3**	**25**	**150**	**-**	**150**

	March 31, 2023 (unaudited)					
	Credit to the public				Banks Governments and bonds	Total
	Commercial	Housing	Other private	Total		
Recorded balance:						
Debts examined on an individual basis	54,098	-	335	54,433	22,636	77,069
Debts examined on a collective basis	6,704	35,516	23,116	65,336	-	65,336
Total	60,802	35,516	23,451	119,769	22,636	142,405
Of which:						
Non-accruing debts	307	148	90	545	-	545
Debts in arrears of 90 days or more	8	-	14	22	-	22
Other problematic debts	632	59	148	839	-	839
Total problematic debts	947	207	252	1,406	-	1,406
Provision for credit losses:						
In respect of debts examined on an individual basis	712	-	5	717	2	719
In respect of debts examined on a collective basis	75	145	330	550	-	550
Total	787	145	335	1,267	2	1,269
Of which: non-accruing debts	85	6	28	119	-	119
Of which: Other problematic debts	122	2	29	153	-	153

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

(CONT'D)

(NIS million)

	December 31, 2023 (audited)					
	Credit to the public				Banks Governments and bonds	Total
	Commercial	Housing	Other private	Total		
Recorded balance:						
Debts examined on an individual basis	55,349	-	288	55,637	29,049	84,686
Debts examined on a collective basis	6,302	35,450	21,851	63,603	-	63,603
Total	61,651	35,450	22,139	119,240	29,049	148,289
Of which:						
Non-accruing debts	394	205	91	690	-	690
Debts in arrears of 90 days or more	13	-	17	30	-	30
Other problematic debts	823	68	157	1,048	-	1,048
Total problematic debts	1,230	273	265	1,768	-	1,768
Provision for credit losses:						
In respect of debts examined on an individual basis	900	-	7	907	2	909
In respect of debts examined on a collective basis	108	181	422	711	-	711
Total	1,008	181	429	1,618	2	1,620
Of which: non-accruing debts	121	12	28	161	-	161
Of which: Other problematic debts	137	3	25	165	-	165

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

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

(CONT'D)
(NIS million)

2. Change in provision for credit losses

	For the three months ended March 31, 2024 (unaudited)					
	Credit to the public				Banks Governments and bonds	Total
	Commercial	Housing	Other private	Total		
Change in provision for credit losses						
Provision for credit losses at beginning of the year[1] (audited)	**1,131**	**189**	**463**	**1,783**	**2**	**1,785**
Expenses (income) in respect of credit losses	**(13)**	**27**	**(16)**	**(2)**	**-**	**(2)**
- Accounting write-offs	**(19)**	**-**	**(24)**	**(43)**	**-**	**(43)**
- Collection of debts written off accounting wise in previous years	**20**	**5**	**24**	**49**	**-**	**49**
Net accounting write-offs	**1**	**5**	**-**	**6**	**-**	**6**
Provision for credit losses at end of the period[2]	**1,119**	**221**	**447**	**1,787**	**2**	**1,789**
Of which: (1) In respect of off-balance sheet credit instruments	**123**	**8**	**34**	**165**	**-**	**165**
(2) In respect of off-balance sheet credit instruments	**127**	**15**	**28**	**170**	**-**	**170**

	For the three months ended March 31, 2023 (unaudited)					
	Credit to the public				Banks Governments and bonds	Total
	Commercial	Housing	Other private	Total		
Change in provision for credit losses						
Provision for credit losses at beginning of the year[1] (audited)	817	151	344	1,312	2	1,314
Expenses in respect of credit losses	61	-	11	72	-	72
- Accounting write-offs	(18)	(2)	(24)	(44)	-	(44)
- Collection of debts written off accounting wise in previous years	32	2	22	56	-	56
Net accounting write-offs	14	-	(2)	12	-	12
Provision for credit losses at end of the period[2]	892	151	353	1,396	2	1,398
Of which: (1) In respect of off-balance sheet credit instruments	100	6	11	117	-	117
(2) In respect of off-balance sheet credit instruments	105	6	18	129	-	129

NOTE 7 - DEPOSITS FROM THE PUBLIC
(NIS million)

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

	March 31, 2024	March 31, 2023	December 31, 2023
		(unaudited)	(audited)
Demand			
- Non- bearing interest	**45,957**	50,977	45,145
- Bearing interest	**20,548**	23,285	22,410
Total demand	**66,505**	74,262	67,555
Fixed-term	**130,110**	99,128	123,570
Total deposits in Israel*	**196,615**	173,390	191,125
* Of which:			
Deposits of private individuals	**85,524**	79,848	83,940
Deposits of institutional entities	**59,364**	45,014	52,875
Deposits of corporates and others	**51,727**	48,528	54,310

B. Deposits of the public by size

	March 31, 2024	March 31, 2023	December 31, 2023
Maximum amount of deposit		(unaudited)	(audited)
Up to 1	**60,947**	58,613	59,960
From 1 to 10	**42,521**	39,385	42,448
From 10 to 100	**20,570**	20,296	20,887
From 100 to 500	**9,592**	9,835	11,337
Over 500	**62,985**	45,261	56,493
Total	**196,615**	173,390	191,125

NOTE 7A - EMPLOTYEE RIGHTS

(NIS million)

A. Composition of benefits:

		March 31,	December 31,
	2024	**2023**	**2023**
		(unaudited)	(audited)
Pension and severance pay			
Amount of liability	**852**	841	865
Fair value of assets of the scheme	**(262)**	(256)	(264)
Excess liabilities over assets of the scheme	**590**	585	601
Excess liabilities of the scheme included in the item "other liabilities"	**590**	585	601
Long-service awards - amount of liability	**15**	15	15
Benefit regarding unused sick leave - amount of liability	**26**	27	27
Other post-employment benefits	**8**	9	9
Other post-retirement benefits	**189**	197	188
Vacation pay	**87**	85	73
Other	**273**	338	232
Total			
Excess liabilities regarding employee benefits over assets of the scheme included in the item "other liabilities"	**1,188**	1,256	1,145

NOTE 7A - EMPLOTYEE RIGHTS (CON'T)

(NIS million)

B. DEFINED BENEFITS SEVERANCE PAY AND PENSION SCHEMES

(1) Commitment and financing situation

	Severance pay and pension schemes			Other post-retirement benefits		
	For the three months ended March 31,		For the year ended December 31,	For the three months ended March 31,		For the year ended December 31,
	2024	2023	2023	2024	2023	2023
		(unaudited)	(audited)		(unaudited)	(audited)
						(NIS million)
A. Change in liability regarding anticipated benefits						
Liability regarding anticipated benefit at beginning of period	**865**	833	833	**188**	198	198
Cost of service	**7**	6	25	**1**	1	4
Cost of interest	**10**	9	38	**2**	2	9
Actuarial loss (profit)**	**(11)**	5	9	**(2)**	(3)	(19)
Benefits paid	**(19)**	(12)	(40)	**-**	(1)	(4)
Liability regarding anticipated benefit at end of period	**852**	841	865	**189**	197	188
Liability regarding cumulative benefit at end of period	**722**	695	724	**187**	194	185
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	**264**	258	258	**-**	-	-
Actual return on assets of the scheme	**6**	(1)	12	**-**	-	-
Deposits in the scheme by the Bank	**2**	2	9	**-**	-	-
Benefits paid	**(10)**	(3)	(15)	**-**	-	-
Fair value of assets of the scheme at end of period	**262**	256	264	**-**	-	-
Financing situation- net liability recognized at the end of period*	**590**	585	601	**189**	197	188

* Included in the item "other liabilities".

** In the first three months of 2024, the actuarial profit in respect of severance pay and pension schemes derived mainly from the rise in the discounting rate. In the year 2023 and in the first three months of 2023, the actuarial loss derived mainly from the update of the provision in respect of the implementation of the Bank Leumi agreement, offset by an actuarial profit derived from the rise in the discounting interest rate. In the first three months of 2024 and 2023 and in the year 2023, the actuarial profit in respect of other post-retirement benefits derives from the rise in the discounting interest rate.

	Severance pay and pension schemes			Other post-retirement benefits		
		March 31,	December 31,		March 31,	December 31,
	2024	2023	2023	2024	2023	2023
		(unaudited)	(audited)		(unaudited)	(audited)
						(NIS million)
C. Amounts recognized in the consolidated balance sheet						
Amounts recognized in the item "other liabilities"	**590**	585	601	**189**	197	188
Net liability recognized at end of period	**590**	585	601	**189**	197	188
D. Amounts recognized in other cumulative comprehensive loss, before the tax effect						
Actuarial loss, net	**97**	123	116	**10**	29	12
Closing balance in other cumulative comprehensive loss	**97**	123	116	**10**	29	12

NOTE 7A - EMPLOTYEE RIGHTS (CON'T)

(NIS million)

(2) Expense for the period

		Severance pay and pension schemes			Other post-retirement benefits		
		For the three months ended March 31,		For the year ended December 31,	For the three months ended March 31,		For the year ended December 31,
		2024	2023	2023	2024	2023	2023
			(unaudited)	(audited)		(unaudited)	(audited)
							(NIS million)
A.	**Cost components of net benefit recognized in profit and loss**						
	Cost of service	**7**	6	25	**1**	1	4
	Cost of interest	**10**	9	38	**2**	2	9
	Anticipated return on assets of the scheme	**(2)**	(2)	(9)	**-**	-	-
	Amortization of non-recognized amounts:						
	Net actuarial loss	**2**	2	8	**-**	1	2
	Dismissal	**2**	-	(1)	**-**	-	-
	Capitalization of software costs	**(1)**	(1)	(3)	**-**	-	-
	Total cost of benefits, net	**18**	14	58	**3**	4	15
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	**(15)**	8	6	**(2)**	(3)	(19)
	Amortization of actuarial loss	**(2)**	(2)	(8)	-	(1)	(2)
	Dismissal	**(2)**	-	1	**-**	-	-
	Total recognized in other comprehensive (profit) loss	**(19)**	6	(1)	**(2)**	(4)	(21)
	Total net cost of benefit	**18**	14	58	**3**	4	15
	Total net cost of benefit for the period recognized in other comprehensive (profit) loss	**(1)**	20	57	**1**	-	(6)

NOTE 7A - EMPLOTYEE RIGHTS (CON'T)

(NIS million)

(3) Assumptions

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

	Severance pay and pension schemes			Other post-retirement benefits		
		March 31,	December 31,		March 31,	December 31,
	2024	2023	2023	2024	2023	2023
		(unaudited)	(audited)		(unaudited)	(audited)
			(NIS million)			(NIS million)
1. Principal guidelines used to determine the liability for benefits						
Nominal discounting rate	**4.9**	4.6	4.7	**5.2**	4.8	5.0

	Severance pay and pension schemes			Other post-retirement benefits		
	For the three months ended March 31,		For the year ended December 31,	For the three months ended March 31,		For the year ended December 31,
	2024	2023	2023	2024	2023	2023
		(unaudited)	(audited)		(unaudited)	(audited)
			(NIS million)			(NIS million)
2. Principal guidelines used to measure the net cost of benefits for the period						
Nominal discounting rate	**4.7**	4.4	4.4-4.9	**5.0**	4.5	4.5-5.1

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

						One percentage point growth
	Severance pay and pension schemes			Other post-retirement benefits		
		March 31,	December 31,		March 31,	December 31,
	2024	2023	2023	2024	2023	2023
		(unaudited)	(audited)		(unaudited)	(audited)
			(NIS million)			(NIS million)
Discounting rate	**(45)**	(50)	(48)	**(28)**	(32)	(29)

						One percentage point decline
	Severance pay and pension schemes			Other post-retirement benefits		
		March 31,	December 31,		March 31,	December 31,
	2024	2023	2023	2024	2023	2023
		(unaudited)	(audited)		(unaudited)	(audited)
			(NIS million)			(NIS million)
Discounting rate	**54**	61	57	**36**	41	37

NOTE 7A - EMPLOTYEE RIGHTS (CON'T)

(NIS million)

C. Cash flows

Deposits

	Severance pay and pension schemes			
	Forecast	Actual deposits		
		For the three months ended March 31,		For the year ended December 31,
	*2024	**2024**	2023	2023
	(unaudited)		(unaudited)	(audited)
				(NIS million)
Deposits	9	**2**	2	9

* Assessment of amounts which the Bank expects to deposit with a defined benefit pension scheme during 2024.

NOTE 8 - CAPITAL ADEQUACY, LEVERAGE AND LIQUIDITY

A. BASEL 3 GUIDELINES

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

(1) Capital adequacy goals

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

Likewise, in accordance with Proper Conduct of Banking Business Directive No. 329 regarding "limitation on the granting of residential loans", the Bank is required to raise the targeted Tier I equity capital level by one percent of the outstanding balance of residential loans at the reporting date. It should be noted that in accordance to the provisional instruction dated April 27, 2020, the requirement would not apply in respect of residential loans granted from March 19, 2020 until the end of the provisional instruction (September 30, 2021).

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

In view of all that stated above, and in consideration of additional capital requirement from the balance of housing loans, the minimal Tier I equity capital ratio and the minimal comprehensive capital ratio required from the Bank by the Supervisor of Banks, amount on a consolidated basis, as of March 31, 2023, to 9.25% and 12.50%, respectively.

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

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

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

- In the ordinary course of business - Tier I equity capital ratio of not lower than 9.35% and comprehensive capital ratio of not lower than 12.50%.
- In stress situations - Tier I equity capital ratio of not lower than 6.50% and comprehensive capital ratio of not lower than 9.00%.

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

(NIS million)

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

	March 31, 2024	March 31, 2023	December 31, 2023
	(unaudited)	(unaudited)	(audited)
a. Consolidated			
1. Capital for calculation of capital ratio			
Tier 1 capital, after supervisory adjustments and deductions	**12,567**	11,125	12,292
Tier 2 capital after deductions	**3,372**	3,487	3,569
Total comprehensive capital	**15,939**	14,612	15,861
2. Weighted balances of risk assets			
Credit risk	(2)**95,286**	(2)96,378	(2)97,053
Market risk	**971**	841	886
Operational risk	**10,427**	8,209	10,360
Total weighted balances of risk assets	**106,684**	105,428	108,299
			percent
3. Ratio of capital to risk assets			
Ratio of tier 1 capital to risk assets	**11.78%**	10.55%	11.35%
Comprehensive ratio of capital to risk assets	**14.94%**	13.86%	14.65%
Minimal ratio of equity capital tier 1 required by the Supervisor of banks	(1)**9.25%**	(1)9.24%	(1)9.24%
Minimal ratio of comprehensive capital required by the Supervisor of Banks	(1)**12.50%**	(1)12.50%	(1)12.50%

			percent
B. Significant Subsidiaries			
Bank Massad Ltd.			
Ratio of tier 1 capital to risk assets	**18.62%**	15.63%	18.06%
Comprehensive ratio of capital to risk assets	**19.71%**	16.76%	19.16%
Minimal ratio of equity capital tier 1 required by the Supervisor of banks	**9.00%**	9.00%	9.00%
Minimal ratio of comprehensive capital required by the Supervisor of Banks	**12.50%**	12.50%	12.50%

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

(2) An amount of NIS 36 million were deducted from the average balances of risk assets in respect of adjustments regarding the efficiency measures (31.3.23 - NIS 62 million, 31.12.23 - NIS 39 million).

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

(NIS million)

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

	March 31, 2024	March 31, 2023	December 31, 2023
	(unaudited)	(unaudited)	(audited)
A. Equity capital tier 1			
Capital attributed to shareholders	**12,355**	10,888	12,071
Differences between capital attributed to shareholders and equity capital tier 1			
Minority interests	**276**	271	272
Total equity capital tier 1 before regulatory adjustments and deductions	**12,631**	11,159	12,343
Regulatory adjustments and deductions:			
Intangible assets	**(94)**	(95)	(94)
Regulatory adjustments and other deductions- equity capital tier 1	**(3)**	(4)	(4)
Total regulatory adjustments and deductions before adjustments in respect of efficiency measures and expected credit losses - equity capital tier 1	**(97)**	(99)	(98)
Total adjustments in respect of efficiency measures - Tier 1 equity capital(1)	**22**	44	25
Total adjustments in respect of expected credit losses - Tier 1 equity capital(2)	**11**	21	22
Total equity capital tier 1 after regulatory adjustments and deductions	**12,567**	11,125	12,292
B. Tier 2 capital			
Tier 2 capital: instruments before deductions	**2,385**	2,322	2,377
Tier 2 capital: provisions before deductions	**1,180**	1,165	1,192
Total tier 2 capital before deductions	**3,565**	3,487	3,569
Deductions:			
Total deductions- tier 2 capital	**(193)**	-	-
Total tier 2 capital	**3,372**	3,487	3,569

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

	March 31, 2024	March 31, 2023	December 31, 2023
	(unaudited)	(unaudited)	(audited)
Ratio of capital to risk assets			
Ratio of tier 1 equity capital to risk assets before effect of adjustments	**11.75%**	10.48%	11.31%
Effect of adjustments in respect of efficiency measures(1)	**0.02%**	0.04%	0.02%
Effect of adjustments in respect of expected credit losses(2)	**0.01%**	0.01%	0.02%
Effect of adjustments in respect of highly leveraged financing of acquisition of land(3)	**-**	0.02%	-
Ratio of tier 1 equity capital to risk assets	**11.78%**	10.55%	11.35%

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

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

(3) Adjustments in respect of highly leveraged financing of acquisition of land were gradually reduced until June 30, 2023.

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

(5) Efficiency measures

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

The volume of the efficiency measures in manpower, as from the years 2018 and 2020, in respect of which the relieves are applicable, amounted to NIS 118 million, net after tax.

The impact of the efficiency measures on the ratio of equity to risk components is recognized, as stated, in installments over five years, and is estimated as of March 31, 2024 to be lower by 0.02% on Tier 1 equity capital.

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

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

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

Save for the said relief, as of March 31, 2024, the implementation would have resulted in an additional decrease of 0.01% in the capital adequacy ratios.

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

(7a.) Capital components subject to fluctuations

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

- Actuarial changes due to changes in the interest rate used to compute the liabilities of the Bank or in other actuarial assumptions, such as: mortality rates, retirement etc.
- The effect of changes in interest rate and interest spread on the adjustments to fair value of available-for-sale bonds.
- Effect of changes in the CPI and exchange rates on the balances of the assets.

Following is an analysis of the impact of such changes on the Tier I equity capital of the Bank as of March 31, 2024:

	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)	**0.09**	**0.11**
Massad Bank Ltd.	**1.54**	**2.48**

(8) The effect of the credit ratings of the state of Israel

The credit rating of the state of Israel has an effect on the capital requirements, since the capital requirements in respect of exposure to governments, public sector entities and financial institutions, are derived from the credit rating of the state of Israel. On April, 2024 S&P decreased the credit rating of the State of Israel from the level of AA- to the level of A+. The credit rating decrease will result in a decline of 0.26% and 0.33% in the Tier 1 capital ratio and the comprehensive capital ratio, respectively, in the second quarter of the year, in respect of the data as of March 31, 2024.

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

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

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

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

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

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

Notwithstanding, and according to Proper Conduct of Banking Business Directive No. 250 – modifications to Proper Conduct of Banking Business Directives in order to cope with the Coronavirus crisis, which, inter alia, includes the Provisional Instruction, published on November 15, 2020, according to which, a banking corporation has to maintain a leverage ratio of no less than 4.5% (instead of 5%) on a consolidated basis, if it is a banking corporation, the total consolidated stated assets of which is up to 24% of total stated assets of the banking sector as a whole. In accordance with a letter amending Proper Conduct of Banking Business Directive No. 250, dated December 20, 2023, the relief will be valid until December 31, 2025. Banking corporation which will make use of the relief on December 31, 2025, will be required to return to the leverage ratio prevailing before the provisional instruction within two quarters, thus, at the end of the validity of the provisional instruction, the leverage ratio of the banking corporation will not be less than the actual minimal leverage ratio or the minimal leverage ratio applying to the banking corporation prior to the Provisional Instruction, whichever is lower.

	March 31, 2024 (unaudited)	March 31, 2023 (unaudited)	December 31, 2023 (audited)
			NIS million
A. Consolidated			
Tier 1 capital*	**12,567**	11,125	12,292
Total exposures	**238,424**	216,044	233,669
			percent
Leverage ratio	**5.27%**	5.15%	5.26%
B. Significant Subsidiary			
Massad Bank Ltd.			
Leverage ratio	**9.60%**	8.47%	9.40%
Minimal Leverage ratio required by the Supervisor of banks	**4.50%**	4.50%	4.50%

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

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

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

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

	For the three months ended		
	March 31, 2024 (unaudited)	**March 31, 2023 (unaudited)**	**December 31, 2023 (audited)**
			percent
A. Consolidated*			
Liquidity coverage ratio	**161%**	131%	156%
B. The bank*			
Liquidity coverage ratio	**160%**	131%	156%
C. Significant Subsidiary*			
Massad Bank Ltd.			
Liquidity coverage ratio	**547%**	260%	544%
Minimal liquidity coverage ratio required by the Supervisor of banks	**100%**	100%	100%

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

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

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

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

		As of March 31,	As of December 31,
		2024	2023
		(unaudited)	(audited)
			percent
1.	**Consolidated**		
	Net stable funding ratio	**150%**	146%
2	**Significant Subsidiary**		
	Massad Bank Ltd.		
	Net stable funding ratio	**164%**	163%
	Minimal net stable funding ratio required by the Supervisor of banks	**100%**	100%

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

E. DIVIDENDS

	For the three months ended March 31,		For the year ended December 31,
	2024	2023	2023
		(unaudited)	(audited)
		NIS million	NIS million
Dividend declared and paid by the Bank	**269**	268	798

Since the outbreak of the War, the Supervisor of Banks addressed to the banking system the following letters in the matter of “Capital planning and earnings distribution policy”: a letter dated November 12, 2023, in which the banking corporations were required to re-examine their dividend policy for the period proximate to the date of the letter, on the background of the war and the increasing uncertainty in respect of its continuity and the scope of its impact on the economy; a letter dated March 5, 2024, with a similar requirement, on background of the continuation of the War and the scope of its effect on the economy, requiring extra caution in the matter; and a letter dated May 16, 2024, in which the Supervisor notes that the present geopolitical situation requires the continuation of a conservative and educated examination of the capital planning and of the dividend distribution policy, while taking into consideration the actual capital ratios and the capital cushions required by the different possible scenarios. Taking into consideration the abovementioned letters of the Supervisor, the Board of Directors of the Bank decided on May 28, 2024, to approve a dividend distribution in cash to the shareholders of the Bank in a total amount of NIS 228 million (gross).

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

The ex-dividend date was fixed for June 5, 2024, and payment of the dividend shall be made on June 17, 2024. The amount of the dividend is before any tax, including tax which the Bank has to withhold according to the law.

NOTE 9 - COMMITMENTS AND CONTINGENT LIABILITIES

(NIS million)

OTHER CONTINGENT LIABILITIES AND SPECIAL COMMITMENTS

		March 31, 2024 (unaudited)	March 31, 2023 (unaudited)	December 31 2023 (audited)
A.	Improvements to premises and acquisition of new premises, equipment and software	**9**	10	10
	Commitments to invest in private investment funds	**92**	137	103

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

With respect to the legal actions, including motions for approval of the actions as class action suits, see Note 25H to the financial statements as of December 31, 2023.

The amount of additional exposure of the Bank and of the subsidiary companies of the Bank as of March 31, 2024, in respect of pending claims, which, in the opinion of the Management 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 64 million.

C. Furthermore, a motion for approval of a class action suit is pending against the Bank, the amount claimed therein is material, as detailed below. In the opinion of Management of the Bank, based on legal opinion, it is not possible, at this stage to assess the prospects of this claim, and no allowance has been recognized in respect thereof:

On July 24, 2023, the Bank received an action brief and a motion for its approval as a class action suit filed against five banks, including the Bank. The amount of the claim attributed to all the Defendant banks totals NIS 984 million, and as claimed by the Claimants, this amount grows in each month by NIS 104 million. As argued in the motion, the interest rate paid on amounts deposited by means of the direct communication channels is lower than the interest payable in practice by the banks and lower than the interest on amounts deposited to the same deposit by means of a bank clerk, and this without providing such information to customers depositing funds using the direct channels and without offering them the possibility of negotiating the interest rate with the bank. All this, as argued by the Claimants, is in contradiction with the law.

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

(a) On June 8, 2016, an amended motion for approval of an action as a class action was filed with the Central District Court against three credit card companies including ICC (hereinafter - "the amended motion"). The amended motion replaces a previous motion submitted on April 28, 2014.

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

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

Subsequently to the signing of the compromise agreement with ICC and Isracard, MAX IT Finance Ltd. also reached an arrangement with the Claimants. In view of the terms of the arrangement between the Claimants and MAX, ICC and Isracard had requested to amend of their compromise arrangement accordingly. An amended motion for approval of the compromise arrangement was filed on December 26, 2023.

(b) On July 22, 2018, an action was filed with the Tel Aviv District Court together with a motion for approval of the action as a class action, against ICC and against two additional credit card companies. The subject matter of the action is transactions considered "no document transactions" (mainly transactions effected by telephone) made by members of the class with trading houses operating in the "direct marketing" field. It is claimed in the motion that such trading houses utilized the weakness of the senior citizen population, unlawfully charging their credit cards in respect of many transactions, as well as charging them with additional amounts that had not been approved by them. The Plaintiff argues that the credit card companies are engaged in clearing agreements with the "direct marketing" trading houses, thus enabling them to operate. The Plaintiff states the amount of the damage for the whole class, which he purports to represent, at NIS 900 million.

A further hearing was held on January 6, 2022, in which the parties stated their arguments with respect to the position of the Attorney General to the Government. On June 29, 2022, ICC submitted its summing-up brief regarding the motion, and on July 14, 2022, the Plaintiffs submitted their response summing-up brief. On August 21, 2022, the District Court issued a verdict dismissing the motion for approval. On November 13, 2022, the Plaintiffs filed an appeal against the verdict of the District Court, and on November 21, 2022 ICC filed a response on its behalf. On May 21, 2023, the replies of the Respondents to the appeal were submitted. Following submission of the position of the Attorney General to the Government, a hearing of the appeal was fixed for June 19, 2024.

(c) On May 14, 2020, an action was filed against ICC with the District Court-Central Region together with a motion for approval of the action as a class action. As argued in the action, the notice delivered to the Plaintiff regarding future charges in respect of use of a credit card, contained flaws requiring determination that the notice does not fulfill the notification duties required by law. The Plaintiff states its personal monetary damage at an amount of NIS 13.5 and the non-monetary damage at an amount of NIS 100, but does not state the amount of the damage for the whole class. A pre-trial hearing of the case was held on April 7, 2021. The Court recommended that the parties conduct negotiations in order to reach an agreed arrangement. Whereas the negotiations between the parties did not reach a compromise, the parties submitted on June 6, 2021, a joint request for the fixing of a date for the hearing of evidence. On April 7, 2022, an additional pretrial of the case was held, at the conclusion of which, the Court advised the parties to renew negotiations between them, either directly or through a mediator, after which, the parties announced that they were unsuccessful in reaching an understanding. The Plaintiff then requested permission to file for perusal of the Court the position of the Supervisor of Banks submitted in another action against another company. Following the study of the position of the Supervisor of Banks, the Court advised the parties to try again the reaching of an arrangement, while even recommending a joint mediation process in respect of the two proceedings. In accordance with the recommendation of the Court, the parties have started mediation proceedings.

(d) On December 8, 2020, an action was filed against Isracard Ltd., Europay (EuroCard) Israel Ltd., Premium Express Ltd., ICC and Diners Club Israel Ltd., with the Tel Aviv District Court together with a motion for approval of the action as a class action ("the approval motion"). The Plaintiff argues that Respondents make illegitimate and prohibited use of the data base at their disposal (both by power of them being issuers of credit cards as well as operating as clearing agents), and this without obtaining the informed consent of their customers. It is also argued that the Respondents disclose to third parties personal data of their customers; conduct advertising targeting on the basis of the said characterization for the purpose of promoting sales by third parties; conduct the monitoring of their customers; and make use of their customers' data for the sale of statistical information. As estimated by the Plaintiff, the amount of relief for the class is NIS 150 million. On June 27, 2021, ICC and Diners submitted their response to the approval motion, and on September 29, 2021, the reaction of the Plaintiff to the response of the Respondents was submitted. A first pretrial hearing was held on September 6, 2022, in which the parties restated their arguments. On November 25, 2022, the parties informed the Court of their consent to refer the dispute to mediation proceedings. However, on April 4, 2023, the mediator announced that in his opinion it is not possible at this stage to mediate between the parties. Therefore, the judicial proceedings are to be continued. An additional pre-trial hearing was held on May 8, 2024.

2. The amount of exposure regarding legal actions served against ICC, the realization of which, in whole or in part, is reasonably possible, totals NIS 279 million.

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

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

   On November 3, 2019, the Supreme Court approved an agreed motion for the consolidation of the hearing of the appeal with those of the appeals filed by competitors of ICC. A pre-trial was held on March 5, 2020. ICC estimates the amount of exposure in respect of which no allowance has been recognized in the financial statements, at NIS 261 million.

   Hearing of evidence was held in June and July 2022. In the reported period, the parties conducted negotiations in respect of a compromise regarding the said assessments. The parties had not reached an agreement, and accordingly, ICC submitted a summing-up brief in the case. On February 12, 2023, ICC received VAT assessments for the years 2018-2022 in a total amount of NIS 192 million, including interest and linkage increments (hereinafter – "the additional assessments"). The issues raised in the said assessments are in principle similar to those contained in the assessments issued in respect of prior tax periods. On April 8, 2024, the VAT Director rejected the principal arguments contained in the appeal against the additional assessments.

   To the extent that the position of ICC would not be admitted by the Court, ICC may be liable regarding the issues raised in the assessment, also in respect of the additional assessments and in respect of later periods than that of the assessment.

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

	March 31, 2024 (unaudited)			March 31, 2023 (unaudited)			December 31, 2023 (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	**260**	**4,984**	**5,244**	329	3,090	3,419	250	2,986	3,236
Options written	**-**	**-**	**-**	-	-	-	-	501	501
Options purchased	**-**	**-**	**-**	-	-	-	-	501	501
SWAPS(1)	**1,620**	**12,579**	**14,199**	3,224	13,464	16,688	2,675	10,730	13,405
Total(2)	**1,880**	**17,563**	**19,443**	3,553	16,554	20,107	2,925	14,718	17,643
Of which: Hedging derivatives(3)	**1,620**	**-**	**1,620**	3,209	-	3,209	2,667	-	2,667
Foreign currency contracts									
Forward and Futures Contracts(4)	**23,647**	**51,601**	**75,248**	29,163	43,108	72,271	22,541	48,839	71,380
Options written	**-**	**7,582**	**7,582**	-	9,013	9,013	-	6,634	6,634
Options purchased	**-**	**7,783**	**7,783**	-	9,579	9,579	-	6,381	6,381
SWAPS	**25**	**-**	**25**	40	-	40	24	-	24
Total	**23,672**	**66,966**	**90,638**	29,203	61,700	90,903	22,565	61,854	84,419
Contracts on shares									
Forward and Futures Contracts	**-**	**28,867**	**28,867**	-	34,004	34,004	-	30,241	30,241
Options written	**-**	**16,528**	**16,528**	-	13,813	13,813	-	15,963	15,963
Options purchased(5)	**1**	**16,528**	**16,529**	1	13,813	13,814	1	15,963	15,964
Total	**1**	**61,923**	**61,924**	1	61,630	61,631	1	62,167	62,168
Commodities and other contracts									
Forward and Futures Contracts	**-**	**186**	**186**	-	113	113	-	109	109
Options written	**-**	**42**	**42**	-	31	31	-	24	24
Options purchased	**-**	**42**	**42**	-	31	31	-	24	24
Total	**-**	**270**	**270**	-	175	175	-	157	157
Total face value	**25,553**	**146,722**	**172,275**	32,757	140,059	172,816	25,491	138,896	164,387

(1) Of which: SWAPS the Bank is paying fixed interest in an amount of NIS 8,534 million (31.3.23 - NIS 10,118 million, 31.12.23 - NIS 8,268 million).

(2) Of which: NIS-CPI swap contracts in an amount of NIS 450 million (31.3.23 - NIS 882 million, 31.12.23 - NIS 653 million).

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

(4) Of which: foreign currency swap spot contracts in an amount of NIS 2,235 million (31.3.23 - NIS 1,733 million, 31.12.23 - NIS 1,529 million).

(5) Of which: Traded on the Stock Exchange in an amount of NIS 16,528 million (31.3.23 - NIS 13,813 million, 31.12.23 - NIS 15,963 million).

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

(NIS million)

2. Gross fair value of derivative instruments

	March 31, 2024 (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	**142**	**226**	**368**	**19**	**208**	**227**
Of which: Hedging derivatives	**142**	**-**	**142**	**1**	**-**	**1**
Foreign currency contracts	**65**	**614**	**679**	**58**	**524**	**582**
Contracts on shares	**1**	**2,273**	**2,274**	**-**	**2,273**	**2,273**
Commodities and other contracts	**-**	**3**	**3**	**-**	**3**	**3**
Total assets/liabilities in respect of derivatives gross	**208**	**3,116**	**3,324**	**77**	**3,008**	**3,085**
Amounts offset in the balance sheet	**-**	**-**	**-**	**-**	**-**	**-**
Balance sheet balance	**208**	**3,116**	**3,324**	**77**	**3,008**	**3,085**
Of which: not subject to net settlement arrangement or similar arrangements	**-**	**-**	**-**	**-**	**-**	**-**

	March 31, 2023 (unaudited)					
	Gross amount of assets in respect of derivative instruments			Gross amount of liabilities in respect of derivative instruments		
	Not trading derivatives	Trading derivatives	Total	Not trading derivatives	Trading derivatives	Total
Interest contracts	177	296	473	18	279	297
Of which: Hedging derivatives	174	-	174	-	-	-
Foreign currency contracts	205	1,101	1,306	41	967	1,008
Contracts on shares	1	2,265	2,266	-	2,265	2,265
Commodities and other contracts	-	2	2	-	2	2
Total assets/liabilities in respect of derivatives gross	383	3,664	4,047	59	3,513	3,572
Amounts offset in the balance sheet	-	-	-	-	-	-
Balance sheet balance	383	3,664	4,047	59	3,513	3,572
Of which: not subject to net settlement arrangement or similar arrangements	-	-	-	-	-	-

	December 31, 2023 (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	123	238	361	19	223	242
Of which: Hedging	123	-	123	2	-	2
Foreign currency contracts	51	1,051	1,102	118	1,237	1,355
Contracts on shares	1	2,185	2,186	-	2,185	2,185
Commodities and other contracts	-	2	2	-	2	2
Total assets/liabilities in respect of derivatives gross	175	3,476	3,651	137	3,647	3,784
Amounts offset in the balance sheet	-	-	-	-	-	-
Balance sheet balance	175	3,476	3,651	137	3,647	3,784
Of which: not subject to net settlement arrangement or similar arrangements	-	-	-	-	-	-

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

(NIS million)

B. Accounting Hedge

General

The Bank is exposed to market risks, including basis risks and interest risks. Basis risk is the existing or future risk to the income or capital of the Group which can materialize as a result from changes in the CPI or the exchange rates of foreign currency due to the difference between the value of the assets to the value of the liabilities. Interest risk is the risk to the earnings or capital deriving from fluctuations in the interest rates. Changes in the interest rates affect the Bank's earnings by change in net earnings, and the value of the Bank's assets, its liabilities and off-balance sheet instruments, since the present value of future cash flows (and even the cash flows themselves) changes when a change occur in the interest rates. As part of the overall strategy of the Bank to manage the level of exposure to basis and interest risks, the Bank uses derivative instruments such as foreign currency and CPI forwards, foreign currency options and interest rate swaps (swapping fixed interest rate with variable interest rate). The Bank 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 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 March 31,	For the three months ended March 31,	For the year ended December 31,
	2024	2023	2023
		(unaudited)	(audited)
			Interest income (expenses)
1. Effect of accounting of fair value Hedge on profit (loss)			
Profit from fair value Hedge			
Interest contracts			
- Hedged items	(16)	28	75
- Hedging derivatives	33	(7)	19

	March 31, 2024 (unaudited)		March 31, 2023 (unaudited)		December 31, 2023 (audited)	
		Cumulative fair value adjustments decreasing the book value		Cumulative fair value adjustments increasing the book value		Cumulative fair value adjustments increasing the book value
	Book value	Existing hedge relation	Book value	Existing hedge relation	Book value	Existing hedge relation
2. Items Hedged by fair value Hedge						
Securities- debt instruments classified as available for sale	**1,544**	**(131)**	3,091	(165)	2,608	(115)

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

(NIS million)

	For the three months ended March 31, 2024 (unaudited)	For the three months ended March 31, 2023 (unaudited)	For the year ended December 31, 2023 (audited)
			Profit recognized in income from activity in derivative instruments(1)
3. Effect of derivatives which were not designated as hedging instruments on statement of income			
Derivatives which were not designated as hedging instruments			
Interest contracts	**41**	40	124
Foreign currency contracts	**150**	281	329
Contracts on shares	**1**	2	6

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

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

(NIS million)

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

	March 31, 2024 (unaudited)						
	Exchanges	Banks	Dealers/ brokers	Government and central banks	Institutional entities	Others	Total
Balance sheet balance of assets in respect of derivative instruments	**1,535**	**611**	**500**	**15**	**431**	**232**	**3,324**
Gross amounts not offset in the balance sheet:							
Credit risk mitigation in respect of financial instruments	**-**	**(232)**	**(98)**	**-**	**(318)**	**(67)**	**(715)**
Credit risk mitigation in respect of cash collateral received	**-**	**(94)**	**(136)**	**(15)**	**(55)**	**(1)**	**(301)**
Net amount of assets in respect of derivative instruments- reflecting proforma, if the entity performed setoff of assets and liabilities	**1,535**	**285**	**266**	**-**	**58**	**164**	**2,308**
Adjustment of net balance sheet balance to balance sheet credit risk	**(1,535)**	**(246)**	**(254)**	**-**	**-**	**-**	**(2,035)**
Balance sheet credit risk in respect of derivatives instruments	**-**	**39**	**12**	**-**	**58**	**164**	**273**
Net off balance sheet credit risk in respect of derivative instruments(1)	**1**	**407**	**34**	**11**	**1,851**	**430**	**2,734**
Total credit risk in respect of derivative instruments	**1**	**446**	**46**	**11**	**1,909**	**594**	**3,007**
Balance sheet balance of liabilities in respect of derivative instruments	**62**	**361**	**310**	**-**	**2,109**	**243**	**3,085**
Gross amounts not offset in the balance sheet:							
Financial instruments	**-**	**(232)**	**(98)**	**-**	**(318)**	**(67)**	**(715)**
Cash collateral which was attached by a lien	**-**	**(81)**	**(3)**	**-**	**(221)**	**-**	**(305)**
Net amount of liabilities in respect of derivative instruments	**62**	**48**	**209**	**-**	**1,570**	**176**	**2,065**

	March 31, 2023 (unaudited)						
	Exchanges	Banks	Dealers/ brokers	Government and central banks	Institutional entities	Others	Total
Balance sheet balance of assets in respect of derivative instruments	1,180	1,433	355	-	700	379	4,047
Gross amounts not offset in the balance sheet:							
Credit risk mitigation in respect of financial instruments	-	(467)	(53)	-	(145)	(83)	(748)
Credit risk mitigation in respect of cash collateral received	-	(49)	(176)	-	(4)	(2)	(231)
Net amount of assets in respect of derivative instruments- reflecting proforma, if the entity performed setoff of assets and liabilities	1,180	917	126	-	551	294	3,068
Adjustment of net balance sheet balance to balance sheet credit risk	(1,180)	(847)	(111)	-	-	(2)	(2,140)
Total credit risk in respect of derivative instruments	-	70	15	-	551	292	928
Net off balance sheet credit risk in respect of derivative instruments(1)	3	401	39	8	2,434	526	3,411
Total credit risk in respect of derivative instruments	3	471	54	8	2,985	818	4,339
Balance sheet balance of liabilities in respect of derivative instruments	78	806	169	17	2,195	307	3,572
Gross amounts not offset in the balance sheet:							
Financial instruments	-	(467)	(53)	-	(145)	(83)	(748)
Cash collateral which was attached by a lien	-	(242)	(5)	(17)	(707)	-	(971)
Net amount of liabilities in respect of derivative instruments	78	97	111	-	1,343	224	1,853

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, 2023 (audited)						
	Exchanges	**Banks**	**Dealers/ brokers**	**Government and central banks**	**Institution al entities**	**Others**	**Total**
Balance sheet balance of assets in respect of derivative instruments	1,459	984	334	22	322	530	3,651
Gross amounts not offset in the balance sheet:							
Credit risk mitigation in respect of financial instruments	-	(443)	(92)	-	(48)	(165)	(748)
Credit risk mitigation in respect of cash collateral received	-	(82)	(112)	(22)	(234)	(1)	(451)
Net amount of assets in respect of derivative instruments- reflecting proforma, if the entity performed setoff of assets and liabilities	1,459	459	130	-	40	364	2,452
Adjustment of net balance sheet balance to balance sheet credit risk	(1,459)	(443)	(126)	-	(7)	-	(2,035)
Balance sheet credit risk in respect of derivatives instruments	-	16	4	-	33	364	417
Net off balance sheet credit risk in respect of derivative instruments(1)	2	359	60	12	1,537	613	2,583
Total credit risk in respect of derivative instruments	2	375	64	12	1,570	977	3,000
Balance sheet balance of liabilities in respect of derivative instruments	86	694	240	-	1,035	1,729	3,784
Gross amounts not offset in the balance sheet:							
Financial instruments	-	(443)	(92)	-	(48)	(165)	(748)
Cash collateral which was attached by a lien	-	(204)	(31)	-	(431)	-	(666)
Net amount of liabilities in respect of derivative instruments	86	47	117	-	556	1,564	2,370

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

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

(NIS million)

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

	March 31, 2024 (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	**-**	**200**	**250**	**-**	**450**
- Other	**3,940**	**4,931**	**7,386**	**2,736**	**18,993**
Foreign currency contracts	**69,758**	**20,477**	**403**	**-**	**90,638**
Contracts of shares	**52,928**	**8,737**	**259**	**-**	**61,924**
Commodities and other contracts	**262**	**8**	**-**	**-**	**270**
Total	**126,888**	**34,353**	**8,298**	**2,736**	**172,275**

	March 31, 2023 (unaudited)				
	Up to 3 months	from 3 months to 1 year	From 1 to 5 years	Over 5 years	Total
Total	135,245	27,009	7,959	2,603	172,816

	December 31, 2023 (audited)				
	Up to 3 months	from 3 months to 1 year	From 1 to 5 years	Over 5 years	Total
Total	95,006	58,518	8,116	2,747	164,387

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 2023.

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

(NIS million)

B. OPERATIONAL SUPERVISION SEGMENT INFORMATION

	For the three months ended March 31, 2024 (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	754	380	7	1	293	127	398	4	999	2,576
Interest expense from external	411	-	-	110	179	54	180	507	20	1,461
Net interest income										
- From external	343	380	7	(109)	114	73	218	(503)	979	1,115
- Inter - segment	323	(257)	(3)	139	146	5	(49)	552	(1,116)	-
Total net interest income (expenses)	666	123	4	30	260	78	169	49	(137)	1,115
Non-interest income	146	2	22	26	84	18	41	53	98	466
Total income (expenses)	812	125	26	56	344	96	210	102	(39)	1,581
Expenses (income) from credit losses	11	27	-	-	18	7	(36)	(2)	-	(2)
Operating and other expenses	387	39	11	24	164	31	62	53	10	731
Operating profit (loss) before taxes	414	59	15	32	162	58	184	51	(49)	852
Provision for taxes (tax saving) on operating profit (loss)	135	19	5	11	53	19	60	17	(16)	279
Operating profit (loss) after taxes	279	40	10	21	109	39	124	34	(33)	573
Bank's share in operating profit of investee company after tax effect	-	-	-	-	-	-	-	-	18	18
Net profit (loss):										
Before attribution to non-controlling interests	279	40	10	21	109	39	124	34	(15)	591
Attributed to non-controlling interests	(18)	-	(1)	-	(2)	(1)	(1)	-	-	(22)
Net profit (loss) attributed to shareholders of the Bank	261	40	9	21	107	38	123	34	(15)	569
Average balance of assets[1]	56,575	35,429	3,137	89	17,817	7,320	33,371	1,030	104,458	220,660
of which: Investee Company[1]	-	-		-	-	-	-	-	793	793
of which: Average balance of credit to the public[1]	56,575	35,429	3,137	89	17,817	7,320	33,371	1,030	-	116,202
Balance of credit to the public at the end of the reported period	58,046	[4]35,564	4,148	118	18,169	7,535	31,890	1,058	-	116,816
Balance of non-accruing debts and debts arrears over 90 days	297	191	-	-	203	98	104	-	-	702
Balance of other problematic debts	204	53	-	-	234	267	425	-	-	1,130
Balance of provision for credit losses at the end of the reported period	625	206	-	-	501	176	315	-	2	1,619
Net accounting write-offs at the end of the reported period	(5)	(5)	-	-	8	-	(9)	-	-	(6)
Average balance of liabilities[1]	73,093	472	82	11,644	27,139	6,429	19,206	56,109	14,208	207,828
of which: Average balance of deposits from the public[1]	72,600	-	-	11,633	26,844	6,241	18,806	56,074	-	192,198
Balance of deposits from the public	73,420	-	-	12,104	26,558	6,452	18,717	59,364	-	196,615
Average balance of risk assets[1][2]	39,798	18,334	2,985	427	16,874	8,673	29,646	1,346	10,728	107,492
Balance of risk assets[2]	39,978	18,378	3,722	432	16,702	8,820	29,777	1,337	9,638	106,684
Average balance of assets under management[1][3]	43,654	-	-	29,149	33,890	5,457	16,044	373,838	-	502,032
Segmentation of net interest income:										
- Earnings from credit - granting activity	251	105	3	-	119	45	113	2	-	530
- Earnings from deposits - taking activity	382	-	-	30	126	25	29	46	-	638
- Other	33	18	-	-	15	8	27	1	(137)	(53)
Total net interest income (expenses)	666	123	3	30	260	78	169	49	(137)	1,115

(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 2,009 million.

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

(NIS million)

B. OPERATIONAL SUPERVISION SEGMENT INFORMATION (CON'T)

	For the three months ended March 31, 2023 (Unaudited)									
	Activity in Israel									
	Households									
	Total	Of which: Housing loans	Of which: credit cards	Private banking	Small and minute businesses	Medium businesses	Large businesses	Institutional entities	Financial Management	Total
										(NIS million)
Interest income from external	809	437	5	1	327	118	326	10	585	2,176
Interest expense from external	324	-	-	58	113	32	134	273	(33)	901
Net interest income										
- From external	485	437	5	(57)	214	86	192	(263)	618	1,275
- Inter - segment	177	(306)	(2)	89	82	(4)	(37)	313	(620)	-
Total net interest income	662	131	3	32	296	82	155	50	(2)	1,275
Non-interest income	152	2	24	24	100	21	43	54	31	425
Total income	814	133	27	56	396	103	198	104	29	1,700
Expenses (income) from credit losses	11	-	-	-	31	25	6	(1)	-	72
Operating and other expenses	375	39	11	22	179	30	55	47	16	724
Operating profit before taxes	428	94	16	34	186	48	137	58	13	904
Provision for taxes on operating profit	149	33	6	12	65	17	48	20	4	315
Operating profit after taxes	279	61	10	22	121	31	89	38	9	589
Bank's share in operating profit of investee company after tax effect	-	-	-	-	-	-	-	-	65	65
Net profit:										
Before attribution to non-controlling interests	279	61	10	22	121	31	89	38	74	654
Attributed to non-controlling interests	(20)	-	(1)	-	(4)	(1)	(1)	-	3	(23)
Net profit attributed to shareholders of the Bank	259	61	9	22	117	30	88	38	77	631
Average balance of assets(1)	57,809	35,484	3,140	85	20,937	7,941	28,714	1,680	79,150	196,316
of which: Investee Company(1)	-	-	-	-	-	-	-	-	709	709
of which: Average balance of credit to the public(1)	57,809	35,484	3,140	85	20,937	7,941	28,714	1,680	-	117,166
Balance of credit to the public at the end of the reported period	59,008	(4)35,516	4,268	97	20,930	7,717	30,407	1,610	-	119,769
Balance of non-accruing debts and debts arrears over 90 days	252	148	-	-	201	91	23	-	-	567
Balance of other problematic debts	207	59	-	-	276	139	215	2	-	839
Balance of provision for credit losses at the end of the reported period	480	145	-	-	431	120	235	1	2	1,269
Net accounting write-offs at the end of the reported period	2	-	-	-	(15)	2	(1)	-	-	(12)
Average balance of liabilities(1)	68,681	461	80	10,344	26,951	6,795	16,912	38,754	16,685	185,122
of which: Average balance of deposits from the public(1)	67,913	-	-	10,334	26,490	6,581	16,018	38,713	-	166,049
Balance of deposits from the public	69,262	-	-	10,586	26,346	6,660	15,522	45,014	-	173,390
Average balance of risk assets(1)(2)	39,266	18,461	2,860	416	19,750	8,826	28,257	1,077	6,940	104,532
Balance of risk assets(2)	39,474	18,479	3,743	415	19,375	8,795	28,888	1,075	7,406	105,428
Average balance of assets under management(1)(3)	37,957	-	-	25,661	19,463	4,382	14,115	309,481	-	411,059
Segmentation of net interest income:										
- Earnings from credit - granting activity	283	116	3	-	145	48	101	2	-	579
- Earnings from deposits - taking activity	352	-	-	32	135	27	32	47	-	625
- Other	27	15	-	-	16	7	22	1	(2)	71
Total net interest income	662	131	3	32	296	82	155	50	(2)	1,275

(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 1,410 million.

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

(NIS million)

B. OPERATIONAL SUPERVISION SEGMENT INFORMATION (CON'T)

	For the year ended December 31, 2023 (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	3,303	1,723	25	2	1,336	508	1,539	25	3,137	9,850
Interest expense from external	1,366	-	-	368	632	202	638	1,541	137	4,884
Net interest income										
- From external	1,937	1,723	25	(366)	704	306	901	(1,516)	3,000	4,966
- Inter - segment	797	(1,205)	(12)	494	444	18	(228)	1,724	(3,249)	-
Total net interest income (expenses)	2,734	518	13	128	1,148	324	673	208	(249)	4,966
Non-interest income	604	12	101	95	366	74	171	209	133	1,652
Total income (expenses)	3,338	530	114	223	1,514	398	844	417	(116)	6,618
Expenses from credit losses	187	40	-	1	189	57	68	-	-	502
Operating and other expenses	1,492	154	47	91	682	127	232	208	45	2,877
Operating profit (loss) before taxes	1,659	336	67	131	643	214	544	209	(161)	3,239
Provision for taxes (tax savings) on operating profit (loss)	559	113	23	44	216	72	183	70	(54)	1,090
Operating profit (loss) after taxes	1,100	223	44	87	427	142	361	139	(107)	2,149
Bank's share in operating profit of investee company after tax effect	-	-	-	-	-	-	-	-	113	113
Net profit:										
Before attribution to non-controlling interests	1,100	223	44	87	427	142	361	139	6	2,262
Attributed to non-controlling interests	(85)	-	(3)	(2)	(8)	(2)	(2)	-	9	(90)
Net profit attributed to shareholders of the Bank	1,015	223	41	85	419	140	359	139	15	2,172
Average balance of assets(1)	57,310	35,450	3,146	83	19,343	7,588	32,256	1,167	87,656	205,403
of which: Investee Company(1)	-	-	-	-	-	-	-	-	746	746
of which: Average balance of credit to the public(1)	57,310	35,450	3,146	83	19,343	7,588	32,256	1,167	-	117,747
Balance of credit to the public at the end of the reported period	57,631	(4)35,450	3,853	98	18,093	7,442	35,245	731	-	119,240
Balance of non-accruing debts and debts arrears over 90 days	313	205	-	-	203	97	107	-	-	720
Balance of other problematic debts	225	68	-	-	245	307	271	-	-	1,048
Balance of provision for credit losses at the end of the reported period	610	181	-	-	515	164	328	1	2	1,620
Net accounting write-offs at the end of the reported period	31	2	-	-	4	1	(5)	-	-	31
Average balance of liabilities(1)	69,879	465	81	10,862	26,423	6,608	16,697	46,988	16,174	193,631
of which: Average balance of deposits from the public(1)	69,253	-	-	10,852	26,038	6,411	16,140	46,945	-	175,639
Balance of deposits from the public	72,207	-	-	11,733	26,560	6,919	20,831	52,875	-	191,125
Average balance of risk assets(1)(2)	40,167	18,399	2,954	418	18,760	8,820	29,773	1,392	7,601	106,931
Balance of risk assets(2)	39,907	18,390	3,518	415	17,616	8,487	31,872	1,322	8,680	108,299
Average balance of assets under management(1)(3)	39,786	-	-	28,185	23,527	4,609	12,674	323,838	-	432,619
Segmentation of net interest income:										
- Earnings from credit - granting activity	1,088	448	13	1	546	185	433	10	-	2,263
- Earnings from deposits - taking activity	1,518	-	-	125	535	108	130	192	-	2,608
- Other	128	70	-	2	67	31	110	6	(249)	95
Total net interest income	2,734	518	13	128	1,148	324	673	208	(249)	4,966

(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 2,011 million.

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

The division into segments of activity according to the management approach is based on types of products and services or on types of customers. The chief operating decision maker of the Bank uses this division to make decisions and to analyze the Group's business results. For details regarding the assignment of customers to segments based on the management approach and rules for the distribution of results of operations among the segments, see Note 28A to the Annual Financial Statements for 2023.

	Banking Division				Corporate Division		
	Housing loans	Households	Private banking	Other	Corporate customers	Commercial customers	Other
Net interest income (expenses)	**124**	**310**	**192**	**205**	**215**	**99**	**56**
Non-interest income	**2**	**50**	**118**	**51**	**69**	**19**	**11**
Total income (expenses)	**126**	**360**	**310**	**256**	**284**	**118**	**67**
Expenses (income) in respect of credit losses	**27**	**(17)**	**2**	**18**	**(34)**	**(3)**	**(1)**
Operating and other expenses	**41**	**192**	**147**	**115**	**94**	**44**	**11**
Operating profit (loss) before taxes	**58**	**185**	**161**	**123**	**224**	**77**	**57**
Provision for taxes (tax savings) on operating profit (loss)	**19**	**59**	**52**	**39**	**72**	**25**	**18**
Operating profit (loss) after taxes	**39**	**126**	**109**	**84**	**152**	**52**	**39**
Bank's share in operating profit of investee company after taxes	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Net profit (loss)							
Before attribution to non-controlling interests	**39**	**126**	**109**	**84**	**152**	**52**	**39**
Attributed to non-controlling interests	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Attributed to shareholders of the Bank	**39**	**126**	**109**	**84**	**152**	**52**	**39**
Average balance of assets(1)	**35,168**	**14,337**	**4,064**	**9,350**	**40,027**	**10,199**	**865**
Balance of credit to the public at the end of the reported period	**35,268**	**15,158**	**4,415**	**11,057**	**38,634**	**10,458**	**1,113**
Balance of deposits from the public at the end of the reported period	**-**	**33,582**	**47,327**	**22,490**	**32,390**	**8,464**	**51,767**

				Banking Division			Corporate Division
	Housing loans	Households	Private banking	Other	Corporate customers	Commercial customers	Other
Net interest income (expenses)	132	305	200	220	218	111	55
Non-interest income	2	54	116	58	83	22	11
Total income	134	359	316	278	301	133	66
Expenses (income) in respect of credit losses	-	11	9	24	3	44	-
Operating and other expenses	41	190	141	124	97	45	11
Operating profit before taxes	93	158	166	130	201	44	55
Provision for taxes on operating profit	33	55	58	46	70	15	19
Operating profit after taxes	60	103	108	84	131	29	36
Bank's share in operating profit of investee company after taxes	-	-	-	-	-	-	-
Net profit							
Before attribution to non-controlling interests	60	103	108	84	131	29	36
Attributed to non-controlling interests	-	-	-	-	-	-	-
Attributed to shareholders of the Bank	60	103	108	84	131	29	36
Average balance of assets(1)	35,239	15,319	4,444	10,680	37,891	11,449	1,137
Balance of credit to the public at the end of the reported period	35,273	15,915	4,734	12,472	38,678	11,786	998
Balance of deposits from the public at the end of the reported period	-	31,552	43,971	21,984	29,281	8,782	37,945

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

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

			Adjustments		
Customer Asset Division	Financial management	Subsidiary companies	Total	Of which: operation in the capital market products	Total
592	**(139)**	**110**	**(649)**	**(592)**	**1,115**
243	**96**	**22**	**(215)**	**(192)**	**466**
835	**(43)**	**132**	**(864)**	**(784)**	**1,581**
(16)	**-**	**2**	**20**	**16**	**(2)**
256	**10**	**56**	**(235)**	**(204)**	**731**
595	**(53)**	**74**	**(649)**	**(596)**	**852**
191	**(17)**	**29**	**(208)**	**(191)**	**279**
404	**(36)**	**45**	**(441)**	**(405)**	**573**
-	**18**	**-**	**-**	**-**	**18**
404	**(18)**	**45**	**(441)**	**(405)**	**591**
-	**-**	**(22)**	**-**	**-**	**(22)**
404	**(18)**	**23**	**(441)**	**(405)**	**569**
12,006	**102,052**	**9,672**	**(17,080)**	**(12,006)**	**220,660**
12,198	**-**	**6,159**	**(17,644)**	**(12,198)**	**116,816**
189,448	**-**	**9,796**	**(198,649)**	**(189,448)**	**196,615**

For the three months ended March 31, 2023 (unaudited)

			Adjustments		
Customer Asset Division	Financial management	Subsidiary companies	Total	Of which: operation in the capital market products	Total
586	(3)	106	(655)	(586)	1,275
251	40	17	(229)	(202)	425
837	37	123	(884)	(788)	1,700
3	-	(5)	(17)	(3)	72
245	16	56	(242)	(200)	724
589	21	72	(625)	(585)	904
205	7	25	(218)	(204)	315
384	14	47	(407)	(381)	589
-	65	-	-	-	65
384	79	47	(407)	(381)	654
-	-	(23)	-	-	(23)
384	79	24	(407)	(381)	631
12,205	76,760	9,312	(18,120)	(12,205)	196,316
12,396	-	6,208	(18,691)	(12,396)	119,769
166,674	-	9,404	(176,203)	(166,674)	173,390

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

(NIS million)

	Banking Division				Corporate Division		
	Housing loans	Households	Private banking	Other	Corporate customers	Commercial customers	Other
Net interest income (expenses)	523	1,277	808	875	899	433	233
Non-interest income	12	219	456	218	302	84	46
Total income (expenses)	535	1,496	1,264	1,093	1,201	517	279
Expenses in respect of credit losses	41	111	48	142	91	107	4
Operating and other expenses	161	755	569	472	371	182	45
Operating profit (loss) before taxes	333	630	647	479	739	228	230
Provision for taxes (tax savings) on operating profit (loss)	112	211	217	160	248	76	77
Operating profit (loss) after taxes	221	419	430	319	491	152	153
Bank's share in operating profit of investee company after taxes	-	-	-	-	-	-	-
Net profit							
Before attribution to non-controlling interests	221	419	430	319	491	152	153
Attributed to non-controlling interests	-	-	-	-	-	-	-
Attributed to shareholders of the Bank	221	419	430	319	491	152	153
Average balance of assets(1)	35,197	14,890	4,282	10,197	39,969	10,816	1,010
Balance of credit to the public at the end of the reported period	35,167	14,908	4,372	10,931	41,544	10,437	863
Balance of deposits from the public at the end of the reported period	-	34,106	45,259	22,969	34,737	8,951	44,877

(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, 2023 (audited)					
				Adjustments		
	Customer Asset Division	Financial management	Subsidiary companies	Total	Of which: operation in the capital market products	Total
	2,436	(254)	439	(2,703)	(2,437)	4,966
	957	151	75	(868)	(761)	1,652
	3,393	(103)	514	(3,571)	(3,198)	6,618
	10	-	18	(70)	(10)	502
	1,006	43	213	(940)	(801)	2,877
	2,377	(146)	283	(2,561)	(2,387)	3,239
	796	(49)	100	(858)	(800)	1,090
	1,581	(97)	183	(1,703)	(1,587)	2,149
	-	113	-	-	-	113
	1,581	16	183	(1,703)	(1,587)	2,262
	-	-	(90)	-	-	(90)
	1,581	16	93	(1,703)	(1,587)	2,172
	12,603	85,522	9,228	(18,311)	(12,603)	205,403
	13,708	-	6,121	(18,811)	(13,708)	119,240
	184,104	-	9,633	(193,511)	(184,104)	191,125

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

(NIS million)

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

Provision for credit losses

1. Change in provision for credit losses

	For the three months ended March 31, 2024 (unaudited)					
	Credit to the public					
	Commercial	Housing	Other private	Total	Banks, Governments and Bonds	Total
Provision for credit losses at beginning of the year (1) (audited)	**1,131**	**189**	**463**	**1,783**	**2**	**1,785**
Expenses (income) in respect of credit losses	**(13)**	**27**	**(16)**	**(2)**	**-**	**(2)**
- Accounting write-offs	**(19)**	**-**	**(24)**	**(43)**	**-**	**(43)**
- Collection of debts written off in accounting in previous years	**20**	**5**	**24**	**49**	**-**	**49**
Net accounting write-offs	**1**	**5**	**-**	**6**	**-**	**6**
Provision for credit losses at end of the period(2)	**1,119**	**221**	**447**	**1,787**	**2**	**1,789**
Of which: (1) In respect of off-balance sheet credit instruments	**123**	**8**	**34**	**165**	**-**	**165**
(2) In respect of off-balance sheet credit instruments	**127**	**15**	**28**	**170**	**-**	**170**

	For the three months ended March 31, 2023 (unaudited)					
	Credit to the public					
	Commercial	Housing	Other private	Total	Banks, Governments and Bonds	Total
Provision for credit losses at beginning of the year (1) (audited)	817	151	344	1,312	2	1,314
Expenses in respect of credit losses	61	-	11	72	-	72
- Accounting write-offs	(18)	(2)	(24)	(44)	-	(44)
- Collection of debts written off in accounting in previous years	32	2	22	56	-	56
Net accounting write-offs	14	-	(2)	12	-	12
Provision for credit losses at end of the period(2)	892	151	353	1,396	2	1,398
Of which: (1) In respect of off-balance sheet credit instruments	100	6	11	117	-	117
(2) In respect of off-balance sheet credit instruments	105	6	18	129	-	129

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

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

(NIS million)

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

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

	March 31, 2024 (unaudited)					
	Credit to the public					
	Commercial	Housing	Other private	Total	Banks and Governments	Total
Recorded debt balance of debts						
Examined on an individual basis	**52,510**	**-**	**291**	**52,801**	**27,807**	**80,608**
Examined on a collective basis	**6,280**	**35,564**	**22,171**	**64,015**	**-**	**64,015**
Total debts	**58,790**	**35,564**	**22,462**	**116,816**	**27,807**	**144,623**
Provision for credit losses in respect of debts						
Examined on an individual basis	**889**	**-**	**8**	**897**	**2**	**899**
Examined on a collective basis	**103**	**206**	**411**	**720**	**-**	**720**
Total provision for credit losses	**992**	**206**	**419**	**1,617**	**2**	**1,619**

	March 31, 2023 (unaudited)					
	Credit to the public					
	Commercial	Housing	Other private	Total	Banks and Governments	Total
Recorded debt balance of debts						
Examined on an individual basis	54,098	-	335	54,433	22,636	77,069
Examined on a collective basis	6,704	35,516	23,116	65,336	-	65,336
Total debts	60,802	35,516	23,451	119,769	22,636	142,405
Provision for credit losses in respect of debts						
Examined on an individual basis	712	-	5	717	2	719
Examined on a collective basis	75	145	330	550	-	550
Total provision for credit losses	787	145	335	1,267	2	1,269

	December 31, 2023 (audited)					
	Credit to the public					
	Commercial	Housing	Other private	Total	Banks and Governments	Total
Recorded debt balance of debts						
Examined on an individual basis	55,349	-	288	55,637	29,049	84,686
Examined on a collective basis	6,302	35,450	21,851	63,603	-	63,603
Total debts	61,651	35,450	22,139	119,240	29,049	148,289
Provision for credit losses in respect of debts						
Examined on an individual basis	900	-	7	907	2	909
Examined on a collective basis	108	181	422	711	-	711
Total provision for credit losses	1,008	181	429	1,618	2	1,620

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

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

(NIS million)

B. CREDIT TO THE PUBLIC

1. Credit quality and arrears

	March 31, 2024 (unaudited)					
		Problematic(1)			Accruing debts(2) - additional information	
	Performing	Accruing(2)	Non-accruing	Total	In arrears of 90 days or more	In arrears of 30 to 89 days(3)
Borrower activity in Israel						
Public - commercial						
Construction and real estate - construction	**10,622**	**294**	**18**	**10,934**	**-**	**1**
Construction and real estate - real estate activities	**6,419**	**72**	**38**	**6,529**	**1**	**22**
Financial services	**14,742**	**2**	**2**	**14,746**	**-**	**1**
Commercial - other	**25,227**	**563**	**341**	**26,131**	**5**	**19**
Total commercial	**57,010**	**931**	**399**	**58,340**	**6**	**43**
Private individuals - housing loans	**35,320**	**53**	**191**	**35,564**	**-**	**139**
Private individuals - others	**22,205**	**162**	**95**	**22,462**	**11**	**37**
Total credit to the public- activity in Israel	**114,535**	**1,146**	**685**	**116,366**	**17**	**219**
Borrower activity abroad						
Public - commercial						
Construction and real estate	**32**	**-**	**-**	**32**	**-**	**-**
Other commercial	**417**	**1**	**-**	**418**	**-**	**3**
Total commercial	**449**	**1**	**-**	**450**	**-**	**3**
Private individuals	**-**	**-**	**-**	**-**	**-**	**-**
Total activity abroad	**449**	**1**	**-**	**450**	**-**	**3**
Total credit to the public	**114,984**	**1,147**	**685**	**116,816**	**17**	**222**

(1) Credit to the public not accruing, inferior or under special supervision.
(2) Classified as problematic debts, accruing interest income.
(3) Accruing interest income. Debts in arrears of 30 to 89 days, in the amount of approximately NIS 110 million (31.3.23 - NIS 91 million) were classified as problematic debts.

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

(NIS million)

B. CREDIT TO THE PUBLIC (Cont'd)

1. Credit quality and arrears (Cont'd)

	March 31, 2023 (unaudited)					
		Problematic[1]			Accruing debts[2] - additional information	
	Performing	Accruing[2]	Non-accruing	Total	In arrears of 90 days or more	In arrears of 30 to 89 days[3]
Borrower activity in Israel						
Public - commercial						
Construction and real estate - construction	10,224	63	19	10,306	2	2
Construction and real estate - real estate activities	6,860	11	42	6,913	-	5
Financial services	14,445	4	2	14,451	-	8
Commercial - other	27,863	562	244	28,669	6	15
Total commercial	59,392	640	307	60,339	8	30
Private individuals - housing loans	35,309	59	148	35,516	-	190
Private individuals - others	23,199	162	90	23,451	14	47
Total credit to the public- activity in Israel	117,900	861	545	119,306	22	267
Borrower activity abroad						
Public - commercial						
Construction and real estate	10	-	-	10	-	-
Other commercial	453	-	-	453	-	1
Total commercial	463	-	-	463	-	1
Private individuals	-	-	-	-	-	-
Total activity abroad	463	-	-	463	-	1
Total credit to the public	118,363	861	545	119,769	22	268

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

(NIS million)

B. CREDIT TO THE PUBLIC (Cont'd)

1. Credit quality and arrears (Cont'd)

	December 31, 2023 (audited)					
		Problematic[1]			Accruing debts[2] - additional information	
	Performing	Accruing[2]	Non-accruing	Total	In arrears of 90 days or more	In arrears of 30 to 89 days[3]
Borrower activity in Israel						
Public - commercial						
Construction and real estate - construction	10,381	49	19	10,449	-	2
Construction and real estate - real estate activities	7,040	43	29	7,112	-	3
Financial services	16,408	1	2	16,411	1	4
Commercial - other	26,163	719	344	27,226	12	43
Total commercial	59,992	812	394	61,198	13	52
Private individuals - housing loans	35,177	68	205	35,450	-	172
Private individuals - others	21,874	174	91	22,139	17	47
Total credit to the public- activity in Israel	117,043	1,054	690	118,787	30	271
Borrower activity abroad						
Public - commercial						
Construction and real estate	17	-	-	17	-	-
Other commercial	412	24	-	436	-	5
Total commercial	429	24	-	453	-	5
Private individuals	-	-	-	-	-	-
Total activity abroad	429	24	-	453	-	5
Total credit to the public	117,472	1,078	690	119,240	30	276

(1) Credit to the public not accruing, inferior or under special supervision.

(2) Classified as problematic debts, accruing interest income.

(5) Accruing interest income. Debts in arrears of 30 to 89 days, in the amount of approximately NIS 101 million were classified a s problematic debts.

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

(NIS million)

B. CREDIT TO THE PUBLIC (Cont'd)

1.1. Credit quality according to the credit granting year

	March 31, 2024 (unaudited)								
	Stated balance of debt regarding fixed-term credit to the public								
	2024	2023	2022	2021	2020	Prior years	Stated debt Balance of renewable loans	Stated debt Balance of renewable loans which were converted into fixed term loans	Total
Borrower activity in Israel									
Public - commercial									
Construction and real estate	3,462	4,329	3,527	1,217	884	1,468	2,573	3	17,463
Credit having a credit granting rating	3,419	4,220	3,191	1,153	861	1,413	2,458	3	16,718
Credit not having credit granting rating and is not problematic	33	84	91	32	17	33	33	-	323
Accruing problematic credit	10	9	242	27	4	11	63	-	366
Non-accruing credit	-	16	3	5	2	11	19	-	56
Accounting write-offs during the year	-	-	-	-	-	1	-	-	1
Other commercial	3,758	4,799	4,307	2,033	1,618	3,086	21,267	9	40,877
Credit having a credit granting rating	3,694	4,619	4,139	1,928	1,530	2,776	20,476	8	39,170
Credit not having credit granting rating and is not problematic	64	107	129	61	30	76	331	1	799
Accruing problematic credit	-	43	18	20	25	173	286	-	565
Non-accruing credit	-	30	21	24	33	61	174	-	343
Accounting write-offs during the year	-	-	2	2	2	12	-	-	18
Private individuals – residential loans	609	2,782	5,568	6,786	4,748	15,071	-	-	35,564
LTV of up to 60%	388	1,779	3,496	4,402	3,151	11,427	-	-	24,643
LTV of over 60% and up to 75%	219	982	2,044	2,324	1,547	3,290	-	-	10,406
LTV of over 75%	2	21	28	60	50	354	-	-	515
Credit not in default, having a credit granting rating	608	2,778	5,536	6,733	4,688	14,767	-	-	35,110
Credit not in default, not having a credit granting rating	1	2	3	13	14	96	-	-	129
In arrears for 30 to 89 days	-	2	21	20	27	75	-	-	145
In arrears for over 90 days	-	-	8	20	19	133	-	-	180
Non-accruing credit	-	-	8	20	23	140	-	-	191
Accounting write-offs during the year	-	-	-	-	-	-	-	-	-
Private individuals - others	1,400	3,413	2,852	2,133	1,571	5,654	5,293	146	22,462
Credit not in default, having a credit granting rating	1,369	3,305	2,752	2,053	1,507	5,353	5,130	135	21,604
Credit not in default, not having a credit granting rating	28	88	86	69	55	255	151	10	742
In arrears for 30 to 89 days	3	14	9	8	7	36	4	1	82
In arrears for over 90 days	-	6	5	3	2	10	8	-	34
Non-accruing credit	4	15	11	10	8	40	6	1	95
Accounting write-offs during the year	-	-	4	3	2	15	-	-	24
Total Credit to the public - activity in Israel	9,229	15,323	16,254	12,169	8,821	25,279	29,133	158	116,366
Total Credit to the public - activity abroad	172	90	1	-	-	15	172	-	450
Performing credit	172	90	1	-	-	15	171	-	449
Accruing problematic credit	-	-	-	-	-	-	1	-	1
Non-accruing credit	-	-	-	-	-	-	-	-	-
Total Credit to the public	9,401	15,413	16,255	12,169	8,821	25,294	29,305	158	116,816

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

(NIS million)

B. CREDIT TO THE PUBLIC (Cont'd)

1.1. Credit quality according to the credit granting year

	March 31, 2023 (unaudited)							
	Stated balance of debt regarding fixed-term credit to the public*							
	2023	2022	2021	2020	2019	Prior years	Stated debt Balance of renewable loans	Total
Borrower activity in Israel								
Public - commercial								
Construction and real estate	2,277	6,949	2,981	1,326	497	1,383	1,806	17,219
Credit having a credit granting rating	2,150	6,753	2,922	1,294	480	1,344	1,689	16,632
Credit not having credit granting rating and is not problematic	120	184	43	16	10	16	63	452
Accruing problematic credit	6	6	10	10	3	7	32	74
Non-accruing credit	1	6	6	6	4	16	22	61
Other commercial	4,984	10,163	6,546	4,033	1,968	3,049	12,377	43,120
Credit having a credit granting rating	4,874	10,018	6,264	3,855	1,870	2,834	11,852	41,567
Credit not having credit granting rating and is not problematic	89	55	158	65	28	48	298	741
Accruing problematic credit	16	66	108	82	58	46	190	566
Non-accruing credit	5	24	16	31	12	121	37	246
Private individuals - residential loans	498	5,676	7,259	5,108	3,331	13,644	-	35,516
LTV of up to 60%	315	3,675	4,656	3,359	2,342	10,112	-	24,459
LTV of over 60% and up to 75%	171	1,978	2,549	1,700	950	3,081	-	10,429
LTV of over 75%	12	23	54	49	39	451	-	628
Credit not in default, having a credit granting rating	490	5,656	7,214	5,059	3,296	13,325	-	35,040
Credit not in default, not having a credit granting rating	8	7	9	10	15	100	-	149
In arrears for 30 to 89 days	-	12	29	31	16	109	-	197
In arrears for over 90 days	-	1	7	8	4	110	-	130
Non-accruing credit	-	1	7	10	5	125	-	148
Private individuals - others	5,039	4,169	3,018	2,151	1,569	5,666	1,839	23,451
Credit not in default, having a credit granting rating	4,982	4,065	2,906	2,057	1,501	5,322	1,719	22,552
Credit not in default, not having a credit granting rating	53	89	97	82	57	301	104	783
In arrears for 30 to 89 days	4	8	10	8	7	34	5	76
In arrears for over 90 days	-	7	5	4	4	9	11	40
Non-accruing credit	5	9	12	9	9	43	3	90
Total Credit to the public - activity in Israel	12,798	26,957	19,804	12,618	7,365	23,742	16,022	119,306
Total Credit to the public - activity abroad	228	45	-	1	-	9	180	463
Performing credit	228	45	-	1	-	9	180	463
Accruing problematic credit	-	-	-	-	-	-	-	-
Non-accruing credit	-	-	-	-	-	-	-	-
Total Credit to the public	13,026	27,002	19,804	12,619	7,365	23,751	16,202	119,769

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

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

(NIS million)

B. CREDIT TO THE PUBLIC (Cont'd)

1.1. Credit quality according to the credit granting year

	December 31, 2023 (audited)*								
	Stated balance of debt regarding fixed-term credit to the public								
	2023	2022	2021	2020	2019	Prior years	Stated debt Balance of renewable loans	Stated debt Balance of renewable loans which were converted into fixed term loans	Total
Borrower activity in Israel									
Public - commercial									
Construction and real estate	6,771	4,730	1,306	945	422	1,167	2,217	3	17,561
Credit having a credit granting rating	6,664	4,552	1,253	929	395	1,145	2,105	3	17,046
Credit not having credit granting rating and is not problematic	94	170	33	8	13	11	46	-	375
Accruing problematic credit	12	5	7	6	1	3	58	-	92
Non-accruing credit	1	3	13	2	13	8	8	-	48
Other commercial	7,396	4,633	2,405	1,843	1,165	2,087	24,099	9	43,637
Credit having a credit granting rating	7,140	4,464	2,204	1,694	1,007	1,922	23,332	7	41,770
Credit not having credit granting rating and is not problematic	87	105	103	70	84	78	273	1	801
Accruing problematic credit	137	27	64	45	32	42	372	1	720
Non-accruing credit	32	37	34	34	42	45	122	-	346
Private individuals - residential loans	2,560	5,630	6,902	4,838	3,141	12,379	-	-	35,450
LTV of up to 60%	1,635	3,510	4,447	3,195	2,218	9,440	-	-	24,445
LTV of over 60% and up to 75%	913	2,093	2,397	1,595	890	2,566	-	-	10,454
LTV of over 75%	12	27	58	48	33	373	-	-	551
Credit not in default, having a credit granting rating	2,544	5,595	6,838	4,778	3,104	12,090	-	-	34,949
Credit not in default, not having a credit granting rating	11	6	15	16	8	74	-	-	130
In arrears for 30 to 89 days	5	21	29	24	16	83	-	-	178
In arrears for over 90 days	-	8	20	20	13	132	-	-	193
Non-accruing credit	-	9	20	24	13	139	-	-	205
Private individuals - others	3,830	3,134	2,323	1,684	1,241	4,746	5,035	146	22,139
Credit not in default, having a credit granting rating	3,715	3,048	2,236	1,617	1,189	4,492	4,857	134	21,288
Credit not in default, not having a credit granting rating	108	75	78	62	47	237	162	10	779
In arrears for 30 to 89 days	7	8	6	4	4	11	10	1	51
In arrears for over 90 days	-	3	3	1	1	6	6	1	21
Non-accruing credit	9	9	7	6	4	18	37	1	91
Total Credit to the public - activity in Israel	20,557	18,127	12,936	9,310	5,969	20,379	31,351	158	118,787
Total Credit to the public - activity abroad	238	1	-	1	-	-	213	-	453
Performing credit	214	1	-	1	-	-	213	-	429
Accruing problematic credit	24	-	-	-	-	-	-	-	24
Non-accruing credit	-	-	-	-	-	-	-	-	-
Total Credit to the public	20,795	18,128	12,936	9,311	5,969	20,379	31,564	158	119,240

* Restated after data optimization.

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

(NIS million)

B. CREDIT TO THE PUBLIC (Cont'd)

2. A. Additional information regarding non-accruing debts:

	March 31, 2024 (unaudited)					
	Balance[1] of provided for non-accruing debts	Balance of provision	Balance[1] of not provided for non-accruing debts	Total Balance[1] of non-accruing debts	Balance of contractual principal of non-accruing debts	Recognized interest income[2]
Borrower activity in Israel						
Construction and real estate	36	10	20	56	1,197	-
Commercial - other	314	116	29	343	1,912	-
Total commercial	350	126	49	399	3,109	-
Private individuals - residential loans	190	11	1	191	229	-
Private individuals - others	89	29	6	95	326	-
Total Credit to the public - activity in Israel	629	166	56	685	3,664	-
Borrower activity abroad						
Total Credit to the public - activity abroad	-	-	-	-	21	-
Total *	629	166	56	685	3,685	-
(*) Of which:						
Measured specifically by present value of cash flows	350	126	33	383		
Measured specifically according to present value of collateral	-	-	12	12		
Measured on a collective basis	279	40	11	290		

(1) Stated balance of debt.

(2) Amount of interest income recognized in the reported period, in respect of the average balance of non-accruing debts, during the period of time in which the debts had been classified as non-accruing.
Had the non-accruing debts accrued interest according to the original terms, interest income of NIS 14 million would have been recognized.
Additional information: the total stated average debt balance of non-accruing debts was NIS 688 million.

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

(NIS million)

B. CREDIT TO THE PUBLIC (Cont'd)

2. A. Additional information regarding non-accruing debts: (Cont'd)

	March 31, 2023 (unaudited)					
	Balance[1] of provided for non-accruing debts	Balance of provision	Balance[1] of not provided for non-accruing debts	Total Balance[1] of non-accruing debts	Balance of contractual principal of non-accruing debts	Recognized interest income[2]
Borrower activity in Israel						
Construction and real estate	44	12	17	61	1,646	-
Commercial - other	209	73	37	246	3,867	-
Total commercial	253	85	54	307	5,513	-
Private individuals - residential loans	146	6	2	148	184	-
Private individuals - others	81	28	9	90	313	-
Total Credit to the public - activity in Israel	480	119	65	545	6,010	-
Borrower activity abroad						
Total Credit to the public - activity abroad	-	-	-	-	34	-
Total *	480	119	65	545	6,044	-
(*) Of which:						
Measured specifically by present value of cash flows	253	85	39	292		
Measured specifically according to present value of collateral	-	-	12	12		
Measured on a collective basis	227	34	14	241		

(1) Stated balance of debt.

(2) Amount of interest income recognized in the reported period, in respect of the average balance of non-accruing debts, during the period of time in which the debts had been classified as non-accruing.
Had the non-accruing debts accrued interest according to the original terms, interest income of NIS 9 million would have been recognized.
Additional information: the total stated average debt balance of non-accruing debts was NIS 545 million.

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

(NIS million)

B. CREDIT TO THE PUBLIC (Cont'd)

2. A. Additional information regarding non-accruing debts: (Cont'd)

	December 31, 2023 (audited)					
	Balance[1] of provided for non-accruing debts	Balance of provision	Balance[1] of not provided for non-accruing debts	Total Balance[1] of non-accruing debts	Balance of contractual principal of non-accruing debts	Recognized interest income[2]
Borrower activity in Israel						
Construction and real estate	28	9	20	48	1,473	-
Commercial - other	316	112	30	346	2,140	-
Total commercial	344	121	50	394	3,613	-
Private individuals - residential loans	203	12	2	205	243	-
Private individuals - others	86	28	5	91	324	-
Total Credit to the public - activity in Israel	633	161	57	690	4,180	-
Borrower activity abroad						
Total Credit to the public - activity abroad	-	-	-	-	20	-
Total *	633	161	57	690	4,200	-
(*) Of which:						
Measured specifically by present value of cash flows	344	121	34	378		
Measured specifically according to present value of collateral	-	-	12	12		
Measured on a collective basis	289	40	11	300		

(1) Stated balance of debt.

(2) Amount of interest income recognized in the reported period, in respect of the average balance of non-accruing debts, during the period of time in which the debts had been classified as non-accruing.
Had the non-accruing debts accrued interest according to the original terms, interest income of NIS 56 million would have been recognized.
Additional information: the total stated average debt balance of non-accruing debts was NIS 582 million.

(NIS million)

B. CREDIT TO THE PUBLIC (Cont'd)

2.B. Information regarding debts of borrowers having financial difficulties, which have undergone changes in terms

As from January 1, 2024, the Bank implements the circular regarding "changes in terms of debts of borrowers in financial difficulties". The comparative data was presented according to the new disclosure format. The balances as of March 31, 2023 and December 31, 2023, are the balances of debts that had been restructured, which, as stated, were restated in accordance with the new disclosure format. For additional information, see Note 1.c.

1. Credit quality and arrears situation of debts of borrowers having financial difficulties, which have undergone changes in terms

	March 31, 2024 (unaudited)				
	Recorded debt balance				
	problematic		Non problematic		
	Non-accruing	accruing interest income	In arrears of 30 days or more	not in arrears	Total(1)(2)
Borrower activity in Israel					
Commercial	**65**	**8**	**-**	**2**	**75**
Private individuals - housing loans	**7**	**3**	**-**	**-**	**10**
Private individuals - others	**68**	**20**	**-**	**9**	**97**
Total Credit to the public - activity in Israel	**140**	**31**	**-**	**11**	**182**

	March 31, 2023 (unaudited)				
	Recorded debt balance				
	problematic		Non problematic		
	Non-accruing	accruing interest income	In arrears of 30 days or more	not in arrears	Total
Borrower activity in Israel					
Commercial	75	12	-	2	89
Private individuals - housing loans	12	2	-	-	14
Private individuals - others	64	18	-	8	90
Total Credit to the public - activity in Israel	151	32	-	10	193

	December 31, 2023 (audited)				
	Recorded debt balance				
	problematic		Non problematic		
	Non-accruing	accruing interest income	In arrears of 30 days or more	not in arrears	Total
Borrower activity in Israel					
Commercial	70	11	-	1	82
Private individuals - housing loans	7	4	-	-	11
Private individuals - others	65	25	-	4	94
Total Credit to the public - activity in Israel	142	40	-	5	187

(1) As of March 31, 2024, there were no accruing debts that had undergone a change in terms in previous years which are no longer included in the disclosure, due to the following conditions having been met:

A. An updated and well documented credit evaluation has been made with respect to the financial condition of the borrower and his repayment ability in accordance with the new terms, indicating that the debt may continue to be classified as an accruing debt and that the debt is not in arears and is not problematic.

B. The evaluation included examination of the continuous historical repayments by the borrower, within their meaning in section 30.e. of the public reporting directives, during a period of at least 24 months.

(2) As of March 31, 2024, debts of borrowers in financial difficulties in the amount of NIS 4 million have undergone changes in terms more than twice.

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

(NIS million)

B. CREDIT TO THE PUBLIC (Cont'd)

2.B. Information regarding debts of borrowers having financial difficulties, which have undergone changes in terms (Cont'd)

2. Credit quality and arrears situation of debts of borrowers in financial difficulties, which have undergone changes in terms during the reported period

	For the three months ended March 31, 2024					
	Recorded debt balance					
						(unaudited)
	problematic		Non problematic			
	Non-accruing	accruing interest income	In arrears of 30 days or more	not in arrears	Total	accounting write-offs
Borrower activity in Israel						
Commercial	**15**	**-**	**-**	**-**	**15**	**-**
Private individuals - housing loans	**3**	**-**	**-**	**-**	**3**	**-**
Private individuals - others	**16**	**-**	**-**	**-**	**16**	**-**
Total Credit to the public - activity in Israel	**34**	**-**	**-**	**-**	**34**	**-**

	For the three months ended March 31, 2023					
	Recorded debt balance					
						(unaudited)
	problematic		Non problematic			
	Non-accruing	accruing interest income	In arrears of 30 days or more	not in arrears	Total	accounting write-offs
Borrower activity in Israel						
Commercial	14	-	-	-	14	-
Private individuals - housing loans	1	-	-	-	1	-
Private individuals - others	15	-	-	-	15	-
Total Credit to the public - activity in Israel	30	-	-	-	30	-

3. In the financial statements for the first quarter of 2024, the Bank did not include a quantitative disclosure in accordance with the format determined in respect of the types of changes made during this quarter regarding debts of borrowers in financial difficulties, the financial impact of such changes and the classes of debts defaulted during this quarter, subsequently to the changes made to the terms thereof.

   In the period of three months ended on March 31, 2024, the Bank made changes in terms of debts of borrowers in financial difficulties, by extending the loan period and deferring repayments. The stated balance of the debt as of March 31, 2024, comprising debts of borrowers in financial difficulties, the terms of which were changed during the first quarter of the year, amounts to about NIS 32 million. The financial impact of the said changes at the reporting date is not material.

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

(NIS million)

B. CREDIT TO THE PUBLIC (Cont'd)

2.B. Information regarding debts of borrowers having financial difficulties, which have undergone changes in terms (Cont'd)

	Failed debts (1)	
	For the three months ended March 31	
	Recorded debt balance	
	2024	2023
		(unaudited)
Borrower activity in Israel		
Public - commercial		
Construction and real estate	-	-
Commercial - other	1	1
Total commercial	1	1
Private individuals - housing loans	-	-
Private individuals - others	3	3
Total credit to the public - activity in Israel	4	4

(1) Debts failed in the reported period, following changes in terms of debts of borrowers in financial difficulties, during the 12 months that preceded the date which they failed.

2.c. Additional information regarding non-accruing credit in arrears

	March 31, 2024 (unaudited)							
	Not in arrears of 90 days or more	In arrears from 90 to 180 days	In arrears from 180 days to one year	In arrears from one to 3 years	In arrears from 3 to 5 years	In arrears from 5 to 7 years	In arrears for over 7 years	Total
Commercial	302	25	27	33	11	1	-	399
Residential loans	11	81	55	33	6	1	4	191
Private individuals - others	90	2	2	1	-	-	-	95
Total	403	108	84	67	17	2	4	685

	March 31, 2023 (unaudited)							
	Not in arrears of 90 days or more	In arrears from 90 to 180 days	In arrears from 180 days to one year	In arrears from one to 3 years	In arrears from 3 to 5 years	In arrears from 5 to 7 years	In arrears for over 7 years	Total
Commercial	227	19	22	27	9	3	-	307
Residential loans	17	58	41	22	1	5	4	148
Private individuals - others	84	2	2	2	-	-	-	90
Total	328	79	65	51	10	8	4	545

	December 31, 2023 (audited)							
	Not in arrears of 90 days or more	In arrears from 90 to 180 days	In arrears from 180 days to one year	In arrears from one to 3 years	In arrears from 3 to 5 years	In arrears from 5 to 7 years	In arrears for over 7 years	Total
Commercial	304	11	34	31	10	4	-	394
Residential loans	12	95	57	31	5	1	4	205
Private individuals - others	86	2	2	1	-	-	-	91
Total	402	108	93	63	15	5	4	690

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

(NIS million)

B. CREDIT TO THE PUBLIC (Cont'd)

3. Additional information regarding housing loans

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

	March 31, 2024 (unaudited)			
	Balance of housing loans			
	Total	Of which: bullet and balloon	OF which: floating interest rate	Total Off-balance sheet credit risk
First lien: financing rate - Up to 60%	**24,173**	**274**	**14,060**	**1,807**
Over 60%	**10,921**	**98**	**6,593**	**1,620**
Secondary lien or no lien	**470**	**16**	**423**	**-**
Total	**35,564**	**388**	**21,076**	**3,427**

	March 31, 2023 (unaudited)			
	Balance of housing loans			
	Total	Of which: bullet and balloon	OF which: floating interest rate	Total Off-balance sheet credit risk
First lien: financing rate - Up to 60%	24,027	224	14,195	1,275
Over 60%	11,057	75	6,683	892
Secondary lien or no lien	432	27	376	-
Total	35,516	326	21,254	2,167

	December 31, 2023 (audited)			
	Balance of housing loans			
	Total	Of which: bullet and balloon	OF which: floating interest rate	Total Off-balance sheet credit risk
First lien: financing rate - Up to 60%	23,989	263	14,028	1,331
Over 60%	11,005	89	6,627	1,099
Secondary lien or no lien	456	18	407	-
Total	35,450	370	21,062	2,430

* Ratio of the approved credit facility, when the facility was provided, to the value of the asset, as approved by the Bank when the facility was provided.

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

(NIS million)

C. OFF-BALANCE SHEET FINANCIAL INSTRUMENTS

	Balance of contracts[1]			Balance of provision for credit losses		
	31.3.24	31.3.23	31.12.23	31.3.24	31.3.23	31.12.23
	(unaudited)	(unaudited)	(audited)	(unaudited)	(unaudited)	(audited)
Transactions the balance of which represents credit risk:						
Documentary credit	**271**	280	141	**1**	1	1
Guarantees securing credit	**1,100**	1,154	1,128	**14**	10	16
Guarantees to home purchasers	**2,495**	4,456	2,985	**6**	7	6
Guarantees and other liabilities	**4,787**	5,031	4,854	**53**	53	51
Unutilized credit lines for derivatives instruments	**2,870**	2,827	2,617	**-**	-	-
Unutilized revolving credit and other on-call credit facilities	**11,630**	11,810	11,245	**39**	24	37
Irrevocable commitments to grant credit, not yet executed	**9,041**	5,528	8,307	**37**	17	31
Unutilized credit lines for credit card facilities	**10,083**	9,365	10,337	**15**	13	18
Facilities for the lending of securities	**962**	554	853	**-**	-	-
Required guarantees and collateral in respect of the Stock Exchange and Maof Clearing Houses	**419**	302	329	**-**	-	-
Commitments to issue guarantees	**2,025**	2,088	2,168	**5**	4	5

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

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

NOTE 13 - ASSETS AND LIABILITIES ACCORDING TO LINKAGE BASES

(NIS million)

	March 31, 2024 (unaudited)						
	Israeli currency		Foreign currency[1]				
	Non-linked	Linked to the consumer price index	U.S. dollar	Euro	Other	Non-monetary items[2]	Total
Assets							
Cash and deposits with banks	**74,753**	**-**	**1,397**	**301**	**280**	**-**	**76,731**
Securities	**11,874**	**1,952**	**10,441**	**1,195**	**-**	**913**	**26,375**
Securities which were borrowed	**2**	**-**	**-**	**-**	**-**	**-**	**2**
Credit to the public, net[3]	**94,237**	**15,191**	**3,398**	**1,611**	**51**	**711**	**115,199**
Credit to the government	**281**	**684**	**-**	**-**	**-**	**-**	**965**
Investee company	**-**	**-**	**-**	**-**	**-**	**800**	**800**
Premises and equipment	**-**	**-**	**-**	**-**	**-**	**867**	**867**
Intangible assets and goodwill	**-**	**-**	**-**	**-**	**-**	**325**	**325**
Assets in respect of derivative instruments	**407**	**3**	**567**	**55**	**15**	**2,277**	**3,324**
Other assets	**995**	**2**	**4**	**2**	**-**	**350**	**1,353**
Total assets	**182,549**	**17,832**	**15,807**	**3,164**	**346**	**6,243**	**225,941**
Liabilities							
Deposits from the public	**156,579**	**5,158**	**28,615**	**3,975**	**1,577**	**711**	**196,615**
Deposits from banks	**3,247**	**-**	**210**	**45**	**84**	**-**	**3,586**
Deposits from the Government	**311**	**-**	**395**	**3**	**1**	**-**	**710**
Bonds and subordinated capital notes	**-**	**4,736**	**-**	**-**	**-**	**-**	**4,736**
Liabilities in respect of derivative instruments	**443**	**20**	**321**	**16**	**9**	**2,276**	**3,085**
Other liabilities	**4,045**	**89**	**59**	**9**	**3**	**52**	**4,257**
Total liabilities	**164,625**	**10,003**	**29,600**	**4,048**	**1,674**	**3,039**	**212,989**
Difference	**17,924**	**7,829**	**(13,793)**	**(884)**	**(1,328)**	**3,204**	**12,952**
Non-hedging derivatives							
Derivative instruments (not including options)	**(15,501)**	**(250)**	**13,598**	**827**	**1,326**	**-**	**-**
Options in the money, net (in terms of underlying asset)	**(177)**	**-**	**95**	**82**	**-**	**-**	**-**
Options out of the money, net (in terms of underlying asset)	**33**	**-**	**(20)**	**(20)**	**7**	**-**	**-**
Total	**2,279**	**7,579**	**(120)**	**5**	**5**	**3,204**	**12,952**
Options in the money, net (present value of stated amount)	**(253)**	**-**	**120**	**133**	**-**	**-**	**-**
Options out of the money, net (present value of stated amount)	**137**	**-**	**77**	**(283)**	**69**	**-**	**-**

(1) Including linked to foreign currency.

(2) Including derivatives instruments which their underlying assets represent non-monetary item.

(3) After deduction of provisions for credit losses attributed to the linkage base.

NOTE 13 - ASSETS AND LIABILITIES ACCORDING TO LINKAGE BASES (CONT'D)

(NIS million)

	March 31, 2023 (unaudited)						
	Israeli currency		Foreign currency[1]				
	Non-linked	Linked to the consumer price index	U.S. dollar	Euro	Other	Non-monetary items[2]	Total
Assets							
Cash and deposits with banks	54,606	-	2,356	464	337	-	57,763
Securities	7,192	1,837	8,893	1,420	-	414	19,756
Securities which were borrowed	45	-	-	-	-	-	45
Credit to the public, net[3]	96,555	14,436	5,284	1,370	97	760	118,502
Credit to the government	217	701	17	-	-	-	935
Investee company	-	-	-	-	-	730	730
Premises and equipment	-	-	-	-	-	899	899
Intangible assets and goodwill	-	-	-	-	-	307	307
Assets in respect of derivative instruments	315	12	1,082	318	52	2,268	4,047
Other assets	890	8	27	18	3	382	1,328
Total assets	159,820	16,994	17,659	3,590	489	5,760	204,312
Liabilities							
Deposits from the public	132,635	5,893	28,464	4,147	1,491	760	173,390
Deposits from banks	4,674	-	695	79	33	-	5,481
Deposits from the Government	282	38	504	3	1	-	828
Bonds and subordinated capital notes	2	4,768	-	-	-	-	4,770
Liabilities in respect of derivative instruments	348	28	786	109	34	2,267	3,572
Other liabilities	4,688	79	56	8	1	50	4,882
Total liabilities	142,629	10,806	30,505	4,346	1,560	3,077	192,923
Difference	17,191	6,188	(12,846)	(756)	(1,071)	2,683	11,389
Non-hedging derivatives							
Derivative instruments (not including options)	(14,231)	(189)	12,662	681	1,077	-	-
Options in the money, net (in terms of underlying asset)	3	-	(13)	10	-	-	-
Options out of the money, net (in terms of underlying asset)	(234)	-	201	33	-	-	-
Total	2,729	5,999	4	(32)	6	2,683	11,389
Options in the money, net (present value of stated amount)	25	-	(25)	-	-	-	-
Options out of the money, net (present value of stated amount)	(777)	-	784	(5)	(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)

	December 31, 2023 (audited)						
	Israeli currency		Foreign currency(1)				
	Non-linked	Linked to the consumer price index	U.S. dollar	Euro	Other	Non-monetary items(2)	Total
Assets							
Cash and deposits with banks	66,644	-	1,607	326	289	-	68,866
Securities	10,434	1,874	12,213	1,921	-	543	26,985
Securities which were borrowed	57	-	-	-	-	-	57
Credit to the public, net(3)	95,191	15,366	4,857	1,557	63	588	117,622
Credit to the government	346	686	23	-	-	-	1,055
Investee company	-	-	-	-	-	786	786
Premises and equipment	-	-	-	-	-	877	877
Intangible assets and goodwill	-	-	-	-	-	328	328
Assets in respect of derivative instruments	1,075	3	296	59	30	2,188	3,651
Other assets	976	5	13	2	-	370	1,366
Total assets	174,723	17,934	19,009	3,865	382	5,680	221,593
Liabilities							
Deposits from the public	150,675	5,614	29,147	3,678	1,423	588	191,125
Deposits from banks	3,522	-	728	2	62	-	4,314
Deposits from the Government	325	-	420	3	2	-	750
Bonds and subordinated capital notes	2	4,765	-	-	-	-	4,767
Liabilities in respect of derivative instruments	1,328	20	161	72	16	2,187	3,784
Other liabilities	4,038	79	31	5	1	53	4,207
Total liabilities	159,890	10,478	30,487	3,760	1,504	2,828	208,947
Difference	14,833	7,456	(11,478)	105	(1,122)	2,852	12,646
Non-hedging derivatives							
Derivative instruments (not including options)	(12,145)	(250)	11,447	(172)	1,120	-	-
Options in the money, net (in terms of underlying asset)	(104)	-	32	72	-	-	-
Options out of the money, net (in terms of underlying asset)	(44)	-	48	(4)	-	-	-
Total	2,540	7,206	49	1	(2)	2,852	12,646
Options in the money, net (present value of stated amount)	(149)	-	30	119	-	-	-
Options out of the money, net (present value of stated amount)	(392)	-	499	(107)	-	-	-

(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)

A. General

The directives of Bank of Israel in respect of evaluation of financial instruments was implemented according to the main methods and assumptions which are described below. The data brought below is not indicating the economic value of the Bank and is not constituting an attempt to estimate this value.

B. Fair value of financial instruments.

The note includes information regarding the fair value of financial instruments. There is no quotable "market value" for most of the financial instruments of the Bank since they are not traded in an active market. Therefore, the fair value is derived by accepted pricing models, such as discounting future cash flows at interest rates reflecting the risk level inherent in the financial instrument.

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

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

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

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

Marketable securities - fair value was estimated according to their value in the principal market. Where there are several markets on which the instrument is traded, the assessment is made according to the most beneficial market.

Credit to the public - The fair value was estimated according to discounting the future cash flows in an appropriate discount rate. The balance was separated into homogenous categories. The receipts in each category were discounted at a discount rate which reflects the risk inherent in the category. In general, this discount rate is determined according to the interest at which the Bank transacts similar business at the reporting date.

The fair value of non-accruing debts is assessed using discount rates that reflect the high credit risk inherent in such debts.

Accounting write-offs and provisions for credit losses are attributed, where possible, to periods in which these debts had been classified (example: where the provision was assessed on a specific basis, by the present value of future cash flows). In the absence of such data, accounting write-offs and provisions for credit losses are attributed proportionally to the outstanding balance of credit according to maturity periods at end of the period.

Cash flows in respect of mortgages have been assessed according to the premature repayment forecast, which is based on a statistical model.

Deposits and subordinate capital notes - fair value was estimated by discounting future cash flows according to interest rates used by the Group in raising similar deposits, or issuing similar capital notes (if a quoted price on an active market is not available) at reporting date. As regards bonds and subordinate debt notes that are traded as an asset on an active market, fair value is based upon quoted market prices or on traders' quotations regarding a similar liability traded as an asset on an active market.

Cashflows with respect to demand deposits (current accounts) the balance sheet balance constitutes the estimate of fair value. Comparative data was restated, thus the balance sheet balance will constitute the fair value estimate, instead of distribution of the demand deposits according to statistical model.
Cashflows in respect of deposits from the public were estimated according to premature repayment forecast, which is based on a statistical model.

Derivative financial instruments - Derivative financial instruments for which an active market exists have been estimated at market value, and where several active markets exist, have been estimated according to the most beneficial market.
Derivative financial instruments for which no active market exists have been calculated according to models which are used by the Group in current activity and take into account the inherent risks of the financial instrument (market risk, credit risk, etc.).

Off-balance sheet financial instruments in transactions the balance of which represents credit risk - the fair value has been assessed in accordance with commission earned in similar transactions at the reporting date, adjusted in respect of the remaining period of the transaction and the credit quality of the counterparty.

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

(NIS million)

					March 31, 2024 (unaudited)
	Stated in the				Fair value[1]
	Balance Sheet	(1)	(2)	(3)	Total
Financial assets					
Cash and deposits with banks	**76,731**	**635**	**76,091**	**-**	**76,726**
Securities[2]	**26,375**	**14,341**	**11,699**	**185**	**26,225**
Securities which were borrowed	**2**	**-**	**2**	**-**	**2**
Credit to the public, net	**115,199**	**9,473**	**-**	**104,194**	**113,667**
Credit to the government	**965**	**-**	**277**	**646**	**923**
Assets in respect of derivative instruments	**3,324**	**2,328**	**629**	**367**	**3,324**
Other financial assets	**231**	**5**	**-**	**226**	**231**
Total financial assets	**[3]222,827**	**26,782**	**88,698**	**105,618**	**221,098**
Financial liabilities					
Deposits from the public	**196,615**	**5,245**	**149,929**	**41,118**	**196,292**
Deposits from Banks	**3,586**	**-**	**2,373**	**1,182**	**3,555**
Deposits from the Government	**710**	**-**	**690**	**21**	**711**
Bonds and non-convertible subordinated capital notes	**4,736**	**4,644**	**-**	**-**	**4,644**
Liabilities in respect of derivative instruments	**3,085**	**2,328**	**737**	**20**	**3,085**
Other financing liabilities	**2,870**	**5**	**-**	**2,839**	**2,844**
Total financial liabilities	**[3]211,602**	**12,222**	**153,729**	**45,180**	**211,131**
Off balance sheet financial instruments					
Transaction where the balance represents credit risk	**37**	**-**	**-**	**37**	**37**
In addition, the liability in respect of employee rights, gross - pension and severance pay[4]	**852**	**-**	**-**	**852**	**852**

(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 35,331 million and liabilities of NIS 8,335 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)

	March 31, 2023 (unaudited)				
	Stated in the				Fair value(1)
	Balance Sheet	(1)	(2)	(3)	Total
Financial assets					
Cash and deposits with banks	57,763	751	57,005	3	57,759
Securities(2)	19,756	8,521	10,904	150	19,575
Securities which were borrowed	45	-	45	-	45
Credit to the public, net	118,502	9,548	-	106,491	116,039
Credit to the government	935	-	232	682	914
Assets in respect of derivative instruments	4,047	2,354	816	877	4,047
Other financial assets	271	15	-	256	271
Total financial assets	(3)201,319	21,189	69,002	108,459	198,650
Financial liabilities					
Deposits from the public	173,390	7,245	*132,470	*32,923	172,638
Deposits from Banks	5,481	-	2,074	3,225	5,299
Deposits from the Government	828	37	765	26	828
Bonds and non-convertible subordinated capital notes	4,770	4,524	-	2	4,526
Liabilities in respect of derivative instruments	3,572	2,352	1,192	28	3,572
Other financing liabilities	3,203	21	-	3,157	3,178
Total financial liabilities	(3)191,244	14,179	136,501	39,361	190,041
Off balance sheet financial instruments					
Transaction where the balance represents credit risk	46	-	-	46	46
In addition, the liability in respect of employee rights, gross - pension and severance pay(4)	841	-	-	841	841

* Restated- in light of the guideline of the Supervision of Banks, the Bank restated the estimate of fair value of demand deposits. According to the guideline, the fair value estimate of demand deposits is identical to the balance sheet balance of these deposits at date of reporting.
In the financial statements of the comparative data, prior the restatement, this estimate was calculated according to cash flows of these deposits, which were distributed according to statistical model for forecasting stable amounts. The effect of the restatement was an increase in the fair value of deposits from the public in the amount of NIS 2,746 million.

(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 29,804 million and liabilities of NIS 10,875 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, 2023 (audited)				
	Stated in the	Fair value[1]			
	Balance Sheet	(1)	(2)	(3)	Total
Financial assets					
Cash and deposits with banks	68,866	651	68,212	-	68,863
Securities[2]	26,985	12,421	14,235	183	26,839
Securities which were borrowed	57	-	57	-	57
Credit to the public, net	117,622	10,795	-	105,009	115,804
Credit to the government	1,055	-	366	641	1,007
Assets in respect of derivative instruments	3,651	2,268	771	612	3,651
Other financial assets	228	10	-	218	228
Total financial assets	(3)218,464	26,145	83,641	106,663	216,449
Financial liabilities					
Deposits from the public	191,125	7,979	*142,603	*40,194	190,776
Deposits from Banks	4,314	-	2,116	2,137	4,253
Deposits from the Government	750	52	675	24	751
Bonds and non-convertible subordinated capital notes	4,767	4,571	-	4	4,575
Liabilities in respect of derivative instruments	3,784	2,268	1,496	20	3,784
Other financing liabilities	2,774	11	-	2,736	2,747
Total financial liabilities	(3)207,514	14,881	146,890	45,115	206,886
Off balance sheet financial instruments					
Transaction were the balance represents credit risk	37	-	-	37	37
In addition, the liability in respect of employee rights, gross - pension and severance pay [4]	865	-	-	865	865

* Restated- in light of the guideline of the Supervision of Banks, the Bank restated the estimate of fair value of demand deposits. According to the guideline, the fair value estimate of demand deposits is identical to the balance sheet balance of these deposits at date of reporting.
In the financial statements of the comparative data, prior the restatement, this estimate was calculated according to cash flows of these deposits, which were distributed according to statistical model for forecasting stable amounts. The effect of the restatement was an increase in the fair value of deposits from the public in the amount of NIS 3,372 million.

(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 37,779 million and liabilities of NIS 11,826 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 14B - ITEMS MEASURED AT FAIR VALUE

(NIS million)

A. ITEMS MEASURED AT FAIR VALUE ON A RECURRENT BASIS

	March 31, 2024 (unaudited)				
	Fair-value measurements using -				
	Prices quoted in an active market (level 1)	Other significant observable inputs (level 2)	Significant unobservable inputs (level 3)	Effect of netting agreements	Balance sheet balance
Assets					
Bonds available for sale	**8,744**	**11,621**	**-**	**-**	**20,365**
Shares not for trading	**726**	**-**	**-**	**-**	**726**
Trading Securities	**1,438**	**-**	**-**	**-**	**1,438**
Assets in respect of derivative instruments	**2,328**	**629**	**367**	**-**	**3,324**
Others	**9,478**	**-**	**-**	**-**	**9,478**
Total assets	**22,714**	**12,250**	**367**	**-**	**35,331**
Liabilities					
Liabilities in respect of derivative instruments	**2,328**	**737**	**20**	**-**	**3,085**
Others	**5,250**	**-**	**-**	**-**	**5,250**
Total liabilities	**7,578**	**737**	**20**	**-**	**8,335**

	March 31, 2023 (unaudited)				
	Fair-value measurements using -				
	Prices quoted in an active market (level 1)	Other significant observable inputs (level 2)	Significant unobservable inputs (level 3)	Effect of netting agreements	Balance sheet balance
Assets					
Bonds available for sale	5,324	10,295	-	-	15,619
Shares not for trading	201	-	-	-	201
Trading Securities	374	-	-	-	374
Assets in respect of derivative instruments	2,354	816	877	-	4,047
Others	9,563	-	-	-	9,563
Total assets	17,816	11,111	877	-	29,804
Liabilities					
Liabilities in respect of derivative instruments	2,352	1,192	28	-	3,572
Others	7,303	-	-	-	7,303
Total liabilities	9,655	1,192	28	-	10,875

	December 31, 2023 (audited)				
	Fair-value measurements using -				
	Prices quoted in an active market (level 1)	Other significant observable inputs (level 2)	Significant unobservable inputs (level 3)	Effect of netting agreements	Balance sheet balance
Assets					
Bonds available for sale	7,439	14,116	-	-	21,555
Shares not for trading	316	-	-	-	316
Trading Securities	1,452	-	-	-	1,452
Assets in respect of derivative instruments	2,268	771	612	-	3,651
Others	10,805	-	-	-	10,805
Total assets	22,280	14,887	612	-	37,779
Liabilities					
Liabilities in respect of derivative instruments	2,268	1,496	20	-	3,784
Others	8,042	-	-	-	8,042
Total liabilities	10,310	1,496	20	-	11,826

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

(NIS million)

B. ITEMS MEASURED AT FAIR VALUE ON A NON-RECURRENT BASIS

	March 31, 2024 (unaudited)				
	Level 1	Level 2	Level 3	Total fair value	Total profits for the three months ended March 31, 2024
Investment in shares	**-**	**2**	**-**	**2**	**-**
Non-accruing credit the collection of which is contingent on collateral	**-**	**-**	**12**	**12**	**-**

	March 31, 2023 (unaudited)				
	Level 1	Level 2	Level 3	Total fair value	Total losses for the three months ended March 31, 2023
Investment in shares	-	62	-	62	(1)
Non-accruing credit the collection of which is contingent on collateral	-	-	12	12	-

	December 31, 2023 (audited)				
	Level 1	Level 2	Level 3	Total fair value	Total profits for the year ended December 31, 2023
Investment in shares	-	44	-	44	2
Non-accruing credit the collection of which is contingent on collateral	-	-	12	12	-

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

(NIS million)

	For the three months ended March 31, 2024 (unaudited)							
	Fair value as of December 31, 2023	Profits (losses) realized and unrealized Included in the profit and loss statement [1]	Purchases	Payments	Transfers to level 3, gross	Transfer from level 3, gross	Fair value as of March 31, 2024	Unrealized profits (losses) in respect of instruments held as of March 31, 2024
Assets								
Assets in respect of derivative instruments	**612**	**462**	**21**	**(728)**	**-**	**-**	**367**	**121**
Liabilities								
Liabilities in respect of derivative instruments	**20**	**(1)**	**-**	**(1)**	**-**	**-**	**20**	**(1)**

	For the three months ended March 31, 2023 (unaudited)							
	Fair value as of December 31, 2022	Profits (losses) realized and unrealized Included in the profit and loss statement [1]	Purchases	Payments	Transfers to level 3, gross	Transfer from level 3, gross	Fair value as of March 31, 2023	Unrealized profits (losses) in respect of instruments held as of March 31, 2023
Assets								
Assets in respect of derivative instruments	642	1,290	22	(1,077)	-	-	877	661
Liabilities								
Liabilities in respect of derivative instruments	26	(2)	-	-	-	-	28	(3)

	For the year ended December 31, 2023 (audited)							
	Fair value as of December 31, 2022	Profits (losses) realized and unrealized Included in the profit and loss statement [1]	Purchases	Payments	Transfers to level 3, gross	Transfer from level 3, gross	Fair value as of December 31, 2023	Unrealized profits (losses) in respect of instruments held as of December 31, 2023
Assets								
Assets in respect of derivative instruments	642	4,445	85	(4,560)	-	-	612	556
Liabilities								
Liabilities in respect of derivative instruments	26	(1)	-	(7)	-	-	20	(4)

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

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

	As of March 31, 2024 (unaudited)				
	Value Assessment technique	Unobservable inputs	Fair value	Average	Range
			(NIS million)		in %
A. Items measured at fair value on a recurrent basis					
Assets					
Assets in respect of derivative instruments:					
Interest rate contract: NIS-CPI	Discounted cash flow	Anticipated inflation curve	**-**	**3.81**	**3.81**
Interest rate contract: other	Discounted cash flow	Counter-party credit risk	**17**	**1.63**	**1.20-1.95**
Foreign currency contracts	Discounted cash flow	1. CPI-linked interest	**3**	**(0.28)**	**(1.95)-0.87**
		2. Counter-party credit risk	**347**	**1.31**	**1.00-4.60**
Liabilities					
Liabilities in respect of derivative instruments:					
Interest rate contract: NIS-CPI	Discounted cash flow	Anticipated inflation curve	**17**	**2.91**	**2.58-3.81**
Foreign currency contracts	Discounted cash flow	CPI-linked interest	**3**	**(0.27)**	**(1.95)-0.87**
B. Items measured at fair value on a non-recurrent basis					
Impaired credit the collection of which is contingent on collateral	Collateral value		**12**		

	As of March 31, 2023 (unaudited)				
	Value Assessment technique	Unobservable inputs	Fair value	Average	Range
			(NIS million)		in %
A. Items measured at fair value on a recurrent basis					
Assets					
Assets in respect of derivative instruments:					
Interest rate contract: NIS-CPI	Discounted cash flow	Anticipated inflation curve	8	1.05	(0.57)-4.75
Interest rate contract: other	Discounted cash flow	Counter-party credit risk	21	1.25	1.20-1.55
Foreign currency contracts	Discounted cash flow	1. CPI-linked interest	5	(0.09)	(1.08)-0.29
		2. Counter-party credit risk	843	1.25	1.00-4.52
Liabilities					
Liabilities in respect of derivative instruments:					
Interest rate contract: NIS-CPI	Discounted cash flow	Anticipated inflation curve	23	1.20	(0.57)-4.75
Foreign currency contracts	Discounted cash flow	CPI-linked interest	5	(0.08)	(1.08)-0.29
B. Items measured at fair value on a non-recurrent basis					
Impaired credit the collection of which is contingent on collateral	Collateral value		12		

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

	As of December 31, 2023 (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	Anticipated inflation curve	-	2.29	1.60-3.00
Interest rate contract: other	Discounted cash flow	Counter-party credit risk	20	1.66	1.20-1.95
Foreign currency contracts	Discounted cash flow	1. CPI-linked interest	3	1.01	0.91-1.09
		2. Counter-party credit risk	589	1.42	1.00-4.60
Liabilities					
Liabilities in respect of derivative instruments:					
Interest rate contract: NIS-CPI	Discounted cash flow	Anticipated inflation curve	17	2.34	1.60-3.00
Foreign currency contracts	Discounted cash flow	CPI-linked interest	3	1.01	0.91-1.09
B. Items measured at fair value on a non-recurrent basis					
Impaired credit the collection of which is contingent on collateral	Collateral value		12		

Qualitative information regarding items measured at fair value at level 3:

- Interest linked to the CPI - A change in the forecasted inflation rate would affect the fair value of CPI linked transactions, such that a rise (decline) in the inflationary forecast would lead to an increase (decrease) in fair value in accordance with the CPI linkage position of the Bank.
- Credit risk of a counterparty - A change in the credit risk of a counterparty to a transaction, such that in as much as the credit risk of a counterparty to a transaction would be higher/lower, the value of the transaction would also be higher/lower.

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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 2023.

The report of the internal audit for the year 2023 was discussed in the audit committee of the Bank on April 16, 2024.

MEETINGS OF THE BOARD OF DIRECTORS AND ITS COMMITTEES

During January-March 2024, the Bank's Board of Directors held 8 meetings in plenary session and 15 meetings of its various Board Committees.

APPOINTMENTS AND RETIREMENTS

On March 31, 2024, Mr. Benzi Adiri, head of the corporate division, member of Management of the Bank and Chairman of the Board of Directors of the subsidiary of the Bank- Bank Massad Ltd., announced his retirement from the Bank which will take effect on June 30, 2024.

On January 28, 2024, Adv. Haviva Dahan announced her desire to retire. The final date will be determined in coordination with 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 as of December 31, 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 as of December 31, 2018.

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

For details of transactions, see Chapter "Corporate Governance", interested party transactions, in the financial statements as of December 31, 2023.

Regarding the matter of the framework transaction relating to the engagement of the Bank in a Directors and Officers liability insurance policy, on its behalf and on behalf of the subsidiary companies as well as the controlling shareholders, FIBI Holdings Ltd. (hereinafter – "FIBI") (hereunder together – "companies in the Bank Group"), and towards the expiry of the period of the framework transaction of December 2018, the Board of Directors of the Bank, following approval by the Audit Committee and the Compensation Committee, approved on May 7, 2024, the submission of the following resolutions for approval by the General Meeting of Shareholders:

(1) To approve in advance the engagement of the Bank in a Directors and Officers liability insurance policy, on behalf of the Bank and on behalf of the companies in the Bank Group, whether all or part of them, by way of prolonging existing policies or by the purchase of new policies, which would apply to Officers officiating at the Bank and at the Group from time to time, including Officers who are controlling shareholders and/or their relatives and/or where a controlling shareholder might have a personal interest in including them in the insurance policy, including the President and CEO of the Bank, and all for a period of six years starting on July 1, 2024, and until June 30, 2030 (hereinafter – "The framework transaction").

    The above stated resolution comprises also a resolution under Item 267A of the Companies Act, being an amendment of Item 8.2 of the compensation policy of the Bank (during the effective period of the existing compensation policy of the Bank).

(2) To approve the manner of dividing the insurance premium expense regarding the Directors and Officers liability insurance policies between FIBI, the Bank and its subsidiary companies during the period of the framework transaction.

    For details regarding the framework transaction and the terms of engagement in the Directors and Officers liability insurance policies, and regarding the manner of dividing the insurance premium expense between FIBI, the Bank and its subsidiary companies during the period of the framework transaction, see the Immediate Report of the Bank convening a General Meeting of Shareholders, dated May 7, 2024 (Ref. No. 2024-01-048015) included herein by way of reference.

d. Additional information regarding transactions with interested parties that have undergone changes in the reported period

Set out below is a collation of data concerning banking transactions that were conducted by the Bank and companies under its control with the controlling owners at the Bank (including their relatives and companies in which controlling owners at the Bank are interested parties), including data concerning transactions conforming to the criteria that were determined with respect to negligible transactions, as detailed in the Chapter Corporate Governance, transactions with interested parties, contained in the financial statements for the year 2018 (NIS thousand):

Indebtedness	Credit	Investment in bonds	Fair value of derivatives	Total balance-sheet monetary indebtedness	Unutilized credit balance	Guarantees granted by Bank for securing credit to a controlling owner or to a party related thereto	Guarantees granted to Bank by controlling owner in favor of third party	Indebtedness of controlling owner in respect of transactions in derivatives	Total
									NIS thousand
Indebtedness of others[1]									
March 31, 2024	**225**	**-**	**-**	**225**	**379**	**-**	**-**	**-**	**604**
December 31, 2023	157	-	-	157	427	-	-	-	584

Deposits	March 31, 2024		December 31, 2023	
	Balance on balance-sheet date	Highest balance during period[2]	Balance on balance-sheet date	Highest balance during period[2]
		NIS thousand		NIS thousand
Deposits of others[1]	**43,617**	**46,814**	43,942	56,415

(1) Relatives of controlling shareholders of the Bank, as the term relative is defined in the Banking Law (licensing)-1981.

(2) On the basis of balances at the end of each month, except for the non-linked shekel segment in which the highest balance is computed on the basis of daily data.

DETAILS OF THE OWNERS OF CONTROL IN THE BANK

FIBI Holdings Ltd. (hereinafter - "FIBI"), a public company the shares of which are traded on the Stock Exchange, holds 48.34% of the issued share capital and voting rights in the Bank (a rate comprising the core of control according to the control permit issued by Bank of Israel). The holders of control of FIBI are Mr. Zadik Bino and his children - Gill Bino, Hadar Bino-Shmueli and Daphna Bino-Or (hereinafter - "the Bino family"), Messrs. Michael and Helen Abeles, and Messrs. Barry Lieberman, Casy Lieberman-Harris, Lee Lieberman and Joshua Lieberman (each of the groups by way of corporations under their full control: Binohon Ltd., Instanz No.2 Ltd. and Dolphin Energies Ltd.). For details regarding the different arrangements existing among the control holders with respect to their holdings in FIBI, and indirectly in the Bank, and with respect to the terms of the control permit dated September 19, 2003, that had been granted to the control holders by Bank of Israel, as amended from time to time, see "Details regarding the owners of control in the Bank" in the Chapter "Corporate Governance" in the financial statements for 2019.

In accordance with the reports of FIBI, as of date of publication of the financial statements, the holdings of the controlling shareholders in FIBI (in equity and voting) are as follows: Binohon Ltd. - 28.54%, Instanz No. 2 Ltd. - 11.68%, and Dolphin Energies Ltd. - 11.38% (the holdings of all the controlling shareholders of FIBI comprise its core of control, in accordance with the control permit issued by Bank of Israel).

ADDITIONAL INFORMATION

LEGISLATION AND REGULATORY INITIATIVES

Following are summarized details of the provisions of laws and regulatory initiatives, which were published and/or entered into effect during the reported period, and which materially affect or might affect the operations of the Bank. The Bank is studying the overall significance of the said provisions and initiatives regarding the income and expenses of the Bank, as well as the long-term business and operating implications.
A part of the initiatives may have an adverse effect on the income of the Bank and/or its expenses. This effect cannot be quantified at this stage, due to dependence of different factors, including customer behavior, competitors' activity and additional regulatory changes, regarding legislation not yet finalized, it is also not possible to assess whether it would in fact be enacted and what would be its final content.
Nothing in the contents of this Chapter derogates from that stated in other Chapters and Sections of this Report, where there exists additional reference to provisions of the law and to regulatory initiatives as described below or to other, in particular, to that stated in the Chapter "Leading and developing risks" regarding the large number of regulatory initiatives relevant to the banking system introduced in the recent period.

THE "SWORDS OF IRON" WAR

Since the murderous attack on Israel by the Hamas terror organization on October 7, 2023, and the outbreak of the "Swords of Iron" War which followed, and in order to provide assistance to customers and to the banking system to face the challenges of this situation, the Supervisor of Banks and other Regulators have published directives, relief measures and guidelines regarding many matters, the principal of which, are as follows:

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

The Provisional Instruction is updated from time to time in accordance with requirements. As a general rule, the Directive will remain in effect until June 30, 2024, except for certain concessions, in respect of which different effective periods had been fixed. The last updated version was published on March 31, 2024, containing the main concessions stated below and which are still in effect as of date of publication of this Report:

- The possibility of using alternative identification procedures upon providing payment services to beneficiaries of the service has been extended, under certain circumstances, to higher amounts.
- A loan for the purpose of constructing a sheltered space or for improving protection in a residential apartment under determined terms, the amount of which does not exceed NIS 200,000, has been exempted from certain limitations on the granting of a residential loan.
- A banking corporation is authorized to approve a residential loan which is not intended for the purchase a right to real estate, of up to a financing ratio of 70% (instead of 50%), on condition that the amount of the loan in excess of a financing ratio of 50% shall not exceed NIS 200,000.
- The period in which financial statements will be considered as updated was extended by 18 additional months in total from date of the financial statements, and the period for delivery of semi-annual financial data, was extended by 12 additional months in total, for the purpose of granting credit to corporations.
- Permission has been granted for deferral of dates for rotation applying to managers or to employees in sensitive positions, and also for taking consecutive leave.
- Concession was granted for obtaining the signature of a borrower, who due to the War is not able to sign the residential loan documents, subject to the signature of the loan documents by the other borrowers, as required.

- Concession was granted regarding the duty of proper disclosure in accordance with Proper Conduct of Banking Business Directive No. 449 – Simplification of agreements at date of application by a customer for the deferral of loan repayments, within the framework of the outline for assistance to customers in facing the implications of the War.
- It was determined that the customer's signature on an application for the deferral of payments, in accordance with the assistance outline, would not be required, on condition that a documented consent of the customer is obtained.
- The date for conducting a safety survey in respect of high-risk systems and banking communication systems was deferred.
- Effective dates have been deferred in respect of various amendments to a part of Proper Conduct of Banking Business Directives, the essence of which is detailed below.
- Concessions were granted with respect to dates for approval of minutes and publication of resolutions of boards of directors.

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

For details of the concessions outline, published on October 15, 2023, and expanded and extended on December 17, 2023, and on March 4, 2024, see, "Effect of the 'Swords of Iron' War" in the Board of Directors and Management Report.

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

The announcement, published on October 8, 2023, allows the banking system to operate in a limited format as regards business hours – the shut down of branch offices located up to 40 km from the Gaza Strip, and operate branches in a limited format of "core branches" (being branches prepared in advance for emergency situations, and in respect of which, a decision to operate them in emergency situations had been taken in advance) within a range of between 40 to 80 km from the Gaza Strip, as well as change their hours of business, where circumstances require.
Furthermore, on October 12, 2023, Bank of Israel published a letter, detailed hereunder, which contains reference to the importance of maintaining availability and continuation of banking services, to the extent possible, as well as a permit for providing banking services by means of mobile branches.

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

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

Bank of Israel letters in the matter of " Capital planning and profit distribution policy"

In the letter dated November 12, 2023, banks were guided to review, as if date of the letter, their dividend distribution and the purchase of their own shares policies for the coming period. In a further letter dated March 5, 2024, the banking corporations were guided to reexamine the dividend distribution and the purchase of their own shares policies for the coming period, and this on background of the continuation of the War and the scope of its impact upon the economy (for details regarding this matter, see Note 8E to the financial statements). In a letter dated May 16, 2024, the Supervisor of Banks notes that the present geopolitical situation requires the continuation of a conservative and educated examination of the capital planning and the dividend distribution policy.

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

The Act was published on October 18, 2023 and was amended on December 31, 2023, with a view of providing support for certain population groups (mostly, those directly hit by the War, residents located around the Gaza Strip and in the North of the country and a part of the security forces) allowing them deferral of the date of performing an action stated in a contract, deferral of a date stated in a peremptory Court verdict or final decision, and deferral of a due date for payments to Authorities, all under certain conditions and for certain periods.

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

The Regulations, published on October 26, 2023, and amended on December 25, 2023, state that checks that had been dishonored with respect to all the population, in the period from October 7, 2023 to October 31, 2023, would be permanently deducted from the number of dishonored checks for the purpose of the Uncovered Checks Act. Likewise, checks that had been dishonored, in the period from November 1, 2023 to January 21, 2024, would be permanently deducted from the number of dishonored checks for the purpose of the Uncovered Checks Act if drawn by individuals or corporations to whom one of the terms stated in the Regulations applies, including where the registered address or the postal address appearing on the records of the Bank, is mentioned in the list of settlements entitled to relief according to the Addendum to the Deferral of Due Dates Act (Provisional instructions – "Swords of Iron") (Contracts, Court verdicts or payments to Authorities), 2023, active reserve service, and more.

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

The Capital Market, Insurance and Savings Authority published on November 1, 2023 and renewed on February 22, 2024, a position, according to which, it will not enforce the prohibition on providing consultation services outside bank branches, if the pension consultation is provided by digital means or by telephone, during the "Swords of Iron" War period, to existing customers who obtain service at branches the activity of which has been reduced or which are not open to the public due to the security situation, or where the customers are residents of evacuated settlements as detailed in the Addendum to the Deferral of Due Dates Act (Provisional instructions – "Swords of Iron") (Contracts, Court verdicts or payments to Authorities), 2023, or reservists on active service, conscript or regular servicemen of the IDF entitled to the deferral of a due date during the second determining period under the said Act. The position will remain in effect from January 1, 2024 and until the end of the period of declaration of a special situation in the back of the country or until May 31, 2024, the earlier of the two. Furthermore, a proposal was published on February 12, 2024, for the amendment of the Supervision over Financial Services Act (Consultation, marketing and pension clearing system) (Amendment No. 13), 2024, proposing to allow the offering of remote consultation by means of digital and telephone services.

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

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

Furthermore, in accordance with the provisional instruction published by the Commissioner on November 9, 2023, arears in repayment of a debt to a source of financial information should be reported to the data base only after the passing of 60 days from the due date of the of the repayment, and not after 30 days, as presently stated.

BANKING

Proper Conduct of Banking Business Directive No. 345 – Principles for the effective management of climate related financial risks

The Directive was published on June 12, 2023, on background of the increasing awareness in Israel and globally to the existence and scope of financial risks stemming from the potential damage of climate related events and processes, and with a view of strengthening the financial stability of the banking system with respect to climate risks. The Directive is based on a document issued by the Basel Committee in June 2022, and states twelve principles for the effective management of climate related financial risks. The principles involve aspects of corporate governance, framework of internal control, capital adequacy and liquidity, risk management procedures, monitoring and reporting, comprehensive management of credit risks, market, liquidity, operating risk and other risks, and scenario analysis.

In accordance with the Directive, it takes effect at the end of 24 months from date of publication. However, on May 6, 2024, Bank of Israel published a draft circular, according to which, the effective date for the implementation of the Directive would be deferred to June 12, 2026.

Amendment of Proper Conduct of Banking Business Directive No. 434 – Joint accounts – "Surviving party" clause and treatment of existing liabilities following death

The Amendment, published on June 11, 2023, states instructions intended to increase awareness of parties to a joint account to the existence of a "Surviving party" clause in account opening documents and to its ramifications, as well as facilitating the handling by the surviving party of liabilities existing through the means of payment that had been issued for the use of the deceased party, whether by the bank or by nonbanking means of payment (jointly with other banking corporations).

The Amendment was due to take effect at the end of twelve months since date of publication, however, entry into effect has been deferred to September 11, 2024, in accordance with the Provisional Instruction.

Likewise, deferred to March 11, 2024 at the latest, is the date for making an initiated approach to existing joint account holders, who had not elected that the "Surviving party" clause would apply to them, in order to draw their attention to the matter, and a bank should adopt reasonable efforts to complete the process regarding the customers until the end of one year since date of publication of the Amendment.

Amendment of the Banking Act (customer service) 1981

In accordance with the Amendment, issued within the framework of the Economic Program Act (Legislation amendments for the implementation of the economic policy for the budget years 2023 and 2024) 2023, which was published on June 6, 2023, banks are required to send to each customer, at the beginning of each calendar month, a notice stating the total amount of commissions (excluding in respect of residential loans, if existing) charged by the Bank to the customer in the month preceding the date of the notice, the amount of interest (excluding in respect of residential loans) charged by the Bank to the customer in the month preceding the date of the notice, and the amount of commissions and interest charged to the customer in the preceding month in respect of residential loans. The notice has to be delivered by means allowing immediate and accessible communication, to the extent possible, and the Supervisor of Banks was authorized to determine instructions in this matter (for this purpose, Bank of Israel published on August 20, 2023, a draft amendment to Proper Conduct of Banking Business Directive No. 420 – Delivery by communication channels). The above notice is to be sent starting on June 2, 2024, except for the information regarding the total amount of commissions (excluding residential loans), which already has to be sent starting on January 1, 2024. An Amendment to the Economic Program Act was published on February 28, 2024, which retroactively deferred the above stated date to March 1, 2024 instead of January 1, 2024.

It is further stated that, with respect to the pricelists, banks have to inform their customers that they may charge amounts or rates that are lower than those stated in the pricelists. Also added is the prohibition on charging a commission in an amount or rate higher than those stated in the pricelists, and that no commission may be charged to a customer by a banking corporation unless it is in respect of a service actually provided. It is also stated that the Supervisor of Banks may impose upon a bank a monetary sanction of NIS 750, 000, in respect of violation of each of the new instructions relating to the charging of commission according to the bank's pricelists.

Proper Conduct of Banking Business Directive No. 501 - Management of the customer service and support layout

The Directive was published on March 26, 2023, as part of a planned across-the-board layout of Bank of Israel, the purpose of which is to determine principles and standards for proper and fair conduct of Banks as regards their customers. The Directive establishes principles for providing service and support for customers of the banking system in the different service channels, and states commitments in the field of corporate governance and work procedures, including formation of strategy, policy, work plan and procedures, allocation of resources and development of supervision and control mechanisms, which would ensure promoting compliance by a bank with the said principles. Furthermore, banking corporations are required to act in a systematic, persistent and continuous manner in order to improve compliance with the principles, while applying judgment and determining preferences in accordance with materiality to the customer. Among the main principles established in the Directive may be mentioned, inter alia, the maintenance of an optimal service and support layout that would provide an appropriate response in a variety of service channels, both on a current basis and in urgent cases; maintenance of useful communication providing information and simple and clear explanations at an appropriate timing; avoiding service obstructions, damage or misstatements, difficulties or the charging of excessive costs; availability and quality all through the period of engagement with the customer; providing service and support adjusted to customer needs and providing response to the different needs of the different customer groups, and providing appropriate and qualitative service on the various channels. A banking corporation is also required to determine a service charter and publish details regarding the customer service and support layout. The Directive was due to take effect at the end of one year after publication date, (except for certain requirements relating to the publication of the service charter and details regarding the service and support layout, in respect of which different effective dates have been fixed), however, its entry into effect has been deferred to June 26, 2024, in accordance to the provisional instruction.

Proper Conduct of Banking Business Directive No. 422 - Opening of a credit balance current account and management of an account

As stated by Bank of Israel, in view of the importance and need for basic banking services for all population groups, an update of the Directive was published on March 26, 2023. Within the framework of the update, inter alia, the duty of offering basic services in respect of conducting a current account in Israeli currency has been expanded also to an account having a debit balance that does not exceed the approved credit line; application of the Directive has also been expanded to a foreign worker legally residing in Israel; to basic means of payment that a bank is required to offer its customers, and in the absence of reasons for reasonable refusal, are added also a charge card that is a bank card for immediate charging or a bank card for cash withdrawals which allows transactions of a limited amount for a period; also expanded are transactions that can be effected by means of online banking channels; it has been clarified that no argument of "reasonable refusal" would be admitted regarding the opening of a credit balance current account and regarding the management of an account by means of basic payment services, due only to the belonging of the customer to a particular group of population, this without derogating from the right of a bank to determine limitations and controls required according to the circumstances of the matter; a duty has been added requiring a bank to deliver to the customer in writing the decision regarding refusal to provide the services stated in the Directive, as well as the reasons therefore, subject to any legislation, within ten business days from date of application; also added to the duty of notifying the discontinuation of a service stated in the Directive, is the duty to state the reasons therefore. The Directive was due to take effect at the end of one year after publication date, however, its entry into effect has been deferred to June 26, 2024, in accordance to the provisional instruction.

The draft Banking Order (Customer service) (Commissions), 2008

The draft Order was published on January 25, 2024, as part of which, the principal proposed changes are as follows:

- Updating of the manner and date of charging the securities deposit management fee, so that this commission would be charged at fixed shekel amounts in respect of each of the following classes of securities: securities traded in Israel (taking into consideration two levels depending on the value of the securities deposit), securities traded abroad and securities not traded on a stock exchange. The date of charging the commission would be at the beginning of the month in respect of the preceding month.
- Permitting banks to charge a commission in respect of investment consultancy services, which would be determined as a percentage of the value of the securities deposit at the beginning of the year, and which would be collected at the beginning of the service in respect of a full year (or proportionally according to the period of service, if the investment consultancy service is provided for a period shorter than one year).

On April 10, 2024, an additional draft was published for the amendment of the Banking Order (Customer service) (Commissions), 2008, which proposes, inter alia, to updated the definition of a "small business", to make changes in the handling commission regarding credit and collateral, to add a commission regarding a bank guarantee secured by a monetary deposit in respect of a rental agreement for a residential apartment, to add a commission regarding the automated service of covering a debit balance of a foreign currency account.

The proposed effective date of the amendment is at the end of three months since its date of publication.

CAPITAL MARKET

Proper Conduct of Banking Business Directive No. 461 – Activity of a banking corporation as a broker/dealer

The Directive, published on July 19, 2023, regularizes the activity of banking corporations in the field of financial brokerage – receipt and transfer of instructions involving securities and foreign currency derivative transactions (excluding SPOT transactions) on behalf of customers, both in their role as brokers and also by way of trading on their own account. The Directive is intended to protect investors, while maintaining efficiency, fairness, transparency and minimizing risk. In its role as broker/dealer, a banking corporation is required to implement proper principles of corporate governance, risk management, control and internal audit, including where the activity is conducted in dealing rooms. The Directive is based upon global standards originating in European legislation for securities activity – Mifid II – and the FX global code principles, as well as on fiduciary and care duties applying to banking corporations. The main duties applying to banking corporations within the framework of the Directive, are: determination of a policy regarding the execution of instructions, customizing the operations for the particular customer, qualification and suitability of the staff involved in the operations, code of conduct, documentation requirements, providing information to the customer and obtaining information from him, proper disclosure regarding the conflict of interest and implementation of control over the operation.

The Directive will take effect on August 1, 2025, with the removal at the same time of Proper Conduct of Banking Business Directive No. 461 (in its previous version) in the matter of securities activity of a banking corporation on account of its customers, as well as Proper Conduct of Banking Business Directive No. 419 in the matter of the safekeeping of documents.

INCREASING COMPETITION

Regulation of Engagement in Payment Services and Initiation of Payments Act, 2023

The Act was published on June 6, 2023, with a view of regularizing engagement in payment services and the initiation of payments, and enabling nonbanking factors to enter this market and develop therein. According to the Act, engagement in "payment services" shall require obtaining a "Payment company" license issued by the Securities Authority, excluding exempt entities, which include banks. "Payment services" include clearing of payment transactions, issuance of means of payment, management of a payment account and advanced initiation service (in advanced initiation, the customer empowers the initiator to deliver payment orders on his behalf with no need for the customer to confirm the payment order to his payment account manager).Basic initiation is not considered a payment service, and engagement therein requires another license having mitigating requirements (in basic initiation, the initiator enters details of the customer's instructions and the customer is required to confirm the instructions to the payment account manager). The existing credit card companies are required to hold a license applying to "provider of payment services having a stabilized importance", with licensing and supervision in their respect being, generally, effected by Bank of Israel.

The Act establishes also the "duty of linking" - "Provider of services for the transfer of funds between individuals" (at the present time, only payment applications agree with the definition stated in the Act), having a "wide scope of operation" (whose share in the receipt/transfer of funds in this way exceeds 20%), is required to enable customers, being individuals, to receive or transfer funds from/to another payment application, based on an identifying item. In addition, a payment account manager for a beneficiary, must enable the customer to receive funds from a payer being a customer of another bank or another payment application, based on an identifying item (excluding where the payment account manager has a small scope of operation, and in case of a bank or an auxiliary corporation - has an asset value not exceeding 5% of the total asset value of all banks in Israel).

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

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

The Act, excluding certain items thereof, takes effect after one year since date of publication.

Financial Information Service Act, 2021

The Act, published on November 18, 2021, creates a comprehensive and uniform regulation of financial information service activity. In accordance with the Act, providing such service will require a license or permit by the relevant Regulator of the service provider (the Supervisor of Banks in the case of a bank, clearing agent and an auxiliary corporation). It is further stated that a provider of this service shall not be allowed to engage in cost comparison or brokerage services, as defined in the Act, in relation to the products and financial services that he (or parties related to him) provide to his customers. The Act includes instructions regarding the operations and duties of the entities providing financial information services and of the "sources of information" (including, according to the Act, banks clearing agents, auxiliary corporations, institutional bodies [provident funds and insurance companies], holders of license for providing deposit and credit services, holders of license for extending credit, and holders of a license for operating a credit brokerage system), including with respect to privacy protection, use of information, its protection and obtaining authority to make use of it, to charge a fee, avoidance of conflicting interest and consumer instructions. The Act states gradual effective dates for the different sources of information and types of information. The latest effective date determined for all types of information required from information sources comprising banks or auxiliary corporations was December 14, 2023.

A Financial Information Service Order (Deferral of the effective date of the Act regarding a source of information comprising a bank, an auxiliary corporation or a clearing agent with respect to a securities basket and accounts of large corporations), 2023, was published on June 12, 2023, which deferred the effective date of the securities basket to September 15, 2023, and the effective date of the duty to provide access to information regarding accounts of large corporations to April 14, 2024.

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

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

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

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

On January 23, 2023, Bank of Israel published an Amendment to the Directive, which includes, inter alia, amendments allowing the delivery of information regarding securities held in the customer's securities deposit, as part of the implementation of the next stage in open banking. On April 7, 2024, an update of the Directive was published, which includes adjustments to the technological standard supporting the access to financial information pertaining to large corporations, as well as adjustments relating to the matter of access to the service of initiation of payments.

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

Banking Act (Licensing) (Amendment No. 31) Bill, 2024

The Bill, which was published on April 1, 2024, proposes, inter alia, to determine that also a bank having a medium scope of operations (the scope of its assets amounting to between 5% and 10% of the total asset value of all banks in Israel), and which, as of date of publication of this report, includes also the Bank, is not permitted to control a corporation that conducts a wide scope credit card clearing operation, as defined by the Bill, and which includes, as of the present time, the Israel Credit Card Company Ltd. (ICC). In addition, a Transitional Instruction is included, according to which, a bank having a medium scope of operations, which held means of control in a clearing corporation conducting a wide scope of operation, and which turned into a controlling shareholder without increasing his holdings in that corporation, would be allowed to continue and control that clearing corporation until the end of two years from the date on which he became a controlling shareholder. It is also proposed that a bank having a medium scope of operations, would not be permitted to operate as a clearing agent having a wide scope of operation. It is clarified that even in accordance with the Bill, there is nothing that prevents the Bank from continuing to hold its interest in ICC or to act as a clearing agent that conducts other than wide scope operations. As to the holdings of the Bank in ICC, see the Chapter "Principal investee companies", in the Directors' and Management Report.

Letter of the Competition Authority, dated March 26, 2024, regarding a hearing prior to the determination of a "concentration group" and the issue of instructions

In accordance with the letter, addressed to the five large banks ("the banks"), the Commissioner of Competition ("the Commissioner") considers the announcement that the banks constitute a "concentration group" and the issue of instructions to members of the group, in the version attached to the letter ("the instructions"). The letter argues that the evidence in the hands of the Authority indicates that the banks provide over one half of the total supply of services provided in the segment of banking services for retail customers (which include according to the letter and the definitions contained therein, the household segment and the small businesses segment with operating revenues of less than NIS 50 million). Also noted is that an examination by the

Commissioner points at the existence of conditions as stated in the Act, that allow the existence of conditions creating little competition between the banks in the field of banking services provided to retail customers.
Principal instructions: duty of the banks to offer prevalent "freak" deposits to customers of all banks; prohibition of subjecting deposits to acceptance of other banking services; availability of the monetary fund product as a non-banking product to customers of all banks; imposing a duty on the banks to accept deposits from non-banking companies wishing to operate as "financial centers" for the public at large, under terms that are not inferior to those granted by the banks to similar deposits; imposing the duty to allow mobility of deposits to other entities ("freak" deposits), and instructions requiring the "push" presentation of comparative information relevant to customers. In accordance with the letter, the banks may present their position to the Commissioner until May 27, 2024. As of date of publication of this Report, the date has been deferred by one month.
The Bank opposes the above decision and is preparing to submit its arguments on dates to be agreed with the Competition Authority. For this purpose, in the first stage, the Bank requested the Authority to study all the documents and information, which had served the Authority as a basis for the hearing.

Announcement by the Commissioner of Competition regarding the structure of ownership of the Banking Clearing Center (MASAB)
An arrangement regarding the joint ownership exists between the banks which own MASAB, which obtained, under certain terms, an exemption regarding approval of a cartel for a period of five years, which is due to expire on June 18, 2025. In a letter dated March 31, 2024, the Commissioner informed that, unless she is otherwise convinced, she does not intend to extend the exemption. The significance of this notice is that the banks owning MASAB may be required to reduce their holdings, or to apply to the Tribunal in opposition to the position of the Commissioner.

PRIVACY PROTECTION

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

The Regulations, published on May 7, 2023, impose on data base owners in Israel, holding data delivered to Israel from the European Economic Zone (excluding data received directly from the entity to which such data relates) several duties, including the duty to allow the entity to which the data relates, to demand the deletion of the data concerning it that is illegal or that is no longer required for the purpose for which it had been delivered, the duty to maintain a mechanism ensuring that the data base does not keep data no longer required, as defined in the Regulations, the duty to maintain a mechanism ensuring that the data kept in the data base is correct, complete, clear and updated, and the duty, in certain circumstances, to inform the entity to which the data relates, as to the receipt and delivery of the data. The Regulations apply also to data bases that contain both data received from the Eurozone and data received from Israel.
The Regulations entered into effect on August 7, 2023, with respect to data received from the Eurozone following the publication of the Regulations, and will take effect within one year from publication thereof with respect to data from the Eurozone existing in the data base in Israel at date of publication. Respecting data received otherwise than from the Eurozone and which is kept in an Israeli database keeping also data from the Eurozone – the Regulations will apply as from January 1, 2025.

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

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

LEGAL PROCEEDINGS

With respect to material legal actions pending against the Bank and against its consolidated subsidiaries, see Note 9 to the condensed 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 May 2, 2024, S&P Ma'alot ratified the issuer rating of the Bank at a level of AAAil/negative and its subordinate debt notes with a loss absorption mechanism at a level of AAil-, similarly to the rating of the other four large banks in Israel.
- On May 23, 2023, the international rating agency Moody's ratified the rating of long-term deposits with the Bank in foreign currency and in Israeli currency at A2, the short-term deposits with the Bank at Prime-1, and the rating outlook at "stable". On October 24, 2023, Moody's announced the placing of the credit rating of the five large banks in Israel, including the Bank, on "examination for the lowering of the rating", and this in continuation of a similar move regarding the credit rating of the State of Israel. On February 13, 2024, Moody's announced the lowering of the rating of long-term deposits with the five large banks in Israel, including the Bank, from "A2" to "A3" with a negative outlook, this similarly to a move regarding the credit rating of the State of Israel.

EMPLOYEE COMPRNSATION POLICY

For disclosure in the matter of employee compensation policy, see the document "Disclosure under Pillar 3 of Basel and additional data regarding risk" for 2023, available for perusal on the Internet website of the Bank.

INVOLVEMENT AND CONTRIBUTION TO THE COMMUNITY

The Bank attributes great importance to the promotion of social values and contribution to the community alongside its business activity. Therefore, the Bank acts, in conventional times, within the framework of the flag plan "Believing-in-you", the aim of which is to establish long-term involvement and cooperation in society, inter alia, by means of voluntary activity of its employees and cooperation with factors, organizations and associations assisting the community. Employees of the Bank take part in such projects and contribute their time, experience and skills, in aid of different populations and sectors.

The "Swords of Iron" War

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

The leading projects to which the Bank has contributed:

- Nir Oz – The Bank has adopted the Nir Oz Kibbutz and with the leadership of the Management of the Bank has assisted in the rehabilitation of the Nir Oz community, which included, inter alia, the finding of a solution for alternative dwelling in Carmei Gat, bridging loans for payment to suppliers, introduction to the HOMEZ Company, which designed and prepared the apartments for occupancy and a donation for the purchase of flora and decorative accessories for the apartments with the aim of recreating the feeling of the Kibbutz.
- Erez Kibbutz – The Bank has donated to the Kibbutz community a first aid room including lifesaving equipment for the benefit of the community.
- Contributions to associations that support the fighting and purchase of equipment as well as supporting fighters on the ground, including support of Battalion 411 and the "Black Snake" Squadron adopted by the Bank;
- Maccabiah Games – Contribution for the Israeli delegation to the Pan America Maccabi Games held in Buenos Aires, composed of 74 sportspersons, of whom 45 came from the settlements surrounding Gaza.

All that in addition to significant contributions for purchase of equipment and support of the evacuee population, as well as donations to medical centers supporting the war effort, such as the Barzilai and Kaplan Hospitals.

At the same time, hundreds of Bank employees took an active part in a variety of voluntary activities regarding various subjects aiding the war effort, including, inter alia, logistic aid for soldiers, collection and transportation of equipment, assistance to residents of the surrounding Gaza area, conducting activities for evacuee children, and helping out in agricultural work.

Concurrently, the Bank continues to act as in ordinary times in accordance with the following centers:

Defense forces

- "Warm Home" - the Bank is active in favor of the defense forces, with a focus on providing response to the needs of solitary soldiers serving in fighting units of the IDF. In conjunction with the "Together in favor of the Soldier", the Bank has put at the disposal of soldiers 30 apartments all over the country, equipped at a high level, serving soldiers in leading a comfortable and embracing daily routine, providing the feeling of a warm home. Each such apartment has an adopting branch of the Bank, employees of which look after the soldiers using the apartment and maintain current relations with them, being attentive and providing response to their needs in their daily life.

- "Leading to Success" - The Bank attributes great importance to the issue of reduction of gaps in the population and providing opportunities for the integration of disadvantaged soldiers and veterans in the community. The Bank has formed a scholarship plan to finance academic studies at the Open University, intended for such students, with a view of providing them with a key for economic independence, allowing a change of life and increasing their earning ability, thus leading them to optimal integration in society.

- "Adopt a warrior" - Within the framework of the project "Adopt a warrior", the Bank adopts two combat units. As part of this adoption, the Bank participates in events of the units and supports the well-being of the soldiers all through their service period.

- "Special in uniform" - The Bank participates in the "Special in Uniform" program, engaged in integrating handicapped youth in military framework, enabling them to join-up and serve "just like all others". The program comprises a jumping board for their integration in the work place and in Israeli society in all areas of activity. Within the framework of the program, the Bank adopted three units and is expected to adopt one more unit, each of them having an adopting branch of the Bank, which accompanies the unit during the period of service.
- "G cleft" - The Bank, jointly with the "Lior Foundation", contributes to the "G cleft" program, which grants scholarships to shell-shocked ex-servicemen studying music within a treatment framework, at the Tel Aviv Music Conservatory.

- "Now it's me" - The Bank, jointly with the IDF Disabled Organization, has contributed to the formation of a designated personal training and growth program for IDF female casualties/disabled, interested in a process of development and self-fulfillment, struggling with the injury and participating in an embracing female community. Within the framework of the program, Bank employees have been integrated into the mentoring process and have enriched the participants with respect to financial contents.

In addition, the Bank is a party to the promotion of culture among IDF service personnel. In participation with the Lior Foundation, the Bank has made a contribution which enables the meeting of military service personnel with authors all over the country, and concurrently contributes to "Sunday Culture Days" for the welfare of the servicemen and women.

Cooperation for the advancement of the Ultra-Orthodox sector

"Leadership in Hi-Tech" - program engaged in the advancement of diversifying processes and inclusion of applications intended for the optimal integration of Ultra-Orthodox women in qualitative and advancing employment in the technology world. The program operates nationwide in Ultra- Orthodox communities and supports training courses for the integration in the new labor world, including preparation for development in the technological world, delivery of presentations, delivery of messages, exercise practices and constant improvement of the English language, and more. Employees of the Bank take part in the classification, training and mentoring processes.

Volunteering employees

Employees of the Bank participate in different voluntary activities, such as cooking meals for lone service personnel and involvement in the teaching of basics in the financial field among youth, and this in addition to voluntary activities connected with the War effort, as described above.
At the same time, the Bank cooperates with Bank of Israel, the Union of Banks and the banking system, regarding financial education to other diversified populations.

APPENDIX 1 -
RATES OF INTEREST INCOME AND EXPENSES AND ANALYSIS OF CHANGES IN INTEREST INCOME AND EXPENSES

A. AVERAGE BALANCES AND INTEREST RATES - ASSETS

	For the three months ended March 31, 2024			For the three months ended March 31, 2023		
	Average balance(1)	Interest income	Rate of income	Average balance(1)	Interest income	Rate of income
		NIS million	%		NIS million	%
Assets bearing interest						
Credit to the public(2)(5)						
- In Israel	**106,110**	**1,577**	**5.94**	106,878	1,596	5.97
Total	**106,110**	**1,577**	**5.94**	106,878	1,596	5.97
Credit to the Government						
- In Israel	**965**	**-**	**-**	843	6	2.85
Total	**965**	**-**	**-**	843	6	2.85
Deposits with banks						
- In Israel	**2,403**	**26**	**4.33**	2,702	20	2.96
Total	**2,403**	**26**	**4.33**	2,702	20	2.96
Deposits with The Bank of Israel						
- In Israel	**65,680**	**736**	**4.48**	43,459	420	3.87
Total	**65,680**	**736**	**4.48**	43,459	420	3.87
Securities borrowed or repurchased						
- In Israel	**22**	**-**	**-**	38	-	-
Total	**22**	**-**	**-**	38	-	-
Held to maturity or available for sale bonds(3)						
- In Israel	**22,936**	**227**	**3.96**	16,826	131	3.11
Total	**22,936**	**227**	**3.96**	16,826	131	3.11
Trading bonds						
- In Israel	**798**	**10**	**5.01**	200	3	6.00
Total	**798**	**10**	**5.01**	200	3	6.00
Total assets bearing interest	**198,914**	**2,576**	**5.18**	170,946	2,176	5.09
Debtors regarding credit cards non-bearing interest	**3,146**			3,199		
Other assets non-bearing interest(4)	**18,724**			22,536		
Total assets	**220,784**			196,681		

APPENDIX 1 - RATES OF INTEREST INCOME AND EXPENSES AND ANALYSIS OF CHANGES IN INTEREST INCOME AND EXPENSES (CONT'D)

B. AVERAGE BALANCES AND INTEREST RATES - LIABILITIES AND CAPITAL

	For the three months ended March 31, 2024			For the three months ended March 31, 2023		
	Average balance [1]	Interest expense	Rate of expense	Average balance [1]	Interest expense	Rate of expense
		NIS million	%		NIS million	%
Liabilities bearing interest						
Deposits from the public						
- In Israel						
Demand	**19,356**	**150**	**3.10**	22,126	129	2.33
Fixed-term	**121,691**	**1,271**	**4.18**	84,402	699	3.31
Total	**141,047**	**1,421**	**4.03**	106,528	828	3.11
Deposits from the Government						
- In Israel	**429**	**6**	**5.59**	222	2	3.60
Total	**429**	**6**	**5.59**	222	2	3.60
Deposits from banks						
- In Israel	**610**	**6**	**3.39**	689	7	4.06
Total	**610**	**6**	**3.39**	689	7	4.06
Deposits with Bank of Israel						
- In Israel	**2,649**	**2**	**0.30**	4,197	1	0.10
Total	**2,649**	**2**	**0.30**	4,197	1	0.10
Bonds and subordinated capital notes						
- In Israel	**4,760**	**25**	**2.10**	4,758	63	5.30
Total	**4,760**	**25**	**2.10**	4,758	63	5.30
Other liabilities						
- In Israel	**42**	**1**	**9.52**	17	-	-
Total	**42**	**1**	**9.52**	17	-	-
Total liabilities bearing interest	**149,537**	**1,461**	**3.91**	116,411	901	3.10
Deposits from the public non-bearing interest	**51,151**			59,806		
Creditors in respect of credit cards non-bearing interest	**1,613**			1,719		
Other liabilities non-bearing interest [6]	**5,527**			7,186		
Total liabilities	**207,828**			185,122		
Total capital resources	**12,956**			11,559		
Total liabilities and capital resources	**220,784**			196,681		
Interest spread			**1.27**			1.99
Net return on assets bearing interest [7]						
- In Israel	**198,914**	**1,115**	**2.24**	170,946	1,275	2.98
Total	**198,914**	**1,115**	**2.24**	170,946	1,275	2.98

APPENDIX 1 -
RATES OF INTEREST INCOME AND EXPENSES AND ANALYSIS OF CHANGES IN INTEREST INCOME AND EXPENSES (CONT'D)

C. AVERAGE BALANCES AND INCOME RATES - ADDITIONAL INFORMATION ON INTEREST BEARING ASSETS AND LIABILITIES ATTRIBUTED TO ACTIVITY IN ISRAEL

	For the three months ended March 31, 2024			For the three months ended March 31, 2023		
	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	**164,561**	**2,202**	**5.35**	141,625	1,780	5.03
Total liabilities bearing interest	**119,075**	**(1,135)**	**(3.81)**	90,646	(611)	(2.70)
Interest spread			**1.54**			2.33
Israeli currency linked to the CPI						
Total assets bearing interest	**16,009**	**136**	**3.40**	14,180	230	6.49
Total liabilities bearing interest	**8,281**	**(39)**	**(1.89)**	8,548	(109)	(5.10)
Interest spread			**1.51**			1.39
Foreign currency (including linked to f-c)						
Total assets bearing interest	**18,344**	**238**	**5.19**	15,141	166	4.38
Total liabilities bearing interest	**22,181**	**(287)**	**(5.18)**	17,217	(181)	(4.20)
Interest spread			**0.01**			0.18
Total activity in Israel						
Total assets bearing interest	**198,914**	**2,576**	**5.18**	170,946	2,176	5.09
Total liabilities bearing interest	**149,537**	**(1,461)**	**(3.91)**	116,411	(901)	(3.10)
Interest spread			**1.27**			1.99

APPENDIX 1 - RATES OF INTEREST INCOME AND EXPENSES AND ANALYSIS OF CHANGES IN INTEREST INCOME AND EXPENSES (CONT'D)

D. ANALYSIS OF CHANGES IN INTEREST INCOME AND EXPENSES

	For the three months ended March 31, 2024 compared with the same period last year		
	Increase (decrease) due to the change		Net change
	Quantity	Price	
			NIS million
Interest bearing assets			
Credit to the public			
In Israel	**(11)**	**(8)**	**(19)**
Total	**(11)**	**(8)**	**(19)**
Other interest-bearing assets			
In Israel	**309**	**110**	**419**
Total	**309**	**110**	**419**
Total interest income	**298**	**102**	**400**
Interest bearing liabilities			
Deposits from the public			
In Israel			
Demand	**(21)**	**42**	**21**
Fixed-term	**389**	**183**	**572**
Total	**368**	**225**	**593**
Other interest-bearing liabilities			
In Israel	**(7)**	**(26)**	**(33)**
Total	**(7)**	**(26)**	**(33)**
Total interest expenses	**361**	**199**	**560**
Total interest income less interest expenses	**(63)**	**(97)**	**(160)**

(1) On the basis of monthly opening balances, excluding the non-linked Shekel segment in which calculated on daily balances.
(2) Before deduction of the average balance of provisions for credit losses including debts which are non-accruing interest income.
(3) To the average balance of available for sale bonds was added the average balance of unrealized losses from adjustments to fair value of bonds, included in other comprehensive profit in the item "adjustments to fair value of available for sale securities" for the three months ended March 31, 2024 in the amount of NIS 124 million (for the three months ended March 31, 2023 balance of NIS 365 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 42 million and NIS 49 million were included in interest income for the three months ended March 31, 2024 and March 31, 2023, respectively.
(6) Including derivative instruments.
(7) Net return- net interest income to total interest-bearing assets, in annual terms.
(8) Change attributed to quantity was calculated by multiplying the price in the reported period by the change in the quantity in the compared periods.
Change attributed to price was calculated by multiplying the quantity in the previous period by the change in the price in the compared periods.