FIBI FIRST INTERNATIONAL BANK OF ISRAEL

Financial Statements as of September 30,

2022

CONTENTS

REPORT OF THE BOARD OF DIRECTORS AND MANAGEMENT

LIST OF TABLES

REPORT OF THE BOARD OF DIRECTORS AND MANAGEMENT AS OF SEPTEMBER 30, 2022

The meeting of the Board of Directors held on November 22, 2022, resolved to approve and publish the unaudited consolidated financial statements of the First International Bank of Israel Ltd. (hereinafter - "the Bank") and its consolidated subsidiaries (hereinafter - "the Bank Group"), as of September 30, 2022.

GENERAL OVERVIEW, OBJECTIVES AND STRATEGY

DESCRIPTION OF THE BANK GROUP'S ACTIVITY

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

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

The Bank operates through three principal business divisions:

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

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

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

RATIFICATION OF THE BANK'S RATING BY RATING AGENCIES

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

On August 8, 2022, Midrug ratified the evaluation of the Bank's internal financial stability at the rank of aa2.il, the Bank's short-term deposits at the rank of P-1.il, the Bank's long-term deposits and the senior debt at the rank of Aaa.il/stable outlook and its subordinate debt notes with a loss absorption mechanism at Aa3.il (hyb)/stable outlook rating.

On November 8, 2022, 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".

FORWARD-LOOKING INFORMATION

Part of the information detailed in these reports which does not refer to historical facts is forward-looking information as defined in the Securities Law, 1968. Actual results are likely to be substantially different from those included in the context of forward-looking information due to a large number of factors, including changes in legislation and supervisory directives, macroeconomic developments in Israel and abroad and their effect on the liquidity position and stability in the capital markets at business companies in Israel and abroad, exceptional economic developments such as extreme changes in interest rates, exchange rates and inflation, stock prices, bond prices, competitors' behavior and changes in the terms of competition.

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

The information in this report is based, among other, on the publication of the Central Bureau of Statistics, the Treasury department and the data from the Bank of Israel, as well as on public information given by different factors operating and connected with the capital and money markets.

CONDENSED PRINCIPAL FINANCIAL INFORMATION AND PRINCIPAL EXECUTION INDICES

Principal financial ratios	For the nine months ended September 30, 2022	For the nine months ended September 30, 2021	For the year ended December 31, 2021
			in %
Execution indices			
Return on equity attributed to shareholders of the Bank(1)(3)	**15.1%**	15.1%	14.7%
Return on average assets(1)	**0.82%**	0.84%	0.82%
Ratio of equity capital tier 1	**10.17%**	11.64%	11.46%
Leverage ratio	**5.10%**	5.54%	5.34%
Liquidity coverage ratio	**127%**	133%	128%
Net stable funding ratio (2)	**134%**		*139%
Ratio of total income to average assets(1)	**2.7%**	2.6%	2.6%
Ratio of interest income, net to average assets (1)	**1.9%**	1.6%	1.6%
Ratio of fees to average assets (1)	**0.8%**	0.8%	0.8%
Efficiency ratio	**53.3%**	57.9%	58.3%
Credit quality indices			
Ratio of provision for credit losses to credit to the public	**1.01%**	1.12%	1.05%
Ratio of non-accruing debts or in arrears of 90 days or more to credit to the public	**0.47%**	0.72%	**0.62%
Ratio of provision for credit losses to total non-accruing credit to the public	**224%**	222%	**244%
Ratio of net write-offs to average total credit to the public (1)	**0.03%**	(0.02%)	(0.01%)
Ratio of expenses (income) for credit losses to average total credit to the public (1)	**0.09%**	(0.30%)	(0.23%)

Principal data from the statement of income	For the nine months ended September 30, 2022	For the nine months ended September 30, 2021
		NIS million
Net profit attributed to shareholders of the Bank	**1,131**	1,072
Interest Income, net	**2,613**	2,090
Expenses (income) from credit losses	**74**	(206)
Total non-Interest income	**1,194**	1,281
Of which: Fees	**1,125**	1,057
Total operating and other expenses	**2,028**	1,953
Of which: Salaries and related expenses	**1,231**	1,199
Primary net profit per share of NIS 0.05 par value (NIS)	**11.27**	10.68

Principal data from the balance sheet	30.9.22	30.9.21	31.12.21
			NIS million
Total assets	**194,987**	173,758	180,470
of which: Cash and deposits with banks	**56,012**	57,083	57,370
Securities	**15,331**	14,803	15,091
Credit to the public, net	**114,539**	95,877	101,164
Total liabilities	**184,290**	163,301	170,033
of which: Deposits from the public	**164,902**	148,273	153,447
Deposits from banks	**4,998**	5,471	5,144
Bonds and subordinated capital notes	**5,030**	2,851	3,356
Capital attributed to the shareholders of the Bank	**10,237**	10,022	10,003

Additional data	30.9.22	30.9.21	31.12.21
Share price (0.01 NIS)	**14,500**	11,820	12,950
Dividend per share (0.01 NIS)	**708**	224	543

* Restated.

** Restated in respect of the new disclosure format on non-accruing debts instead of impaired debts.

(1) Annualized.

(2) According to instructions of the Bank of Israel the Net stable funding ratio was calculated since 2021. Therefor no comparative data for the nine months ended September 30, 2021 is stated.

(3) According to instructions of the Bank of Israel, beginning in 2022, the method for the conversion of return per period into annualized terms was changed, from exponential calculation to linear calculation. Comparative data have been restated.

PRINCIPAL RISKS TO WHICH THE BANK IS EXPOSED

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

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

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

Additional information is detailed in the financial statements for 2021.

LEADING AND DEVELOPING RISKS

Developing risks are risks which may be created in new areas, or new risk centers developing in existing areas, which stem, inter alia, from changes in the environment affecting areas of banking activity, including the regulatory, competitive, digital and additional environments.

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

OBJECTIVES AND STRATEGY

The Bank operates according to a multi-annual startegic plan validated smi-annually by the Board of Directors. In November 2019, The Board of Directors approved an updated corporate strategy for the years 2020-2022. These days, the Bank acts to formalize new corporate strategy for the years 2023-2025.

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

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

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

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

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

- Leading efficiency moves in expenditure, while making the manpower strength more efficient, improving processes, continuation of efficiency measures at the branches and continuing the transition to the digital banking channels;
- Structuring and strengthening of the critical core abilities, such as: data management and business development.

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

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.
During the second quarter of the year, the bank formed a comprehensive ESG strategy, that in its framework, a multi-annual goals were set, while focusing on several central areas as detailed bellow:

- 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 consummates, presently, a training layout in the matter, directed at bank investment consultants, with a view of assisting them in integrating the ESG area in consultation processes, in accordance with customer needs.
- Environmental and climate risk management regarding business credit – The Bank studies regularly, the processes of environmental risks with respect to material credit transactions, and strictly considers environmental risk aspects upon making credit granting decisions, to the extent that the matter is relevant to the transaction. On background of the significant developments in recent years regarding practices for the management of environmental risks, the Bank plans to conduct a renewed examination of the processes regarding evaluation and management of the environmental risk, while modifying them, to the extent possible, to accepted practices in the world. In this framework, the Bank shall examine its risk appetite, including determination of goals and limitations.
- Promotion of financial understanding of Bank customers, with a focus on the capital market – the Bank is continuously acting to promote the financial understanding of its various customers, through digital means, such as study courses and video clips. The contents are presented on the Internet website of the Bank and published to customers, with the aim of expanding the scope of exposure to such content, and increase the financial knowledge of customers and assist them in making more educated financial decisions. Some of the contents are modified to the unique needs of customers belonging to specific sectors, such as small businesses and self-employed. Over and above the plentiful social value of this move, the Bank recognizes the importance of the financial knowledge of its customers, also as part of its risk management tools.
- Promotion of diversity in employment – Within the strategic focusing of the Bank Group on customers coming from different groups of population, through the different banking brands, the Bank sees great importance in attracting employees from divers' groups of the Israeli society.

EXPLENATION AND ANALYSIS OF RESULTS AND BUSINESS POSITION

TRENDS, EVENTS, DEVELOPMENTS AND MATERIAL CHANGES

Principal Economic Developments

Following are the main economic developments that affected the economic environment in which the banking system operates in Israel.

The first nine months of 2022 were marked by high levels of inflation, both in Israel and in the leading economies globally, with the crossing of the upper borderline of the targeted inflation range, in view of the exit from the Corona crisis, the continuing war in the Ukraine with following sanctions imposed on Russia, all contributing to the intensification of the energy crisis in Europe and the rise in prices of commodities.

This trend of growing inflation induced the central banks to tighten their monetary policy and raise interest rates.

In its interest rate announcement (published in October 2022) Bank of Israel noted that the economic activity of the Israeli economy is sound. Indicators of economic activity continue to point also at the accelerated activity and at a level of the product, which is higher than the forecasted trend prior to the Corona crisis. In a survey of business trends evaluation conducted by the Central Bureau of Statistics (CBS), published in October 2022, the CBS stated that balance sheets in all segments covered by the survey, reverted to their level prior to the Corona crisis, and in particular the industrial, commercial and hotel segments that are higher than their level prior to the Corona crisis.

Growth

The Research Division of Bank of Israel updated its forecasts on October 3, 2022, according to which the GDP is expected to grow in 2022 at a rate of 6.0%, and in 2023 at a rate of 3.0%. The Research Division of Bank of Israel estimates that growth of the product would slow down in 2023 on background of expectations for moderated growth in global trading and in the GPD of developed countries, as well as due to the result of the rise in the real-time interest in Israel within the range of the forecast.

Credit risk of the economy

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

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

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

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

State budget

In October of last year, the Knesset approved the State budget and the economic plan (Arrangement Act) for the years 2021-2022. The State budget for 2021 amounted to NIS 432.3 billion and for 2022 amounted to NIS 452.5 billion.

According to the budget performance estimate of the Accountant General at the Ministry of Finance, published in October 2022, in the first nine months of 2022, as compared to the corresponding period last year, tax revenues increased by 21% (in 2021, due to the timing of the High Holidays, the periodic payment of taxes was moved from September to October, were it not for this change, the increase in revenues would have been 17.5%), direct tax revenues increased by 25% (a leap in tax collection, mainly from real estate taxes) and indirect tax revenues also recorded a fair real-time increase of 16%. The volume of Government expenditure in comparison with the corresponding period last year was lower by 7%, in view of a reduction in expenses designed to combat the Corona pandemic. As a result of all that, a budgetary surplus was created. The cumulative surplus since the beginning of the year amounted to NIS 33.3 billion, as compared to a deficit of NIS 51.6 billion, in the corresponding period last year.

In Bank of Israel forecast regarding the fiscal policy, published in October 2022, the Research Division anticipates that in 2022, the Government deficit (in terms of GDP percentage) would amount to 0.3% (0.7% according to the forecast dated July 2022) and in 2023 is expected to amount to 1.0% in 2023 (1.2% according to the forecast of July 2022), this in view of estimates for higher than expected tax revenues, alongside lower than expected expenditure.

Inflation

A rise in inflation was recorded in the first nine months of 2022, in continuation of the trend in 2021. The CPI "for the month" rose by 4.3%, in comparison to a rise of 2.5% in the corresponding period last year, whereas the "known" CPI rose by 4.4%, in comparison to a rise of 2.2% in the corresponding period last year. During the past twelve months (September 2022 as compared to September 2021) the CPI for the month rose by 4.6%. The CPI for October 2022, rose by 0.6% in relation to the preceding month, reflecting an across the board increase in prices in a variety of fields.

In accordance with an update by the Research Department of Bank of Israel dated October 2022, the rates of inflation expected for the years 2022 and 2023 would be 4.6% and 2.5%, respectively.

In its latest announcement of the interest rate, published in October 2022, Bank of Israel noted that the inflation in Israel in the past twelve months exceeded the upper limit of the targeted inflation range, though it is still significantly lower then inflation in most of the developed countries.

According to an updated forecast by the International Monetary fund, published in October 2022, the expected inflation rates in Israel for the years 2022 and 2023 amount to 4.5% and 3.6%, respectively.

Housing market

In accordance with the apartment price index of the CBS, published in October 2022, the upward trend regarding apartment prices continues.

Comparison of transactions effected in the period July-August 2022, with the corresponding period in 2021, shows that prices of all apartments rose by 19%, with prices of new apartments rising by 23%.

In its last announcement regarding the interest rate, published in October 2022, Bank of Israel noted the number building permits and of beginnings of construction increased and is at a high level. On the other hand, data regarding completion of building projects remained low up to now, on background of longer construction periods.

In view of the continuing rise in interest rates in the economy, it is noticed that the volume of mortgage loans extended in September 2022, was reduced to an amount of NIS 7.7 billion, which is lower by 20% than that of the previous month, but which is still higher as compared to September 2021.

Labor market

According to the manpower survey published by the CBS in September 2022, the wide unemployment rate (relating to age 15 and over) declined to a level of 5.0% (221 thousand of unemployed), as compared to a level of 5.2% (232 thousand of unemployed) in the month of August. The unemployment rate data is significantly lower in relation to December 2021 - 6% (262 thousand), and to December 2020 - 13% (553 thousand).

The updated forecast of the Research Division of Bank of Israel of October 2022, anticipates a decline in the rate of the wide unemployment (relating to age 25-64) from 4.6% in 2021 to 3.1% in 2022, and to 3.5% in 2023, which is still lower than the level that had existed prior to the Corona crisis (3.8%).

Bank of Israel interest rate

Following a long period of time in which Bank of Israel had left unchanged the interest rate in the economy, at a level of 0.1%, in the period from April 2022 to October 2022, Bank of Israel raised the interest rate five times successively, from a level of 0.1% to 2.75%.

According to an updated assessment of the research Division at Bank of Israel dated October 2022, the interest rate is expected to continue rising up to an average level of 3.5% in the third quarter of 2023. This, on background of the rise in inflation, which exceeded the upper limit of the targeted range, and of the high level of economic activity.

The global environment

During the first nine months of 2022, the pace of the global economic activity was moderated, inter alia, due to the combination of high inflation rates, monetary restraint, the continuing war in the Ukraine followed by sanctions imposed on Russia, which also contribute to the intensification of the energy crisis in Europe and to rising commodity prices, and increase the global economic uncertainty.

The global Purchase Managers' Index published by JP Morgan continues to decline. In August, the Index decreased to a level of 50.3 points, as compared to a level of 52.2 points in June, 53.0 points in March, and 54.2 points in December 2021.

In its announcement of the interest rate of October 2022, Bank of Israel noted that the Global Purchase Managers' Index of the developed countries declined in August 2022, indicating the continuing slowdown in the pace of economic activity, whereas, the Index for the emerging markets declined, though continues to indicate expansion. The volume of international trade recovered slightly in recent months, though, the export orders item in the Purchase Managers' Index, representing a preliminary indicator of the volume of trade in the coming months, is becoming moderate.

Inflation continues to rise globally. In most countries, the inflation indices are significantly higher than the targets of the central banks, accordingly, the monetary restraint around the world continues.

In the United States, the FED raised the interest rate from 0.25% in March, to a level of 4% in November (the upper limit of the interest range), the highest interest rate since 2008. Accordingly, the forecast of the FED for the interest rate in the years 2022 and 2023, amounts to 4.4% (3.4% according to the forecast published in June) and to 4.6% (3.8% according to the forecast published in June), respectively.

In the Eurozone, the ECB has accelerated the process of monetary restraint, raising the interest rate in October, for the third time successively, by 0.75% to a level of 2% (following an increase of 0.75% in September and an increase of 0.5% in July), the highest increase announced by the ECB since its foundation.

In Britain, the monetary restraint by the central bank continues. Concurrently, with the formation of the new Government, expansionary fiscal measures were declared, leading to a significant increase in returns on government bonds, and on the other hand, to intervention by the central bank due to concerns regarding financial stability. On background of the economic and political instability in the country, the Prime Minister resigned from office in October, only six weeks after being elected.

A forecast by the International Monetary Fund, published in October 2022, updated its forecasts for global economic growth for the years 2022 and 2023, to 3.2% and 2.7%, respectively (as compared to 3.6% in forecasts for these years published in April). The downward updating of the forecasts stems from expectations for a significant slowdown in the years 2022 and 2023 relating to the three largest economies in the world – China, the European Union and the United States (in relation to forecasts published in April).

Capital market

During the first nine months of 2022, trading on the capital markets around the world was marked by considerable fluctuations and falling quotations, on background of anticipated continuation of the rise in the interest rates in the leading economies. As regards the leading indices: The NASDAQ Index decreased by 33%, the S&P 500 and the Dow Jones Indices decreased by 21%. Noticeable decline in quotations on the leading indices was recorded also in the leading stock exchanges in Europe

Prices of government bonds around the world are found at a downward trend in view of the reduced supply of liquidity by the central banks, accelerated inflation and anticipation for continuing interest rises in the leading economies.

On the local markets, in total for the first nine months of 2022, most equities indices recorded falling quotations, the TA35 Index and the TA90 Index dropping by 8.4% on an average. The segmental indices also recorded noticeable decline, with the TA Biomed Index declining by 42%, the TA Hi-Tech Index declining by 24%, and the TA Real Estate Index declining by 22%. Positively noticeable was the Oil and Gas Index, leaping by 48% with the growth in demand for Israeli natural gas.

The bond market recorded falling quotations in most of the government and corporate bonds, brought about by the rise in interest, similarly to the global trend. The Government Bonds General Index and the Tel Gov-General Index dropped by 8% since the beginning of the year, and the corporate bonds Indices – Tel Bond 20 and Tel Bond 40 dropped since the beginning of the year by 9% and 7%, respectively.

MATERIAL DEVELOPMENTS IN REVENUES, EXPENSES AND OTHER COMPREHENSIVE INCOME

PROFIT AND PROFITABILLITY

Net profit attributed to the shareholders of the Bank amounted to NIS 1,131 million in the first nine months of 2022, as compared to NIS 1,072 million in the same period last year, an increae of 5.5%.

The return of net profit to the capital attributed to the shareholders of the Bank (annualized) amounted to 15.1% in the period January-September 2022, similar to the same period last year and 14.7% in 2021.

Net profit attributed to the shareholders of the Bank in the third quarter of the year amounted to NIS 467 million, compared with NIS 364 million in the same period last year, an increase of 28.3%.

The return of net profit to the capital attributed to the shareholders of the Bank (annualized) amounted to 18.5% in the third quarter of the year, compared with 14.7% in the same period last year.

Condensed statement of income

	For the three months ended September 30,			For the nine months ended September 30,		
	2022	**2021**	**change**	**2022**	**2021**	**change**
		NIS million	%		NIS million	%
Net financing earnings(1)	**1,058**	773	36.9	**2,673**	2,304	16.0
Expenses (income) from credit losses	**43**	(69)		**74**	(206)	
Net financing earnings after Expenses from credit losses	**1,015**	842	20.5	**2,599**	2,510	3.5
Fees and other income	**371**	352	5.4	**1,134**	1,067	6.3
Operating and other expenses	**682**	645	5.7	**2,028**	1,953	3.8
Profit before taxes	**704**	549	28.2	**1,705**	1,624	5.0
Provision for taxes on profit	**249**	193	29.0	**597**	570	4.7
The bank's share in profit of equity-basis investee, after taxes	**27**	21	28.6	**64**	57	12.3
Net profit:						
Before attribution to non-controlling interests	**482**	377	27.9	**1,172**	1,111	5.5
Attributed to non-controlling interests	**(15)**	(13)	15.4	**(41)**	(39)	5.1
Attributed to shareholders of the Bank	**467**	364	28.3	**1,131**	1,072	5.5
Net return on equity attributed to the Bank's shareholders(2)	**18.5%**	14.7%		**15.1%**	15.1%	

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

(2) Annualized.

DEVELOPMENT IN INCOME AND EXPENSES

The Net Financing earnings

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

	2022			2021				First nine months of the year	
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	2022	2021
							NIS million		NIS million
Interest income	**1,382**	**1,104**	**871**	758	807	856	729	**3,357**	2,392
Interest expenses	**372**	**245**	**127**	54	97	146	59	**744**	302
Net interest income	**1,010**	**859**	**744**	704	710	710	670	**2,613**	2,090
Non-interest financing income (expenses)	**48**	**(22)**	**34**	89	63	75	76	**60**	214
Net reported financing earnings	**1,058**	**837**	**778**	793	773	785	746	**2,673**	2,304
Elimination of non-current activities:									
Reconciliations to fair value of derivative instruments	**(9)**	**(4)**	**(14)**	2	(5)	5	(3)	**(27)**	(3)
Income (expenses) from realization and reconciliations to fair value of bonds	**(2)**	**(1)**	**11**	-	8	10	3	**8**	21
Earnings (losses) from investments in shares	**(6)**	**(56)**	**4**	77	46	45	65	**(58)**	156
Total non-current activities	**(17)**	**(61)**	**1**	79	49	60	65	**(77)**	174
Financing earnings from current activity(1)	**1,075**	**898**	**777**	714	724	725	681	**2,750**	2,130

(1) Of which in respect of changes in the CPI- an income of NIS 190 million in the first nine months of 2022, in comparison with an income of NIS 87 million in the same period last year (in the third quarter of 2022 - an income of NIS 61 million, in comparison with and income of NIS 36 million in the same period last year).

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

The financing earnings from current activity amounted to NIS 2,750 million, compared with NIS 2,130 million in the corresponding period last year, an increase of 29.1%. The financing earnings in the third quarter of the year amounted to NIS 1,075 million, compared to NIS 724 million in the same quarter last year, an increase of 48.5%. The increase is explained by the raise in the interest rate, from the effect of the changes in the CPI and from the effect of the increase in the volume of the business activity.

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

	For the nine months ended September 30,	
	2022	2021
		in %
Income rate on asset bearing interest(1)	**2.77**	2.12
Expense rate on liabilities bearing interest(1)	**1.07**	0.49
Total interest spread	**1.70**	1.63
Ratio between net interest income and assets bearing interest balance(1)	**2.16**	1.85

(1) Annualized.

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

Expenses from credit losses amounted to NIS 74 million in the first nine months of 2022 compared with income of NIS 206 million in the same period last year, an increase of NIS 280 million, stemming mainly from the collective provision for credit losses. In the first nine months of the year expenses deriving from an increase in the collective provision, in an amount of NIS 116 million, due to an increase in the volume of proper credit and from an increase in the subjective provision, stemming from the possible implication of the changes in the local and global economic environment. In the same period last year, income were recorded amounting to NIS 183 million, deriving from a decrease in the collective provision for credit losses, explained by an improvement in the macro-economic indices and indicators that indicated on the level of risk embedded in the credit portfolio of the Bank.

Expenses from credit losses amounted to NIS 43 million in the third quarter of 2022 compared with an income of NIS 69 million in the same period last year, an increase of NIS 112 million.

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

	For the three months ended September 30,		For the nine months ended September 30,	
	2022	**2021**	**2022**	**2021**
		NIS million		NIS million
Individual expense in respect of credit losses	**21**	25	**75**	80
Decrease in individual expense in respect of credit losses and collection of debts written off in accounting	**(50)**	(37)	**(117)**	(103)
Individual income, net in respect of credit losses	**(29)**	(12)	**(42)**	(23)
Collective expense (income) in respect of credit losses	**72**	(57)	**116**	(183)
Total expenses (income) in respect of credit losses	**43**	(69)	**74**	(206)
Of which:				
Expenses (income) in respect of commercial credit	**47**	(37)	**68**	(182)
Expenses(income) in respect of housing credit	**5**	(3)	**16**	(1)
Income in respect of other private credit	**(9)**	(29)	**(10)**	(23)
Ratio of individual income in respect of credit losses to average total credit to the public(1)	**(0.10%)**	(0.05%)	**(0.05%)**	(0.03%)
Ratio of collective expense (income) in respect of credit losses to average total credit to the public(1)	**0.25%**	(0.24%)	**0.14%**	(0.27%)
Ratio of total expenses (income) in respect of credit losses to average total credit to the public(1)	**0.15%**	(0.29%)	**0.09%**	(0.30%)

(1) Annualized.

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

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

Fees totaled NIS 1,125 million in the first nine months of 2022, compared with NIS 1,057 million in the same period last year, an increase of 6.4%.

Set out below are details of fees income:

	For the nine months ended	
	September 30, 2022	September 30, 2021
		NIS million
Account management	**160**	152
Credit cards	**89**	84
Transactions in securities	**570**	559
Conversion differentials	**151**	122
Fees from financing transactions	**73**	59
Other Fees	**82**	81
Total Fees	**1,125**	1,057

Operating and other expenses totaled NIS 2,028 million in the first nine months of 2022, compared with NIS 1,953 million in the same period last year, an increase of 3.8%.

Set out below are details of operating and other expenses:

	For the nine months ended	
	September 30, 2022	September 30, 2021
		NIS million
Salaries and related expenses	**1,231**	1,199
Maintenance and depreciation of premises and equipment	**249**	255
Amortization of intangible assets	**84**	78
Other expenses	**464**	421
Total operating and other expenses	**2,028**	1,953

Salaries and related expenses totaled NIS 1,231 million in the first nine months of 2022, compared with NIS 1,199 million in the same period last year, an increase of 2.7%. explained mainly by the provision for bonuses.

Maintenance and depreciation of buildings and equipment expenses amounted to NIS 249 million in comparison to NIS 255 million in the same period last year, a decrease of 2.4%, derived mainly from a reduction in the volume of real estate assets in the group, due to the efficiency measures.

Other expenses totaled NIS 464 million in the first nine months of 2022, compared with NIS 421 million in the same period last year, an increase of 10.2%, stemming, among other things, from an increase in marketing and advertising expenses, insurance expenses, computer expenses and expenses in respect of legal claims.

The provision for taxes on operating earnings amounted to NIS 597 million in the first nine months of 2022, compared with NIS 570 million in the same period last year. The effective tax rate as a proportion of earnings before taxes amounted to 35.0%, compared with 35.1% in the same period last year and compared with the statutory rate of tax of 34.2%.

The Bank's share in the operating earnings of investee company after the tax effect amounted to NIS 64 million, compared with NIS 57 million in the same period last year.

The total comprehensive income attributed to the shareholders of the Bank amounted to NIS 988 million. This amount was affected by the net profit for the period attributed to the shareholders of the Bank of NIS 1,131 million, by other comprehensive income in respect of employees' benefits in an amount of NIS 153 million and other comprehensive loss in respect of adjustments to reconsile available-for-sale bonds to market value in an amount of NIS 296 million.

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

The consolidated balance sheet as of September 30, 2022 amounted to NIS 194,987 million compared with NIS 180,470 million as of December 31, 2021, an increase of 8.0%.

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

	September 30, 2022	December 31, 2021	Change
		%	NIS million
Credit to the public, net	**114,539**	101,164	13.2
Securities	**15,331**	15,091	1.6
Cash and deposits with banks	**56,012**	57,370	(2.4)
Deposits from the public	**164,902**	153,447	7.5
Bonds and subordinated capital notes	**5,030**	3,356	49.9
Shareholders' equity	**10,237**	10,003	2.3

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

	September 30, 2022	December 31, 2021	Change
		NIS million	%
Off-balance sheet financial instruments excluding derivatives:			
Documentary credit	**181**	179	1.1
Guarantees and other liabilities	**10,628**	9,136	16.3
Unutilized credit lines for derivatives instruments	**3,331**	2,715	22.7
Unutilized revolving credit and other on-call credit facilities	**12,343**	11,738	5.2
Unutilized credit lines for credit card facilities and Facilities for the lending of securities	**9,579**	9,198	4.1
Irrevocable commitments to grant credit, not yet executed and commitments to issue guarantees	**6,971**	8,832	(21.1)
Total	**43,033**	41,798	3.0

Derivative financial instruments:

	September 30, 2022			December 31, 2021		
	Positive fair value	Negative fair value	Face value	Positive fair value	Negative fair value	Face value
						NIS million
Interest contracts	**531**	**334**	**21,402**	157	256	18,215
Currency contracts	**1,538**	**1,238**	**75,014**	555	785	73,326
Contracts in respect of shares	**1,730**	**1,730**	**47,570**	951	951	72,711
Commodities and other contracts	**1**	**1**	**104**	46	46	1,117
Total	**3,800**	**3,303**	**144,090**	1,709	2,038	165,369

Credit to the public, net as of September 30, 2022 amounted to NIS 114,539 million compared with NIS 95,877 million as of September 30, 2021 and NIS 101,164 million as of December 31, 2021, an increase of 19.5% and 13.2%, respectively.

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

	September 30, 2022	December 31, 2021	Change		Segment's share of credit to the public as of September 30, 2022	December 31, 2021
		NIS million	NIS million	%	%	%
Local currency						
- Non-linked	**93,985**	84,013	9,972	11.9	**82.0**	83.0
- CPI-linked	**13,835**	12,634	1,201	9.5	**12.1**	12.5
Foreign currency (including f-c linked)	**5,938**	3,819	2,119	55.5	**5.2**	3.8
Non-monetary items	**781**	698	83	11.9	**0.7**	0.7
Total	**114,539**	101,164	13,375	13.2	**100.0**	100.0

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

	As of September 30, 2022	September 30, 2021	December 31, 2021	Change September 30, 2021	December 31, 2021
			NIS million		%
Large business segment	**25,144**	16,338	18,571	53.9	35.4
Medium business segment	**7,920**	5,806	6,101	36.4	29.8
Small and minute business segment	**21,707**	19,967	21,044	8.7	3.2
Household segment excluding housing loans	**23,812**	22,158	22,622	7.5	5.3
Housing loans	**35,342**	31,156	32,260	13.4	9.6
Private banking segment	**111**	88	95	26.1	16.8
Institutional entities	**1,672**	1,452	1,547	15.2	8.1
Total	**115,708**	96,965	102,240	19.3	13.2

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 158,437 million on September 30, 2022 compared with NIS 143,872 million on December 31, 2021, an increase of 10.1%.

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

Sector	September 30, 2022		December 31, 2021		
	Total credit risk	Sector's share in total credit risk	Total credit risk	Sector's share in total credit risk	Change
	NIS million	%	NIS million	%	%
Financial services (including holding companies)	**22,681**	**14.3**	19,307	13.4	17.5
Construction and real estate	**24,133**	**15.3**	20,409	14.2	18.2
Industry	**12,208**	**7.7**	10,738	7.5	13.7
Commerce	**8,903**	**5.6**	7,608	5.3	17.0
Private customer, including housing loans	**74,776**	**47.2**	71,433	49.6	4.7
Others	**15,736**	**9.9**	14,377	10.0	9.5
Total	**158,437**	**100.0**	143,872	100.0	10.1

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

		September 30, 2022			
Borrower no.	Sector of the economy	Balance-sheet credit risk (*)	Off-balance-sheet credit risk	Aggregate credit risk	Aggregate credit risk after permitted deductions
					NIS million
1.	Financial services	**1,305**	**365**	**1,670**	**615**
2.	Industry	**30**	**913**	**943**	**943**
3.	Construction and real estate - construction	**653**	**268**	**921**	**887**
4.	Financial services	**42**	**813**	**855**	**855**
5.	Financial services	**6**	**794**	**800**	**800**
6.	Financial services	**787**	**-**	**787**	**2**

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

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

The investment in securities as of September 30, 2022 totaled NIS 15,331 million compared with NIS 15,091 million at the end of 2021, an increase of 1.6%.

Set out below is the composition of the portfolio:

			Share of total securities	
	September 30, 2022	December 31, 2021	September 30, 2022	December 31, 2021
		NIS million		%
Government bonds	**13,934**	13,542	**90.9**	89.7
Banks' bonds (1)	**630**	359	**4.1**	2.4
Corporate bonds	**292**	447	**1.9**	3.0
Corporate bonds guaranteed by governments	**-**	11	**-**	0.1
Shares (2)	**475**	732	**3.1**	4.8
Total	**15,331**	15,091	**100.0**	100.0

(1) The balance includes bonds that were issued by banks' issuing companies.
(2) Investment in shares includes inter alia investment in private equity funds, investment in foreign currency shares and EITF, investment in hedging funds and investment in shares and EITF traded on the Tel Aviv Stock Exchange.

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

					Segment's share of total securities	
	September 30, 2022	December 31, 2021		Change	September 30, 2022	December 31, 2021
		NIS million	NIS million	%	%	%
Local currency						
- Non-linked	**7,065**	8,323	(1,258)	(15.1)	**46.1**	55.2
- CPI-linked	**1,202**	241	961	398.8	**7.8**	1.6
Foreign currency denominated & linked	**6,589**	5,795	794	13.7	**43.0**	38.4
Non-monetary items	**475**	732	(257)	(35.1)	**3.1**	4.8
Total	**15,331**	15,091	240	1.6	**100.0**	100.0

Set out below are the sources for the price quotations which the Bank used for determining the fair value of securities on September 30, 2022:

	Price quoted in active market	Indicative price*	Counter-party price**	Total
				NIS million
Shares and private investment funds	**261**	**86**	**128**	**475**
Local currency government bonds	**7,741**	**-**	**-**	**7,741**
Local currency corporate bonds	**406**	**120**	**-**	**526**
Foreign-currency and f-c linked bonds	**42**	**6,547**	**-**	**6,589**
Total	**8,450**	**6,753**	**128**	**15,331**
% of portfolio	**55.1**	**44.1**	**0.8**	**100.0**

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

** Counter-party price-Price quotation obtained from the entity with which the transaction is conducted. With respect to private equity funds, the need for a provision for write-down is examined on the basis of their financial statements.

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

	September 30, 2022	December 31, 2021
		NIS million
Israel (incl. Israel Government - NIS 3,331 million, 31.12.21 - NIS 4,079 million)	**3,373**	4,137
USA (incl. USA Government - NIS 2,861 million, 31.12.21 - NIS 1,342 million)	**2,936**	1,396
France	**27**	26
Canada	**106**	26
Germany	**-**	47
Far East, Australia and others (1 country; 31.12.21 - 3 countries)	**38**	67
Europe (4 countries)	**109**	96
Total	**6,589**	5,795

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

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

	September 30, 2022	December 31, 2021
		NIS million
Electricity and water	**46**	88
Construction and real estate	**87**	138
Financial services	**32**	24
Banks	**303**	115
Industry	**12**	21
Commerce	**3**	14
Transportation	**43**	45
Total	**526**	445

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

- **Bonds denominated in or linked to foreign currency** - amounting to NIS 6,589 million (Dollar 1,860 million) (includes foreign currency denominated Israel Government bonds amounting to NIS 3,331 million and bonds of USA government amounting to NIS 2,861 million). All of the foreign bonds are investment grade and 98% rated A or higher. This portfolio is diversified, in a manner whereby exposure to any single issuer (which is not a government) does not exceed 0.7% of the total foreign currency bond portfolio. The duration (average term-to-maturity) of the foreign currency bond portfolio is 2.0 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 51 million (Dollar 15 million) compared with gross earnings of NIS 53 million (Dollar 17 million) on December 31, 2021.

The balance of losses, net (before the tax effect), included in other cumulative comprehensive profit, in respect of the difference between the fair value of bonds included in the available-for-sale portfolio and their amortized cost, as of September 30, 2022, amounted to NIS 367 million (NIS 229 million, net after tax).
As of November 8, 2022, the balance of losses amounted to NIS 392 million (NIS 245 million, net after tax).

Cash and deposits at banks on September 30, 2022 totaled NIS 56,012 million compared with NIS 57,370 million at the end of 2021, a decrease of 2.4%.

Deposits from the public on September 30, 2022 totaled NIS 164,902 million compared with NIS 153,447 million at the end of 2021, an increase of 7.5%.

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

	As of				Segment's share of total deposits from the public on	
	September 30, 2022	December 31, 2021		Change	September 30, 2022	December 31, 2021
		NIS million	NIS million	%	%	%
Local currency						
- Non-linked	**128,766**	120,343	8,423	7.0	**78.1**	78.4
- CPI-linked	**6,509**	6,298	211	3.4	**3.9**	4.1
Foreign currency denominated & linked	**28,846**	26,108	2,738	10.5	**17.5**	17.0
Non-monetary items	**781**	698	83	11.7	**0.5**	0.5
Total	**164,902**	153,447	11,455	7.5	**100.0**	100.0

Deposits from the public by segment of activity

	As of			Change	
	September 30, 2022	September 30, 2021	December 31, 2021	September 30, 2021	December 31, 2021
			NIS million		%
Large business	**18,901**	11,982	15,553	57.7	21.5
Medium business	**6,450**	6,053	7,028	6.6	(8.2)
Small and minute business	**27,194**	25,168	25,949	8.0	4.8
Household	**68,148**	64,219	63,792	6.1	6.8
Private banking	**10,092**	9,448	9,253	6.8	9.1
Institutional entities	**34,117**	31,403	31,872	8.6	7.0
Total	**164,902**	148,273	153,447	11.2	7.5

Securities portfolios belonging to customers of the Bank Group

The total of the securities portfolios of customers of the Bank Group as of September 30, 2022, amounted to NIS 387 billion, as compared to NIS 448 billion at the end of 2021, a decrease of 13.6%. The decrease in the volume of the securities portfolios of customers of the Group, in the first nine months of the year, was affected mainly from the decline that occurred in the markets and the transfer to deposits, due to the raise of the interest rate.

Bonds and subordinated capital notes amounted at September 30, 2022 to NIS 5,030 million, as compared with NIS 3,356 million at December 31, 2021, an increase of 49.9%.

In the month of March 2022, First international issuance Ltd. a wholly owned subsidiary of the Bank, issued on public placement subordinated capital notes with loss absorption mechanism, the face value of which amounted to NIS 300 million, in consideration of NIS 300 million.

In the month of June 2022, First international issuance Ltd. issued on public placement, by way of extensions of the series, subordinated capital notes with loss absorption mechanism, the face value of which amounted to NIS 608 million, in consideration of NIS 569 million.

In the month of September 2022, First international issuance Ltd. a wholly owned subsidiary of the Bank, issued on public placement subordinated capital notes with loss absorption mechanism, the face value of which amounted to NIS 800 million, in consideration of NIS 800 million.

The considerations of the placements were deposited with the Bank. The Bank is obligated to fullfil the terms of the subordinated capital notes which were issued.

On September 6, 2022, the Board of Directors of the Bank has resolved to redeem by early full redemption subordinated capital notes, series W, which were issued to the public in September 2017. Accordingly, on October 2, 2022, the suborinated capital notes of series W were redeemed in the amount of NIS 331 million. As a result of the full eary redemption decision, the subordinated capital notes of series W were not recognized in the supervisory capital of the Bank as of September 30, 2022.

CAPITAL AND CAPITAL ADEQUACY

The capital attributed to the shareholders of the Bank amounted on September 30, 2022 to NIS 10,237 million, as compared with NIS 10,003 million on December 31, 2021, an increase of 2.3%. The change in capital attributed to the Bank's shareholders was affected by net earnings of NIS 1,131 million, and by other comprehensive profit in respect of employees benefits of NIS 153 million. On the other hand, the capital decreased due to the payment of dividends amounting to NIS 710 million, to other comprehensive loss of NIS 296 million stemming from the presentation of available-for-sale bonds at fair value, and to NIS 44 million reflecting the effect of the initial implementation of US accounting principles regarding expected credit losses.

CAPITAL ADEQUACY

Minimum capital ratios

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

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

In view of the spreading of the Coronavirus and as part of the adjustment to Proper Conduct of Banking Business directives, the Supervisor of Banks published, Proper Conduct of Banking Business Directive No. 250, which, inter alia, contained the Provisional Instruction concerning the update of Directive 201, which includes a reduction of 1% of the minimal capital requirements applying to banks and an update to Directive 329, which cancels the demand of additional 1% applying to residential loans for the purpose of the purchase of a residential apartment granted in the period from March 19, 2020 to September 30, 2021, and to residential loans, secured by a mortgage on an apartment, not for the purpose of purchasing rights in real estate (hereinafter – "loans for any purpose"), granted since March 19, 2020.

All along the crisis period, the Supervisor of Banks published updates extending the effect of the Provisional Instruction. On December 27, 2021, the Supervisor of Banks issued a letter, according to which, the effect of the Provisional Instruction expires as from January 1, 2022. Likewise, the letter amends Proper Conduct of Banking Business Directive No. 329 regarding limitations on residential loans, according to which, the additional capital requirement of 1% shall apply to loans for residential purposes only and not to loans for any other purpose.

In view of all that stated above, the minimal Tier I equity capital ratio and the minimal comprehensive capital ratio required from the Bank by the Supervisor of Banks, amount on a consolidated basis, as of September 30, 2022, to 9.24% and 12.50%, respectively.

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

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

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

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

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

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

Stress tests

The Bank implements infrastructure of stress tests in order to examine the capital propriety and examines the capital ratios according to the triennial capital planning. The outline includes, inter alia, holistic stress tests, "rolling" over three years, in respect of credit risks, financial risks, operational risks including cyber, AML, compliance, strategy, reputation, operational etc. The outline of the stress tests also includes adjustements to the current economic environment.
For detailed information, see the risk report as of December 31, 2021, on the Bank's website.

Basel 3 guidelines

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

Operational Efficiency

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

- A decision was taken in the third quarter of 2018, for the merger of Otsar Hachayal, and accordingly, on January 1, 2019, Otsar Hachayal merged with and into the Bank. In respect of this move, the Group has recorded an enlarged allowance for severance compensation in the amount of NIS 82 million. (NIS 53 million after the tax effect). Save for the said relief, the implementation of efficiency measures as of September 30, 2022, would have led to an additional reduction of 0.01% in the capital adequacy ratios.
- On July 28, 2020 and on November 3, 2020, the Board of Directors approved an efficiency plan, according to which 60 regular employees of the Bank, belonging to the defined target population, will be allowed to opt for early retirement under preferred conditions.

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

In addition, in the fourth quarter of the year 2020, an additional provision for enlarged severance compensation was recorded, in an amount of NIS 50 million, in respect of another early retirement anticipated in the coming years. Total net effect, after tax in respect of these actions amounted to NIS 65 million. Save for the said relief, the implementation of efficiency measures as of September 30, 2022, would have led to an additional reduction of 0.05% in the capital adequacy ratios.

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

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

On December 1, 2020, the Supervisor of Banks published a letter in the matter of "regulatory capital - effect of implementation of accounting principles regarding expected credit losses", which included, inter alia, an update of Proper Conduct of Banking Business Directive No. 299, according to which, it is stated that to the extent that as a result of the initial implementation of these rules, the Tier I equity capital of a banking corporation has declined, then the bank may spread the amount of the decline over a period of three years (hereinafter – "the transition period"). Save for this relief, as stated, the initial implementation of the said rules, would have led to an additional decline of 0.03% in the capital adequacy ratio as of September 30, 2022.

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

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

Subsequential to this, the Bank adopted the relief set in the letter, according to which, the effect of the change in the risk weight on the capital ratio, in respect of the balance of loans as of June 30, 2022, may be spread in constant quarterly rates until June 30, 2023. Save for this relief, as stated, as of September 30, 2022, the implementation would have decrease tier 1 equity capital and the comprehensive equity capital in the rates of 0.11% and 0.14%, respectively.

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

In March 2014, The Basel Committee on Banking Supervision published updates to Basel 3 instructions, among which was a new instruction regarding "the standard approach for the computation of exposure to counterparty credit risk" (SA-CCR).

On December 1, 2021, the Supervisor of Banks published a letter updating Proper Conduct of Banking Business Directives, which included, inter alia, the addition of Proper Conduct of Banking Business Directive No. 203A in the matter of the treatment of counterparty credit risk in accordance with SA-CCR, replacing approaches existing at the present time within the framework of Directive 203 for the computation of exposure to a counterparty in the event of failure. According to the letter, implementation of the Directive begins on July 1, 2022.

The implementation of the Directive decrease tier 1 equity capital and the comprehensive equity capital in the rates of 0.07% and 0.09%, respectively, this as a result of an increase in the amount of risk assets in respect of exposure to counterparty credit risk in an amount of NIS 710 million.

Implementation of the instructions

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

Pillar II - the Bank is required to conduct an internal process for the assessment of capital adequacy (the ICAAP process). This process is designed to ensure the maintenance of an adequate level of capital means supporting the overall risks inherent in the operations of the Bank. The ICAAP document relating to the data as of June 30, 2021, has been dully submitted to bank of Israel.

The Bank is in the process of preparing the document relating to the data as of June 30, 2022. The infrastructure for the capital adequacy, as approved by the Bank, serves as a basis for the internal process conducted at the banking subsidiary, subject to required adjustments, and on the basis of its specific risk profile.

			As of
		September 30, 2022	**December 31, 2021**
1.	**Capital for calculation of capital ratio, after deduction and supervisory adjustments**		
	Tier 1 capital, after deductions and supervisory adjustments	**10,476**	10,199
	Tier 2 capital, after deductions	**3,396**	1,891
	Total capital	**13,872**	12,090
2.	**Weighted balances of risk assets**		
	Credit risk	**94,602**	81,660
	Market risk	**760**	683
	Operational risk	**7,639**	6,645
	Total weighted balances of risk assets	**103,001**	88,988
3.	**Ratio of capital to risk assets**		
	Raito of tier 1 equity capital to risk assets	**10.17%**	11.46%
	Comprehensive ratio of capital to risk assets	**13.47%**	13.59%
	Minimal ratio of equity capital tier 1 required by the Supervisor of banks	**9.24%**	8.25%
	Minimal ratio of comprehensive capital required by the Supervisor of Banks	**12.50%**	11.50%

The Tier I equity capital ratio as of September 30, 2022, amounted to 10.17% in comparison with 11.46% on December 31, 2021. The ratio of comprehensive capital to risk components as of September 30, 2022, amounted to 13.47%, in comparison with 13.59% on December 31, 2021.

The comprehensive capital as of September 30, 2022 amounted to NIS 13,872 million, in comparison with NIS 12,090 million on December 31, 2021.

The capital base was affected from earnings of NIS 1,131 million, from other comprehensive profit in respect of employees' benefits in the amount of NIS 153 million and by an increase in instruments issued by the Bank qualified for inclusion in the regulatory capital in the amount of NIS 1,368 million. However, this increase was offset by dividend paid in the amount of NIS 710 million and by other comprehensive loss in respect of presentation of available for sale bonds at fair value in the amount of NIS 296 million.

Risk assets as of September 30, 2022 amounted to NIS 103,001 million as compared with NIS 88,988 million on December 31, 2021, an increase of 15.7%, stemming from an increase 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:

	September 30, 2022	**December 31, 2021**
		In percent
Bank Massad Ltd.		
Ratio of Tier 1 capital to risk assets	**14.95%**	14.71%
Ratio of comprehensive capital to risk assets	**16.08%**	15.72%

Leverage ratio - The Bank implements the Proper Conduct of Banking Business Directive No. 218 in the matter of leverage ratio (hereinafter – "the Directive"). The leverage ratio is expressed in percentages and is defined as the ratio between capital measurement and exposure measurement. Capital for the purpose of measuring the leverage ratio is the Tier I equity capital, as defined in Proper Conduct of Banking Business Directive No. 202. In accordance with the Directive, a banking corporation should attain a leverage ratio of no less than 5% on a consolidated basis, applying to a banking corporation, the total consolidated stated assets of which do not exceed 24% of total stated assets of the banking sector as a whole (including the Bank). On November 15, 2020 the Bank of Israel published an update to Proper Conduct of Banking Business Directive No. 250 – Adjustments to Proper Conduct of Banking Business Directives in order to cope with the Coronavirus crisis (Provisional Instruction), within its framework was updated Proper Conduct of Banking Business directive No. 218 in the matter of Leverage Ratio. The update mitigates the requirement of the leverage ratio by 0.5 percent point, so the Bank has to comply with leverage ratio of no less than 4.5% (instead of 5%) on a consolidated basis, being a banking corporation, the total consolidated stated assets of which does not exceed 24% of total stated assets of the banking sector as a whole. In accordance with the letter amending Proper Conduct of Banking Business Directive No.250, of May 15, 2022, the relief will be valid until June 30, 2024, provided that the leverage ratio will not be less than the leverage ratio at December 31, 2023, or the minimal leverage ratio applying to the Bank prior to the Provisional Instruction, whichever is lower.
The leverage ratio of the Bank as of September 30, 2022, amounts to 5.10%, compared to 5.34% as of December 31, 2021.

DIVIDEND DISTRIBUTION POLICY

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

It should be noted that in addition to the provisions of the Companies Law, dividend distribution by the Bank is subject to additional restrictions that are detailed in Note 24A.b. to the financial statements for the year 2021.

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

Declaration date	Payment date	Total dividend paid	Dividend per share
		NIS million	NIS
March 12, 2019	March 20, 2019	105	1.05
May 28, 2019	June 17, 2019	85	0.85
August 13, 2019	August 29, 2019	110	1.10
November 26, 2019	December 12, 2019	110	1.10
March 15, 2020	March 31, 2020	125	1.25
August 17, 2021	September 1, 2021	225	2.24
November 23,2021	December 13, 2021	320	3.19
January 6, 2022	January 24, 2022	215	2.14
March 7, 2022	March 24, 2022	165	1.65
May 24, 2022	June 12, 2022	160	1.59
August 24, 2022	September 1, 2022	170	1.70

The Bank had applied and accepted the position of Bank of Israel, according to which, nothing avoids considerations by the Bank for the distribution of a one-time dividend distribution, which includes an amount of NIS 150 million (completing the distribution of 50% of net earnings of 2020, in accordance with the dividend policy) and an additional one-time amount of dividend of up to NIS 350 million.

On August 16, 2022, the Board of Directors decided that at this date, the Bank does not consider the distribution of one-time dividend, as stated above. As of this date, no change in the Board of Directors' decision, in respect of one-time dividend distribution, as stated above, was made.

On November 22, 2022, the Board of Directors of the Bank, decided, in accordance with the Bank's dividend distribution policy, to approve the distribution of dividend in cash to the shreholders of the Bank, in an amount of NIS 235 million (gross), comprising 50% of the net profit of the Bank in accordance with the financial statements of the Bank for the third quarter of 2022. The ex-dividend date was fixed for November 30, 2022, and payment of the dividend shall be made on December 8, 2022. The amount of the dividend is before any tax, including tax which the Bank has to withhold according to the law.

SUPERVISORY SEGMENTS OF ACTIVITY

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

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

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

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

a. Total income*

	For the three months ended September 30,			Segment's share of total income	
	2022	2021	Change	30.9.22	30.9.21
		NIS million	%		%
Large business	**151**	97	55.7	**10.6**	8.6
Medium business	**84**	54	55.6	**5.9**	4.8
Small and minute business	**326**	240	35.8	**22.8**	21.3
Household	**614**	455	34.9	**43.0**	40.5
Private banking	**42**	27	55.6	**2.9**	2.4
Institutional entities	**85**	53	60.4	**5.9**	4.7
Financial management	**127**	199	(36.2)	**8.9**	17.7
Total	**1,429**	1,125	27.0	**100.0**	100.0

	For the nine months ended September 30,			Segment's share of total income	
	2022	2021	Change	30.9.22	30.9.21
		NIS million	%		%
Large business	**388**	298	30.2	**10.2**	8.8
Medium business	**212**	158	34.2	**5.6**	4.7
Small and minute business	**858**	718	19.5	**22.5**	21.3
Household	**1,586**	1,368	15.9	**41.6**	40.6
Private banking	**105**	80	31.3	**2.8**	2.4
Institutional entities	**224**	172	30.2	**5.9**	5.1
Financial management	**434**	577	(24.8)	**11.4**	17.1
Total	**3,807**	3,371	12.9	**100.0**	100.0

b. Net profit attributed to the shareholders of the bank

	For the three months ended September 30,		For the nine months ended September 30,	
	2022	2021	2022	2021
		NIS million		NIS million
Large business	**53**	34	**158**	153
Medium business	**32**	22	**62**	72
Small and minute business	**91**	77	**213**	211
Household	**158**	88	**306**	204
Private banking	**15**	6	**31**	18
Institutional entities	**30**	10	**66**	37
Financial management	**88**	127	**295**	377
Total	**467**	364	**1,131**	1,072

* Including net interest income and non-interest income.

c. Average balance sheet balances*

	Credit to the public			% of credit to the public	
	For the nine months ended September 30,			For the nine months ended September 30,	
	2022	2021	Change	2022	2021
		NIS million	%	%	%
Large business	**22,416**	16,796	33.5	**20.6**	18.0
Medium business	**7,006**	5,537	26.5	**6.4**	5.9
Small and minute business	**21,672**	18,967	14.3	**19.9**	20.4
Household	**56,247**	50,617	11.1	**51.6**	54.4
Private banking	**117**	62	88.7	**0.1**	0.1
Institutional entities	**1,564**	1,103	41.8	**1.4**	1.2
Total	**109,022**	93,082	17.1	**100.0**	100.0

	Deposits from the public			% of deposits from the public	
	For the nine months ended September 30,			For the nine months ended September 30,	
	2022	2021	Change	2022	2021
		NIS million	%	%	%
Large business	**17,107**	11,851	44.4	**10.8**	8.2
Medium business	**6,822**	5,664	20.4	**4.3**	3.9
Small and minute business	**26,994**	24,324	11.0	**17.1**	16.8
Household	**66,037**	63,718	3.6	**41.7**	44.1
Private banking	**9,732**	9,036	7.7	**6.2**	6.3
Institutional entities	**31,423**	29,907	5.1	**19.9**	20.7
Total	**158,115**	144,500	9.4	**100.0**	100.0

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

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

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

	For the three months ended September 30, 2022				For the three months ended September 30, 2021			
	Small and minute business	Medium business	Large business	Total	Small and minute business	Medium business	Large business	Total
								NIS million
Net interest income	**231**	**65**	**110**	**406**	153	39	71	263
Non-interest income	**95**	**19**	**41**	**155**	87	15	26	128
Total income	**326**	**84**	**151**	**561**	240	54	97	391
Expenses (income) from credit losses	**20**	**7**	**19**	**46**	(35)	(5)	3	(37)
Operating and other expenses	**163**	**27**	**50**	**240**	154	24	42	220
Net profit attributed to the shareholders of the Bank	**91**	**32**	**53**	**176**	77	22	34	133
Average balance of credit to the public	**21,958**	**7,756**	**25,028**	**54,742**	19,717	5,697	16,264	41,678
Balance of credit to the public at the end of the reported period	**21,707**	**7,920**	**25,144**	**54,771**	19,967	5,806	16,338	42,111
Average balance of deposits from the public	**27,400**	**6,596**	**18,571**	**52,567**	24,766	5,856	11,795	42,417
Balance of deposits from the public at the end of the reported period	**27,194**	**6,450**	**18,901**	**52,545**	25,168	6,053	11,982	43,203

	For the nine months ended September 30, 2022				For the nine months ended September 30, 2021			
	Small and minute business	Medium business	Large business	Total	Small and minute business	Medium business	Large business	Total
								NIS million
Net interest income	**567**	**157**	**276**	**1,000**	454	112	221	787
Non-interest income	**291**	**55**	**112**	**458**	264	46	77	387
Total income	**858**	**212**	**388**	**1,458**	718	158	298	1,174
Expenses (income) from credit losses	**31**	**34**	**2**	**67**	(89)	(30)	(62)	(181)
Operating and other expenses	**493**	**80**	**141**	**714**	475	73	123	671
Net profit attributed to the shareholders of the Bank	**213**	**62**	**158**	**433**	211	72	153	436
Average balance of credit to the public	**21,672**	**7,006**	**22,416**	**51,094**	18,967	5,537	16,796	41,300
Balance of credit to the public at the end of the reported period	**21,707**	**7,920**	**25,144**	**54,771**	19,967	5,806	16,338	42,111
Average balance of deposits from the public	**26,994**	**6,822**	**17,107**	**50,923**	24,324	5,664	11,851	41,839
Balance of deposits from the public at the end of the reported period	**27,194**	**6,450**	**18,901**	**52,545**	25,168	6,053	11,982	43,203

Main changes in the results of activity in the first nine months of 2022 compered with the coresponding period last year

Total net interest income amounted to NIS 1,000 million, compared with NIS 787 million in the same period last year, an increase of 27.1%, stemming from the effect of the interest rate increase and the increase in the volume of activity.

Non-interest income amounted to NIS 458 million, compared to NIS 387 million in the corresponding period last year, an increase of 18.3%, stemming from the increase in income from capital markets and income from conversion differentials.

Expenses in respect of cresit losses amounted to NIS 67 million, in comparison with an income of NIS 181 million in the same period last year. In the first nine months of the year, expenses were recorded, deriving from an increase in the collective provision, due to an increase in the volume of proper credit and from an increase in the subjective provision, deriving from possible implications of changes in the local and global economic environment. In the same period last year, income was recorded deriving from a decrease in the collective provision for credit losses, explained by an improvement in the macro-economic indices and indicators that indicated on the level of risk embedded in the credit portfolio of the Bank.

The operating and other expenses amounted to NIS 714 million, compared to NIS 671 million in the corresponding period last year, an increase of 6.4%, deriving, among other things, from an increase in computer expenses, salaries and related expenses and commission expenses, in respect of the capital market.

The net profit attributed to the shareholders of the Bank amounted to NIS 433 million, in comparison with NIS 436 million in the same period last year.

Average balance of credit to the public amounted to NIS 51,094 million, in comparison with NIS 41,300 million in the same period last year, an increase of 23.7%.

Credit to the public as of September 30, 2022 amounted to NIS 54,771 million, in comparison with NIS 42,111 million on September 30, 2021, an increase of 30.1%.

Average balance of deposits from the public amounted to NIS 50,923 million, in comparison with NIS 41,839 million in the same period last year, an increase of 21.7%.

Deposits from the public as of September 30, 2022 amounted to NIS 52,545 million, in comparison with NIS 43,203 million on September 30, 2021, an increase of 21.6%.

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 September 30, 2022			For the three months ended September 30, 2021		
	households	private banking	Total	households	private banking	Total
						NIS million
Net interest income	**463**	**21**	**484**	303	3	306
Non-interest income	**151**	**21**	**172**	152	24	176
Total income	**614**	**42**	**656**	455	27	482
Income from credit losses	**(4)**	**-**	**(4)**	(32)	-	(32)
Operating and other expenses	**357**	**18**	**375**	342	17	359
Net profit attributed to the shareholders of the Bank	**158**	**15**	**173**	88	6	94
Average balance of credit to the public	**57,741**	**99**	**57,840**	52,165	70	52,235
Balance of credit to the public at the end of the reported period	**59,154**	**111**	**59,265**	53,314	88	53,402
Average balance of deposits from the public	**67,997**	**9,908**	**77,905**	64,008	9,134	73,142
Balance of deposits from the public at the end of the reported period	**68,147**	**10,092**	**78,240**	64,219	9,448	73,667

	For the nine months ended September 30, 2022			For the nine months ended September 30, 2021		
	households	private banking	Total	households	private banking	Total
						NIS million
Net interest income	**1,128**	**37**	**1,165**	903	12	915
Non-interest income	**458**	**68**	**526**	465	68	533
Total income	**1,586**	**105**	**1,691**	1,368	80	1,448
Expenses (income) from credit losses	**5**	**1**	**6**	(24)	-	(24)
Operating and other expenses	**1,068**	**55**	**1,123**	1,043	52	1,095
Net profit attributed to the shareholders of the Bank	**306**	**31**	**337**	204	18	222
Average balance of credit to the public	**56,247**	**117**	**56,364**	50,617	62	50,679
Balance of credit to the public at the end of the reported period	**59,154**	**111**	**59,265**	53,314	88	53,402
Average balance of deposits from the public	**66,037**	**9,732**	**75,769**	63,718	9,036	72,754
Balance of deposits from the public at the end of the reported period	**68,148**	**10,092**	**78,240**	64,219	9,448	73,667

Main changes in the results of activity in the first nine months of 2022 compered with the coresponding period last year

Total net interest income amounted to NIS 1,165 million, as compared with NIS 915 million in the corresponding period last year, an increase of 27.3%, stemming from an increase in the interest rate and from an increase in the volume of activity.
Non-interest income amounted to NIS 526 million, in comparison with NIS 533 million in the corresponding period last year, a decrease of 1.3%.
Expenses in respect of cresit losses amounted to NIS 6 million, in comparison with income in the sum of NIS 24 million in the same period last year. In the first nine months of the year, expenses were recorded, deriving from an increase in the collective provision, due to an increase in the volume of proper credit and from an increase in the subjective provision, deriving from possible implications of changes in the local and global economic environment. In the same period last year, income was recorded deriving from a decrease in the collective provision for credit losses, explained by an improvement in the macro-economic indices and indicators that indicated on the level of risk embedded in the credit portfolio of the Bank.

Operating and other expenses amounted to NIS 1,123 million, as compared to NIS 1,095 million in the corresponding period last year, an increase of 2.6%.

The net profit attributed to the shareholders of the Bank amounted to NIS 337 million, compared with NIS 222 million in the corresponding period last year, an increase of 51.8%.

Average balance of credit to the public amounted to NIS 56,364 million, in comparison with NIS 50,679 million in the same period last year, an increase of 11.2%.

Credit to the public as of September 30, 2022 amounted to NIS 59,265 million, in comparison with NIS 53,402 million on September 30, 2021, an increase of 11.0%.

Average balance of deposits from the public amounted to NIS 75,769 million, in comparison with NIS 72,754 million in the same period last year, an increase of 4.1%.

Deposits from the public as of September 30, 2022 amounted to NIS 78,240 million, in comparison with NIS 73,667 million on September 30, 2021, an increase of 6.2%.

FINANCIAL MANAGEMENT SEGMENT

Total income attributed to this segment in the first nine months of the year amounted to NIS 434 million compared with NIS 577 million in the corresponding period last year.

The net earnings of the Financial Management Segment in the first nine months of the year amounted to NIS 295 million compared with NIS 377 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 479 million on September 30, 2022.

Total assets of Massad on September 30, 2022 amounted to NIS 11,333 million compared with NIS 10,835 million on December 31, 2021, an increase of 4.6%.

Shareholders' equity of Massad on September 30, 2022, totaled NIS 939 million compared with NIS 886 million on December 31, 2021, an increase of 6.0%.

Net earnings of Massad for the first nine months of the year totaled NIS 84.8 million compared with NIS 79.8 million in the same period last year, an increase of 6.3%.

The Bank's share in Massad's operating results for the first nine months of the year amounted to NIS 43.3 million compared with NIS 40.7 million in the same period last year, an increase of 6.4%.

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

Net return on equity (on an annualized basis) amounted to 12.4% compared with 12.7% in the corresponding period last year. The comprehensive ratio of capital to risk assets amounted to 16.08%, compared with 15.72% at the end of 2021. The Tier 1 equity capital ratio amounted to 14.95% compare with 14.71% at the end of 2021.

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

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

ICC markets and issues credit cards and settles credit card transactions of the international Visa and MasterCard 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 679 million on September 30,2022.

The ratio of comprehensive capital to risk assets amounted to 13.6%, compare with 16.3% at the end of 2021.

The Bank's share in the net earnings of ICC, before the tax effect, amounted in the first nine months of the year to NIS 72.7 million, as compared with NIS 64.5 million in the corresponding period last year, an increase of 12.7%.

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

On September 22, 2022, the General Meeting of Shareholders of ICC approved an additional dividend distribution in an amount of NIS 80 million. The Bank's share in the dividend amounted to NIS 22 million. The dividend was paid on September 29, 2022.

In accordance with ICC reports, on March 23, 2022, within the framework of the preparations for the relocation to the Discount Campus, ICC signed an agreement for the sale of the ICC Building in Givataim. Consumation of the sale transaction is expected in the second quarter of 2023, and according to ICC's assessment, it is expected to record a net gain on the sale in the amount of NIS 220 million. The Bank's share in the said net gain amounts to NIS 60 million.

On August 11, 2021, Bank of Israel informed ICC that it examines the possibility of cross-clearing with respect to the "Diners" brand and its ramifications, requesting ICC to provide any information, which in its opinion, might assist in forming a position in the matter. On December 21, 2021, the Ministry of Finance updated ICC that examination of the possibility of imposing cross-clearing also with respect to the "Diners" and "American Express" brands, had begun.

In continuation of the above, on August 1, 2022, the Ministry of Finance informed ICC of an outline, within the framework of which, the issuers of the closed brands ("Diners" and "American Express") would allow any clearing license holder to engage in a consolidating agreement with them and summarize debits and credits of trading houses in respect of transactions effected by use of charge cards of the closed brands. According to the position of the Ministry, to the extent that the said outline would take effect within 120 days, there will be no need to involve the authority of the Minister of Finance under the law, to determine that an issuer having a wide scope of operations (including ICC) shall not refuse to engage with a clearing agent for the purpose of cross-clearing of transactions made by charge cards issued by him, based on unreasonable arguments, also with respect to the closed brands. The Ministry of Finance intends to examine the situation in the market and the progress made by the parties in regularizing the said outline, and accordingly, reach a conclusion regarding the necessity to involve the authority of the Minister. In accordance with the outline, ICC would be able to serve as a consolidating agent for the "American Express" brand.

It is noted that at the reporting date, the subsidiary of ICC, Diners Club Israel Ltd., is engaged in agreements with several consolidators, providing them the ability to offer clearing services to trading houses with respect to the "Diners" brand, under terms agreed with each consolidator. ICC has approached the clearing agents operating in Israel, and is conducting negotiations regarding their activity as consolidators for the "Diners" brand. Likewise, ICC conducts negotiations with respect to its operation as a consolidator for the "American Express" brand.

ICC estimates that implementation of the outline may on the one hand, increase competition in the clearing sector in general, and in the closed brands "Diners" and "American Express" in particular, and respectively, may lead to a reduction in income of the clearing sector of ICC. On the other hand, the outline may lead to expansion of the market coverage of the closed brands in the clearing field, introducing them to additional trading houses.

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, a period of two years began on February 1, 2021, during which, the Minister of Finance (by the process detailed below) may instruct the separation of ICC from Discount Bank (hereinafter – "Discount").

On October 18, 2022, the website of Bank of Israel published a letter by the Head of the Research Division at Bank of Israel, who acts also as joint-chairman of the Committee established by law, among the duties of which, is the issue of recommendations in the matter of activating the authority of the Minister of Finance, according to the above stated, under Section 11B of the Banking Act (Licensing), 1981 (hereinafter – "the Committee" and "the Banking Act"). The letter was addressed to members of the Committee.

The subject matter of the letter is the position of Bank of Israel in the matter of the separation of ICC from Discount. Under Section 11B of the Banking Act, the Minister of Finance, with the consent of the Governor of Bank of Israel and approval by the Finance Committee of the Knesset, may determine that the definition "a bank having a wide scope of operations" shall apply also to a bank, the total assets of which exceeds a rate that is lower than 20% of the value of the assets of all banks in Israel, provided that it shall not be lower than 10%. The significance of such determination, if so decided, is that Discount would be required to sell its holdings in ICC. In accordance with the letter, the position of Bank of Israel is that the definition "a bank having a wide scope of operations" stated in the Act, should be changed in a way making it also applicable to Discount. On November 6, 2022, a draft recommendation of the Committee was delivered to Discount, which is also of the opinion that the definition of "a bank having a wide scope of operations" as stated by law, should be changed to apply also to Discount. Discount may submit its position as regards the recommendation by November 20, 2022. It is noted, that the decision of the Minister of Finance, with the consent of the Governor of Bank of Israel and approval of the matter by the Finance Committee of the Knesset, has not yet been received.

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 2021. Therefore, it should be read together with the chapter of the risk review published in the annual reports for 2021. Additional information about the risks can be found on the report on risks and additional supervisory reporting in the Bank's internet website.

General

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

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

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

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

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

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

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

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

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

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

   Mrs. Ziva Barak- as from April 24, 2022, compliance manager, including, among other things, Money Laundering risk, Finance of Terror risks and internal enforcement and cross border risks. Also appointed as Responsible Officer in-charge of implementation of the FATCA and CRS directives and QI agreement. Also responsible for privacy defense. Mrs. Barak replaced Mr. Amir Birenboim, which was officiated in these positions until that date.

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

Mrs. Iris Chen, manager of cyber defense and information security - as from May 31, 2022, - Cyber Risks manager. Until that date were managed by Mr. Yehoshua Peleg, which served as manager of cyber defense and information security.

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

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

g. Additional risks to which the Bank is exposed- regulatory and legislative risks - are managed and supervised as part of overall business management by members of the Board of Management and department heads in the areas for which they are responsible.

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

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

j. The risks document contains an examination of all the risks to which the Bank Group is exposed in the course of its activity, with details of the findings at the specific risk level as well as the results of stress scenarios that were conducted. Presented in the document is the Chief Risk Manager's review of the risk management situation at the group and of the effectiveness and the quality of the risk management. Also reviewed in the document are developments in the business environment and in the financial markets, and the measures taken by the division with respect to the main process involved with the different types of risks and special action which the division took during the relevant quarter.

k. The Bank and the Group have diverse stress tests for the unique risks, as embedded in the various policy documents. The Bank applies stress tests for reviewing capital adequacy and the capital ratio according to the triennial capital planning. The stress tests combine the realization of a number of risk centers at the same time. The stress tests used by the Bank are based on sensitivity analysis, historical scenarios, hypothetical scenarios and macro-economic scenarios. The stress tests were updated during 2021, reflecting also the possible effects of the Corona crisis, while identifying and mapping the relevant risk centers, in accordance with the nature and developments taking place in the crisis.

The stress tests comprise a complementary tool for the mapping and managing the risks embedded in the overall activities of the Bank and the risks derived from them. The scenarios and their results are tool for identifying weakness points and taking decisions. The Bank has management plans for coping with the stress scenarios, by taking different measures. In addition, according to the Bank of Israel requirement, the Bank calculates stress test on the basis of parameters which are uniform to the banking system. The uniform stress tests are tool for the Bank of Israel, in order to receive an updated holistic image of the Israeli economy and the ability of the banking system to continue and grant credit to the public while maintaining its stability. At the beginning of 2022, a uniform scenario based on the data for June 2021, was submitted at the request of Bank of Israel. The scenario was structured in accordance with two level of severity - basic (representing the anticipated path of the economy) and stressed. The capital ratios in all scenarios exceed the relevant limitations.

For discussion of the risk appetite and risk management principles, see reference in the description of principal risks, presented in the financial statements for the year 2021.

CREDIT RISK

Credit risk is the risk borrowers' inability or counterparty's inability to fulfill their obligations to the Bank.

The Group implements the standard approach, within the implementation of the Basel Directives, with respect to the exposure to credit risk. Within Pillar 2 the capital allocation of Pillar 1 is challenged, and if required, a complementary capital allocation is carried in respect of the credit risks.

In October 2022, The Bank of Israel continued with the raise of the interest rate and the current rate is 2.75%. According to the macro economic forecast of the research department of the Bank of Israel, the interest rate will average 3.5% in the third quarter of 2023. The interest rise is expected to increase the financing expenses of household and business companies, which alongside the rise in the inflation, make the current expsenses more expansive, which may aggravate the financial situation of borrowers, part of which, are customers of the Bank.

The Bank examines the effect of the rise in the interest rate and inflation on the different activity segments and in particular, the effect on the debts repayments ability of customers of the Bank. At this time, no material effect on the Bank was recorded. The Bank continues to follow these effects.

Credit quality and problematic credit risk

Problematic credit risk, including off-balance-sheet components, totaled NIS 1,578 million as of September 30, 2022, compared with NIS 1,936 million at the end of 2021, a decrease of 18.5%

The ratio of problematic credit risk to total credit risk at the group as of September 30, 2022 amounted to 1.0%, compared to 1.4% at the end of 2021.

19.3% of problematic credit risk at the group are attributed to the manufacturing sector, 14.5% to the real estate sector, 14.2% to the commerce sector, and 28.1% to the private customers including housing loans.

The ratio of problematic credit risk to total credit to the public amounted to 1.2%, compared to 1.7% at the end of 2021.

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

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

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

	September 30, 2022				September 30, 2021			
	Commercial	Housing	Private	Total	Commercial	Housing	Private	Total
								NIS million
Credit risk in credit granting rating(1)								
Balance sheet credit risk	**55,907**	**34,848**	**22,919**	**113,674**	42,722	30,514	21,300	94,536
Off-balance sheet credit risk	**25,081**	**2,444**	**13,090**	**40,615**	22,526	2,521	12,864	37,911
Total credit risk in credit granting rating	**80,988**	**37,292**	**36,009**	**154,289**	65,248	33,035	34,164	132,447
credit risk not in credit granting rating:								
Non problematic	**1,192**	**300**	**645**	**2,137**	1,417	335	643	2,395
Problematic(2)	**979**	**193**	**239**	**1,411**	1,290	307	259	1,856
Of which:								
Problematic accruing interest	**696**	**54**	**139**	**889**	899	307	160	1,366
Problematic not-accruing interest	**283**	**139**	**100**	**522**	391	-	99	490
Total balance sheet credit risk	**2,171**	**493**	**884**	**3,548**	2,707	642	902	4,251
Off-balance sheet credit risk	**502**	**-**	**98**	**600**	513	5	114	632
Total credit risk not in credit granting rating	**2,673**	**493**	**982**	**4,148**	3,220	647	1,016	4,883
Of which: accruing debts in arrears of 90 days or more	**6**	**-**	**12**	**18**	14	39	-	53
Total overall credit risk of the public	**83,661**	**37,785**	**36,991**	**158,437**	68,468	33,682	35,180	137,330
Non-performing assets								
Debts not accruing interest income	**283**	**139**	**100**	**522**	391	-	99	490

	December 31, 2021			
	Commercial	Housing	Private	Total
				NIS million
Credit risk in credit granting rating(1)				
Balance sheet credit risk	46,468	31,647	21,607	99,722
Off-balance sheet credit risk	22,813	3,575	12,778	39,166
Total credit risk in credit granting rating	69,281	35,222	34,385	138,888
Credit risk not in credit granting rating:				
Non problematic	1,444	338	759	2,541
Problematic(2)	1,174	275	269	1,718
Of which:				
Problematic accruing interest	836	275	166	1,277
Problematic not-accruing interest	338	-	103	441
Total balance sheet credit risk	2,618	613	1,028	4,259
Off-balance sheet credit risk	540	3	182	725
Total credit risk not in credit granting rating	3,158	616	1,210	4,984
Of which: accruing debts in arrears of 90 days or more	10	167	22	199
Total overall credit risk of the public	72,439	35,838	35,595	143,872
Non-performing assets				
Debts not accruing interest income	338	-	103	441

(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) Not accruing, inferior or special supervision credit risk.

Changes in debts not accruing interest income

	For the three months ended September 30, 2022			For the three months ended September 30, 2021		
	Commercial	Private	Total	Commercial	Private	Total
						NIS million
Balance of non-accruing debts at beginning of year	**353**	**254**	**607**	376	104	480
Classified as non-accruing during the period	**33**	**62**	**95**	52	11	63
Removed from non-accruing classification	**(1)**	**(42)**	**(43)**	(9)	(4)	(13)
Accounting write-offs of non-accruing debts	**(22)**	**(8)**	**(30)**	(9)	(3)	(12)
Collection of non-accruing debts	**(80)**	**(27)**	**(107)**	(19)	(9)	(28)
Balance of non-accruing debts at end of period	**283**	**239**	**522**	391	99	490
Of which: movement in problematic restructured debts						
Balance of restructured debts at beginning of the period	**61**	**79**	**140**	83	69	152
Restructure made during the period	**21**	**14**	**35**	11	11	22
Debts reversed into accruing classification following consequent restructure	**-**	**(6)**	**(6)**	-	(1)	(1)
Accounting write-offs of restructured debts	**(2)**	**(3)**	**(5)**	(2)	(4)	(6)
Collection of restructured debts	**(14)**	**(6)**	**(20)**	(14)	(10)	(24)
Balance of problematic restructured debts at end of period	**66**	**78**	**144**	78	65	143
Changes in provision for credit losses in respect of non-accruing debts						
Balance of provision for credit losses at the beginning of the period	**101**	**34**	**135**	146	33	179
Increase in provisions	**12**	**8**	**20**	13	5	18
Collection and write-offs	**(38)**	**(6)**	**(44)**	(12)	(5)	(17)
Balance of provision for credit losses at the end of the period	**75**	**36**	**111**	147	33	180

	For the nine months ended September 30, 2022			For the nine months ended September 30, 2021			For the year ended December 31, 2021		
	Commercial	Private	Total	Commercial	Private	Total	Commercial	Private	Total
						NIS million			NIS million
Balance of non-accruing debts at beginning of period	**338**	**103**	**441**	376	107	483	376	107	483
Adjustment to opening balance due to effect of initial implementation(1)	**6**	**146**	**152**						
Balance of non-accruing debts at beginning of year following initial implementation	**344**	**249**	**593**						
Classified as non-accruing during the period	**130**	**100**	**230**	131	42	173	166	203	369
Removed from non-accruing classification	**(8)**	**(50)**	**(58)**	(14)	(17)	(31)	-	(138)	(138)
Accounting write-offs of non-accruing debts	**(70)**	**(17)**	**(87)**	(38)	(14)	(52)	(62)	(19)	(81)
Collection of non-accruing debts	**(113)**	**(43)**	**(156)**	(64)	(19)	(83)	(142)	(50)	(192)
Balance of non-accruing debts at end of period	**283**	**239**	**522**	391	99	490	338	103	441
Of which: movement in problematic restructured debts									
Balance of restructured debts at beginning of the period	**67**	**69**	**136**	95	80	175	95	80	175
Adjustment to opening balance due to effect of initial implementation(1)	**-**	**19**	**19**						
Balance of restructured problematic debts at beginning of year following initial implementation	**67**	**88**	**155**						
Restructure made during the period	**38**	**37**	**75**	30	34	64	43	52	95
Debts reversed into accruing classification following consequent restructure	**(7)**	**(13)**	**(20)**	-	(6)	(6)	-	(7)	(7)
Accounting write-offs of restructured debts	**(7)**	**(12)**	**(19)**	(9)	(12)	(21)	(13)	(16)	(29)
Collection of restructured debts	**(25)**	**(22)**	**(47)**	(38)	(31)	(69)	(58)	(40)	(98)
Balance of problematic restructured debts at end of period	**66**	**78**	**144**	78	65	143	67	69	136
Changes in provision for credit losses in respect of non-accruing debts									
Balance of provision for credit losses at the beginning of the period	**129**	**33**	**162**	144	37	181	144	37	181
Adjustment to opening balance due to effect of initial implementation(1)	**(8)**	**-**	**(8)**						
Balance of provision following initial implementation	**121**	**33**	**154**						
Increase in provisions	**42**	**17**	**59**	50	15	65	62	20	82
Collection and write-offs	**(88)**	**(14)**	**(102)**	(47)	(19)	(66)	(77)	(24)	(101)
Balance of provision for credit losses at the end of the period	**75**	**36**	**111**	147	33	180	129	33	162

(1) The effect of the initial implementation of the Reporting to the Public directives in respect of anticipated credit losses. For detail see note 1.C. to the condensed financial statements.

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

	For the nine months ended September 30					For the year ended December 31
	2022				2021	2021
	Commercial	Housing	Private	Total	Total	Total
Analysis of quality of credit to the public						
Ratio of non-accruing credit to credit to the public	**0.50%**	**0.39%**	**0.42%**	**0.45%**	0.51%	0.43%
Ratio of non-accruing credit or in arrears of 90 days or more to credit to the public	**0.51%**	**0.39%**	**0.47%**	**0.47%**	0.71%	0.63%
Ratio of problematic credit to credit to the public	**1.73%**	**0.55%**	**1.01%**	**1.22%**	1.91%	1.68%
Ratio of credit not at credit execution rating to credit to the public	**3.84%**	**1.39%**	**3.71%**	**3.07%**	4.54%	4.17%
Analysis of expenses (income) in respect of credit losses for the reporting period						
Ratio of expenses (income) in respect of credit losses to the average balance of credit to the public*	**0.17%**	**0.06%**	**(0.06%)**	**0.09%**	(0.30%)	(0.23%)
Ratio of net accounting write-offs as to the average balance of credit to the public*	**0.06%**	**(0.01%)**	**-**	**0.03%**	(0.02%)	(0.01%)
Analysis of provision for credit losses in respect of credit to the public						
Ratio of provision for credit losses to credit to the public	**1.27%**	**0.39%**	**1.30%**	**1.01%**	1.16%	1.05%
Ratio of provision for credit losses to the balance of non-accruing credit to the public	**254.4%**	**100.0%**	**310.0%**	**223.9%**	222.0%	244.0%
Ratio of provision for credit losses to the balance of credit to the public, non-accruing or in arrears of 90 days or more	**249.1%**	**100.0%**	**276.8%**	**216.5%**	157.0%	168.1%
Ratio of provision for credit losses to net accounting write-offs*	**40.0**	**(92.7)**	**-**	**70.8**	(85.3)	(134.5)

* Annualized.

TOTAL CREDIT RISK ACCORDING TO ECONOMIC SECTORS

(NIS million)

	September 30, 2022						
					Credit losses (2)		
	Total credit risk(1)	Of which: Credit execution rating (3)	Of which: Problematic credit risk (4)	Of which: 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	12,083	11,542	301	76	23	31	168
Construction and Real estate - construction (5)	16,201	15,864	159	91	53	-	176
Construction and Real estate - real estate activities	7,918	7,687	70	43	27	-	84
Commerce	8,834	8,424	224	61	4	(4)	160
Financial services	22,089	21,937	9	4	10	(8)	31
Other business services	15,619	14,631	368	72	(46)	5	181
Total commercial (6)	82,744	80,085	1,131	347	71	24	800
Private individuals - housing loans	37,785	37,292	193	139	16	(2)	143
Private individuals - others	36,991	36,009	250	103	(10)	-	320
Total public - activity in Israel	157,520	153,386	1,574	589	77	22	1,263
Banks in Israel and Israeli government	13,785	13,785	-	-	-	-	2
Total activity in Israel	171,305	167,171	1,574	589	77	22	1,265
In respect of borrowers abroad							
Total public - activity abroad	917	903	4	4	(3)	-	7
Banks and foreign governments abroad	6,723	6,723	-	-	-	-	-
Total activity abroad	7,640	7,626	4	4	(3)	-	7
Total	178,945	174,797	1,578	593	74	22	1,272

NOTES:

(1) Balance sheet credit risk and off-balance sheet credit risk, including in respect of derivative instruments. Includes debts, bonds, securities borrowed, assets in respect of derivative instruments and credit risk in off balance sheet instruments as were calculated in respect of limitations of a borrower of NIS 120,644, 14,856, 630, 1,305 and 41,510 million, respectively.

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

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

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

(5) Including balance sheet credit risk amounting to NIS 127 million and non-utilized credit facilities amounting to NIS 18 million, in respect of housing loans extended to certain purchasing groups currently in the process of construction.

TOTAL CREDIT RISK ACCORDING TO ECONOMIC SECTORS

(NIS million)

	September 30, 2021*						
					Credit losses (2)		
	Total credit risk(1)	Of which: Credit execution rating (3)	Of which: Problematic credit risk (4)	Of which: non-accruing credit risk*	Expenses (income) for credit losses	Net accounting write-offs	Provision for Credit losses
In respect of borrowers in Israel							
Public-Commercial:							
Industry	10,159	9,685	376	143	(25)	5	203
Construction and Real estate - construction (5)	13,050	12,634	150	62	(1)	(3)	92
Construction and Real estate - real estate activities	6,067	5,558	124	104	(9)	1	32
Commerce	7,182	6,629	268	51	(50)	(5)	170
Financial services	16,842	16,731	25	7	(12)	(8)	25
Other business services	14,148	13,101	540	123	(81)	2	181
Total commercial (6)	67,448	64,338	1,483	490	(178)	(8)	703
Private individuals - housing loans	33,682	33,035	307	-	(1)	-	163
Private individuals - others	35,180	34,164	269	101	(23)	(8)	303
Total public - activity in Israel	136,310	131,537	2,059	591	(202)	(16)	1,169
Banks in Israel and Israeli government	14,792	14,792	-	-	-	-	-
Total activity in Israel	151,102	146,329	2,059	591	(202)	(16)	1,169
In respect of borrowers abroad							
Total public - activity abroad	1,020	910	6	-	(4)	(1)	5
Banks and foreign governments abroad	4,001	4,001	-	-	-	-	-
Total activity abroad	5,021	4,911	6	-	(4)	(1)	5
Total	156,123	151,240	2,065	591	(206)	(17)	1,174

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

NOTES:

(1) Balance sheet credit risk and off-balance sheet credit risk, including in respect of derivative instruments. Includes debts, bonds, securities borrowed, assets in respect of derivative instruments and credit risk in off balance sheet instruments as were calculated in respect of limitations of a borrower of NIS 101,278, 14,122, 232, 1,565 and 38,926 million, respectively.

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

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

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

(5) Including balance sheet credit risk amounting to NIS 66 million and non-utilized credit facilities amounting to NIS 92 million, in respect of housing loans extended to certain purchasing groups currently in the process of construction.

TOTAL CREDIT RISK ACCORDING TO ECONOMIC SECTORS

(NIS million)

	December 31, 2021*						
					Credit losses (2)		
	Total credit risk(1)	Of which: Credit execution rating (3)	Of which: Problematic credit risk (4)	Of which: Problematic not accruing credit risk*	Expenses (income) for credit losses	Net accounting write-offs	Provision for Credit losses
In respect of borrowers in Israel							
Public-Commercial:							
Industry	10,585	10,031	366	125	(28)	14	191
Construction and Real estate - construction (5)	13,840	13,381	143	55	(1)	(2)	92
Construction and Real estate - real estate activities	6,549	6,144	113	100	(16)	1	25
Commerce	7,520	6,933	252	49	(58)	(8)	166
Financial services	18,602	18,486	10	5	(15)	(8)	22
Other business services	14,233	13,215	495	114	(88)	3	171
Total commercial (6)	71,329	68,190	1,379	448	(206)	-	667
Private individuals - housing loans	35,838	35,222	275	-	(6)	(1)	159
Private individuals - others	35,595	34,385	280	105	2	(6)	326
Total public - activity in Israel	142,762	137,797	1,934	553	(210)	(7)	1,152
Banks and Israeli government in Israel	14,875	14,875	-	-	-	-	-
Total activity in Israel	157,637	152,672	1,934	553	(210)	(7)	1,152
In respect of borrowers abroad							
Total public - activity abroad	1,110	1,091	2	-	(6)	(1)	3
Banks and foreign governments abroad	4,070	4,070	-	-	-	-	-
Total activity abroad	5,180	5,161	2	-	(6)	(1)	3
Total	162,817	157,833	1,936	553	(216)	(8)	1,155

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

NOTES:

(1) Balance sheet credit risk and off-balance sheet credit risk, including in respect of derivative instruments. Includes debts, bonds, securities borrowed, assets in respect of derivative instruments and credit risk in off balance sheet instruments as were calculated in respect of limitations of a borrower of NIS 105,661, 14,359, 845, 1,709 and 40,243 million, respectively.

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

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

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

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

Counter-party credit risk management

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

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

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

External credit rating	As of September 30, 2022			As of December 31, 2021*		
	Balance-sheet credit risk(2)	Current Off-balance-sheet credit risk(3)	Aggregate credit risk	Balance-sheet credit risk(2)	Current Off-balance-sheet credit risk(3)	Aggregate credit risk
			NIS million			NIS million
AAA to AA-	**82**	**2**	**84**	85	2	87
A+ to A-	**3,831**	**36**	**3,867**	2,717	33	2,750
BBB+ to BBB-	**144**	**2**	**146**	119	2	121
Unrated	**14**	**-**	**14**	194	-	194
Total credit exposure to foreign financial institutions	**4,071**	**40**	**4,111**	3,115	37	3,152
Of which: Balance of problem loans (4)	**-**	**-**	**-**	-	-	-

* Reclassified

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

GENERAL NOTES:
a. Credit positions and problematic loans balances are presented after deduction of the provision for credit losses.
b. For further information regarding the composition of credit positions in respect of derivative instruments against banks and (local and foreign) dealers/brokers, see Note 10 to the financial statements. Off-balance-sheet credit risk in respect of transactions in derivative financial instruments which were conducted with foreign financial institutions as calculated for the purpose of borrower indebtedness restrictions totaled NIS 374 million on September 30, 2022 (December 31, 2021 - NIS 299 million).

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

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

Most of the Group's present credit exposure (96%) is attributed to leading financial institutions in OECD countries, which are graded AAA to A-, and 2% 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 326 million investment in foreign currency bonds.
The bonds portfolio, included in the foreign financial institutions exposure, is deversified and all these bonds are investment grade bonds, of which 64% are rated A- or higher.
The average duration of the portfolio is 2.2 years.
In addition, balance-sheet credit risk includes NIS 3.4 billion of deposits placed with foreign banks, mainly for a short period of a day to a week.

Credit exposure to sovereigns of the Bank group exceeding 15% of the Bank's equity capital, which amounted to NIS 2,080 million (as defined in Proper Conduct of Banking Business Regulation No. 202 concerning capital component), as of September 30, 2022:

Country	Total credit exposure
	NIS million
USA	**2,476**

EXPOSURE TO FOREIGN COUNTRIES

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

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

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

	September 30, 2022			December 31, 2021		
	exposure			exposure		
	Balance sheet (2)	Off Balance sheet(2)(3)	Total	Balance sheet (2)	Off Balance sheet(2)(3)	Total
United States	**5,447**	**52**	**5,499**	3,122	65	3,187
Other	**3,438**	**527**	**3,965**	2,738	386	3,124
Total exposure to foreign countries	**8,885**	**579**	**9,464**	5,860	451	6,311
Off which: Total exposure to PIGS countries (Portugal, Italy, Greece and Spain)	**22**	**1**	**23**	21	1	22
Off which: Total exposure to LDC countries	**148**	**43**	**191**	219	39	258
Off which: Total exposure to countries with liquidity problems	(4)**7**	**1**	**8**	(4)17	2	19

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

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

RISKS IN THE HOUSING LOANS PORTFOLIO

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

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

Risks are examined in accordance with the policy adopted in respect of risk appetite in the mortgage field, both at the level of the single transactions and at the level of the whole mortgage portfolio of the Group. The Bank manages the risks, inter alia, by imposing restrictions regarding certain parameters, such as the financing ratio (LTV), ratio of repayment to income, the rate of loans carrying variable interest, the rate of loans for long periods (exceeding 25 years), and more. Upon the granting of a mortgage loan, the Bank examines the probability of default by using a statistical model, modified to customers of the Group, as well as examines the repayment ability of the borrower in possible scenarios of changes in interest rates.

The Bank takes extra care in cases of assets the registration position of which is complex, while giving greater consideration to the quality of the borrower and to the financing ratio.

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

Volume of housing loans

	For the nine months ended September 30		
	2022	**2021**	**Change**
		NIS million	%
Housing loans extensions			
Loans from bank funds	**6,092**	5,745	6.0
Loans from treasury funds	**13**	19	(31.6)
Grants from treasury funds	**11**	10	10.0
Total new loans	**6,116**	5,774	5.9
Refinanced loans from bank funds	**441**	653	(32.5)
Total **extensions**	**6,557**	6,427	2.0

	As at September 30,		
	2022	**2021**	**Change**
		NIS million	%
Balance of housing loans, net			
Loans from bank funds	**35,329**	31,058	13.8
Loans from treasury funds*	**245**	266	(7.9)
Grants from treasury funds*	**72**	57	26.3
Total balance of housing loans	**35,646**	31,381	13.6

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

Loan to value

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

The portfolio of housing loans extended from the Bank's sources on September 30, 2022 included 68% of credit granted at an LTV of up to 60% compared with 70% on September 30, 2021.

98% of total loans were granted at an LTV of up to 75%, compared with 97% on September 30, 2021.

Housing loan extensions from the Bank's sources in the first nine months of 2022 included 62% of credit granted at an LTV of up to 60%, compared with 65% in the same period last year. All loan extensions were granted at an LTV of up to 75%, similar to the same period last year.

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

Debt-income ratio

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

The portfolio of housing loans extended from the Bank's sources as of September 30, 2022 included 90% of credit granted at a debt-income ratio of up to 35% similar to September 30, 2021. 99% of the credit was extended to borrowers on the basis of a debt-income ratio of up to 50%, similar to the same period last year.

Housing loan extensions from the Bank's sources in the first nine months of 2022 included 89% of credit granted at a debt-income ratio of up to 35% compared to 92% in the same period last year. All of the credit was extended to borrowers on the basis of a debt-income ratio of up to 50% similar to the same period last year.

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

Floating-rate loans

The portfolio of housing loans from the Bank's sources as of September 30, 2022 includes 60% of credit that was granted at floating-rate interest and amounts to NIS 21,307 million.

Housing loan extensions from the Bank's sources in the first nine months of 2022 include NIS 3,279 million of credit granted at floating-rate interest of up to five years constituting 54% of extentions. An amount of NIS 438 million is floating-rate credit for five years, constituting 7% of extentions .

Long-term loans

The portfolio of housing loans from the Bank's sources as of September 30, 2022 includes 75% of credit whose redemption period as of the report date is up to 25 years and amounts to NIS 26,695 million.

Housing loan extensions from the Bank's sources in the first nine months of 2022 include 56% of credit whose redemption period as of the report date is up to 25 years and amounts to NIS 3,383 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
30.9.22	**10,092**	**29.3**	**15,224**	**44.2**	**3,712**	**10.8**	**5,394**	**15.7**	**7**	**-**	**34,429**	**900**	**35,329**
31.12.21	9,100	29.1	13,686	43.7	3,568	11.4	4,951	15.8	8	-	31,313	872	32,185

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

	Nine months 2022	Nine months 2021	2021	2020	2019	2018
Total housing loan extensions (NIS million)	**6,092**	5,745	8,005	5,915	4,374	4,149
Rate of change in housing loan extensions compared with previous year	**6.0%**	37.3%	35.3%	35.2%	5.4%	10.5%
Rate of expense (income) on credit losses relative to mortgages at the Bank's risk	**0.07%**	(0.01%)	(0.02%)	0.14%	0.01%	-
Cumulative rate of provision for credit losses relative to mortgages at the Bank's risk	**0.41%**	0.53%	0.50%	0.59%	0.49%	0.50%

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

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

The amendment to the Directive contains, inter alia, changes in procedures for the granting of an approval in principle, including formation of a uniform structure for the approval in principle, setting out three uniform mortgage options with the possibility of customizing an option in accordance with the needs of the borrower, presentation of the total anticipated interest and the total anticipated repayments, determining a defined time-schedule for replying to the application for an approval in principle, the possibility of submitting an application and obtaining approval also online or by telephone (the amendment took effect on August 31, 2022). In addition, it is requested to provide the public with an online calculator allowing simulation of different loan structures at different time ranges, including the uniform options (the amendment took effect on September 30, 2022), as well as information that a bank has to present on the Internet Application offered to customers, regarding the advisabilty of premature repayment of the loan (the amendment will take effect on November 30, 2022).

The Bank prepared on time for the implementation of the amendment.

Limitation on the handling fees of application for a housing loan

On June 22, 2022, the Banking Law (customer service)(amendment no. 34)-2022 was published, which determined that in respect of handling of application for housing loan, the Banking corporation is entitled for a fee, the rate of which will not exceed NIS 360.

The amendment took effect on August 22, 2022 and it is applied on housing loans application which were submitted from the date the amendment took effect or after.

PRIVATE INDIVIDUALS CREDIT RISK (EXCLUDING HOUSING LOANS AND DERIVATIVES)

General

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

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

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

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

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

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

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

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

83% of the balance of the credit risk to private individuals is in respect of customers with fixed income credited to the account in an amount exceeding NIS 10 thousands.

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

				Change	
	September 30 2022	**September 30 2021**	**December 31 2021**	**September 30 2021**	**December 31 2021**
			NIS million		%
Current account and utilized balances of credit cards	**5,825**	5,209	5,449	11.8	6.9
Other loans	**17,971**	16,971	17,184	5.9	4.6
Total balance credit risk	**23,796**	22,180	22,633	7.3	5.1
Unutilized current account credit lines	**4,811**	4,612	4,686	4.3	2.7
Unutilized credit lines in credit cards	**7,679**	7,422	7,346	3.5	4.5
Other off-balance credit risks	**672**	949	910	(29.2)	(26.2)
Total off-balance credit risk	**13,162**	12,983	12,942	1.4	1.7
Total credit risk	**36,958**	35,163	35,575	5.1	3.9
Average volume of credit, including overdrafts, credit cards and loans	**22,757**	20,846	21,254	9.2	7.1

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

				Change	
	September 30 2022	**September 30 2021**	**December 31 2021**	**September 30 2021**	**December 31 2021**
			NIS million		%
Non-accruing credit risks	**103**	101	105	2.0	(1.9)
Accruing problematic credit risk	**147**	168	175	(12.5)	(16.0)
Non-problematic credit risk	**36,708**	34,894	35,295	5.2	4.0
Total credit risk	**36,958**	35,163	35,575	5.1	3.9
Of which: accruing debts in arrears of 90 days or more	**12**	12	22	-	(45.5)
Balance of restructured debts out of the problematic credit	**79**	99	102	(20.2)	(22.5)
Expense (income) rate of credit losses out of total credit to the public*	**(0.06%)**	(0.14%)	0.01%		

* Annualized

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

				September 30, 2022
Fixed income credited to the account*	**Total financial assets** lower than NIS 50 K**	**Total financial assets** higher than NIS 50 K**	**Balance sheet Credit risk**	**Off-balance sheet credit risk**
NIS thousands				NIS million
No fixed income	**265**	**31**	**296**	**206**
Up to 10	**3,349**	**467**	**3,816**	**2,082**
From 10 to 20	**4,930**	**1,489**	**6,419**	**3,437**
Over 20	**7,221**	**6,044**	**13,265**	**7,437**
Total	**15,765**	**8,031**	**23,796**	**13,162**

				September 30, 2021
Fixed income credited to the account*	**Total financial assets** lower than NIS 50 K**	**Total financial assets** higher than NIS 50 K**	**Balance sheet Credit risk**	**Off-balance sheet credit risk**
NIS thousands				NIS million
No fixed income	334	27	361	211
Up to 10	3,498	487	3,985	2,237
From 10 to 20	4,903	1,542	6,445	3,626
Over 20	6,055	5,334	11,389	6,909
Total	14,790	7,390	22,180	12,983

				December 31, 2021
Fixed income credited to the account*	**Total financial assets** lower than NIS 50 K**	**Total financial assets** higher than NIS 50 K**	**Balance sheet Credit risk**	**Off-balance sheet credit risk**
NIS thousands				NIS million
No fixed income	323	39	362	213
Up to 10	3,458	491	3,949	2,196
From 10 to 20	4,897	1,505	6,402	3,508
Over 20	6,411	5,509	11,920	7,025
Total	15,089	7,544	22,633	12,942

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

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

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

			Balance sheet credit risk
	September 30, 2022	**September 30, 2021**	**December 31, 2021**
Period to redemption			NIS million
Up to one year	**6,310**	5,712	5,953
From one to three years	**3,245**	3,201	3,203
From three to five years	**4,986**	4,728	4,752
From five to seven years	**2,954**	2,890	2,925
Over seven years	**6,301**	5,649	5,800
Total	**23,796**	22,180	22,633

Distribution by size of credit to the borrower*

Credit range to the borrower	September 30, 2022 Balance sheet credit risk	Off-balance sheet credit risk	Total credit risk**	September 30, 2021 Balance sheet credit risk	Off-balance sheet credit risk	Total credit risk**	December 31, 2021 Balance sheet credit risk	Off-balance sheet credit risk	Total credit risk**
NIS thousands			NIS million			NIS million			NIS million
Up to 10	**212**	**446**	**658**	199	471	670	213	456	669
From 10 to 20	**440**	**855**	**1,295**	400	882	1,282	421	866	1,287
From 20 to 40	**1,193**	**2,011**	**3,204**	1,143	2,042	3,185	1,180	2,015	3,195
From 40 to 80	**2,945**	**3,408**	**6,353**	2,898	3,402	6,300	2,944	3,382	6,326
From 80 to 150	**5,843**	**3,338**	**9,181**	5,720	3,284	9,004	5,772	3,267	9,039
From 150 to 300	**7,243**	**2,241**	**9,484**	6,803	2,169	8,972	6,875	2,181	9,056
Over 300	**5,920**	**863**	**6,783**	5,017	733	5,750	5,228	775	6,003
Total	**23,796**	**13,162**	**36,958**	22,180	12,983	35,163	22,633	12,942	35,575

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

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

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

Type of credit	September 30, 2022 Balance sheet credit risk	September 30, 2021 Balance sheet credit risk	December 31, 2021 Balance sheet credit risk
	NIS million	NIS million	NIS million
Current account	**1,548**	1,567	1,538
Credit card	**4,277**	3,642	3,911
Credit carrying variable interest	**17,293**	16,379	16,559
Credit carrying fixed interest	**678**	592	625
Total	**23,796**	22,180	22,633

Collateral

	September 30, 2022 Balance sheet credit risk	Off-balance sheet credit risk	Total credit risk	September 30, 2021 Balance sheet credit risk	Off-balance sheet credit risk	Total credit risk	December 31, 2021 Balance sheet credit risk	Off-balance sheet credit risk	Total credit risk
			NIS million			NIS million			NIS million
Total credit secured by collateral*	**4,647**	**404**	**5,051**	4,373	634	5,007	4,467	638	5,105
* Of which:									
Non-liquid collateral	**4,224**	**375**	**4,599**	3,955	608	4,563	4,048	612	4,660
Liquid collateral	**423**	**29**	**452**	418	26	444	419	26	445

Description of operations

A. The underwriting of credit to private individuals

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

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

B. The manner of supervising and monitoring risk characteristics

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

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

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

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

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

The second line of defense includes different controls, the essence of which are intended to test the financial management of accounts and to identify signs for deterioration in the debt situation. Deterioration signs may stem from a decline in the volume of operations, deviation from approved credit facilities, etc. In addition, the Bank uses supporting computer systems, such as a system for the identification and treatment of debts showing trouble symptoms and a statistical system forecasting credit default.

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

CONSTRUCTION AND REAL ESTATE SECTOR RISKS

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

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

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

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

The pricing of each transaction is strictly calculated in accordance with the risk involved and the required capital allocation, using tools for the calculation of returns.

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

As of the reporting date, the real estate market in Israel is experiencing an accelerated growth and development trend, focused on the residential segment. This trend might change due to observed changes in inflation and global capital markets, causing the rise of the interest. The Bank is monitoring, on a current base, this trends. The proportional policy of the Bank, resulted in no material impact on the credit portfolio being recorded.

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

		September 30,	December 31,
	2022	**2021**	**2021**
			NIS million
Overall credit risk[(1)]			
Projects not yet completed			
Of which: Open land	**7,320**	3,059	3,630
Property under construction	**4,640**	4,916	4,893
Completed building projects	**5,822**	4,706	5,185
Other[(2)]	**6,337**	6,436	6,681
Total	**24,119**	19,117	20,389

(1) Of which: credit secured by residential property in the amount of NIS 10,382 million (stated credit NIS 7,412 million and off-balance sheet credit NIS 2,970 million). Credit secured by industrial property in the amount of NIS 947 million (stated credit NIS 839 million and off-balance sheet credit NIS 108 million), and credit secured by commercial property in the amount of 6,453 million (stated credit NIS 5,953 million and off-balance sheet credit NIS 500 million). (31.12.21 - NIS 7,522 million, NIS 800 million and NIS 5,386 million, respectively).

(2) Includes credit to borrowers in the construction and real estate field in Israel, the collateral provided by them does not include real estate, for example and mostly – infrastructure projects, credit to income bearing real estate corporations or borrowers where the value of their property for prompt realization purposes secures less than 50% of the credit risk of the borrower.

The ratio of credit not at credit execution rating, to total credit risk in the construction and real estate sector as of September 30, 2022, amounted to 2.4%, as compared with 4.2% at December 31, 2021.

The ratio of problematic credit to total credit risk in the construction and real estate sector as of September 30, 2022, amounted to 0.9%, compared to 1.3% as of December 31, 2021.

LEVERAGED FINANCE

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

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

Additional information can be found in the financial statements for 2021.

As of September 30, 2022 total aggregate balances (balance sheet credit and off-balance sheet credit net of provisions for credit losses and deductible collateral) considered as leveraged finance, amounted to NIS 557 million, compared to NIS 519 million on September 30, 2021 and NIS 489 million at the end of 2021.

SIGNIFICANT EXPOSURES TO BORROWER GROUPS

As of September 30, 2022, there is no borrower group which its indebtness on consolidated basis, after deductions of permissible deduction according to section 5 of Directive 313, exceeds 15% of the bank's capital, calculated according to Proper Conduct of Banking Business Directive concerning measurement and capital adequacy.

MARKET RISK

Market risk (financial risk) is the actual or future existence of a risk to a loss or impairment derived from a change in the economic value of financial instrument, certain portfolio or a group of portfolios and on an aggregate level, due to changes in prices, rates, margins and other parameters in the financial markets. Including: interest risk, currency risk, inflation risk, securities prices risk and volatility risk.
In the third quarter of 2022, the global monetary policy remained restrained, characterized with the continuance of raise in interest rates by central banks around the world, on the background of high global inflation data.
The recent interest raises, combined with the expectations to a continuance rise in the interest rate, caused sharp fluctuations in the capital markets and continuance of the increase in the yield of bonds, locally and globally. Following these changes, other comprehensive loss was recorded in respect of available for sale bonds, also in the third quarter of the year.

Methodology for the estimation of exposure to market risk

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

INTEREST EXPOSURE

Interest risk is the actual or future existence of a risk to the Group's income or capital deriving from movement in interest rates, effecting the Bank's earnings by changes in net income, and the value of the Bank's assets, liabilities and off-balance-sheet instruments, since the fair value of future cash-flows (and in certain cases the cash-flows themselves) changes when the interest rates are changing. The main shapes of the interest risk to which the Bank is exposued to are: risk of repricing, yield curve risk, basis risk and option risk. Interest risks in respect of the entire portfolio are the dominant risks to which the Bank is exposed in all matters relating to their effect on the fair value of assets and liabilities and its effect on earnings. The Bank manages the interest risks in accordance with the Bank of Israel directive 333, a specific directive in the area of interest risk management with emphasis on the banking portfolio. The Bank implemented policy for the management of interest risk, in accordance with the regulations.

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

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

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

	September 30, 2022			September 30, 2021			December 31, 2021		
	NIS	Foreign currency	Total	NIS(7)	Foreign currency(7)	Total	NIS	Foreign currency	Total
			NIS million			NIS million			NIS million
Adjusted fair value, net (1)	**8,828**	**119**	**8,947**	8,395	(98)	8,297	8,165	4	8,169
Of which: banking portfolio	**8,959**	**(293)**	**8,666**	8,165	(177)	7,988	8,301	(166)	8,135

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

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

	September 30, 2022			September 30, 2021			December 31, 2021		
	NIS	Foreign currency	Total	NIS (5)(7)	Foreign currency (5)(7)	Total	NIS(5)	Foreign currency(5)	Total
			NIS million			NIS million			NIS million
Parallel changes									
Parallel increase of 1%	**39**	**4**	**43**	(39)	(41)	(80)	(27)	17	(10)
Of which: banking portfolio	**38**	**12**	**50**	(27)	(37)	(64)	(14)	18	4
Parallel decrease of 1%	**(23)**	**(1)**	**(24)**	246	44	290	105	(14)	91
Of which: banking portfolio	**(24)**	**(12)**	**(36)**	236	38	274	95	(15)	80
Non-parallel changes									
Steeping(2)	**(183)**	**10**	**(173)**	(154)	(11)	(165)	(132)	5	(127)
Flattening(3)	**201**	**(15)**	**186**	203	(3)	200	167	(10)	157
Interest increase in short term	**192**	**(11)**	**181**	158	(18)	140	134	(1)	133
Interest decrease in short term	**(189)**	**9**	**(180)**	-	35	35	(26)	3	(23)

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

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

	September 30, 2022			September 30, 2021			December 31, 2021		
	Interest income	Non-interest income	Total(4)	Interest income	Non-interest income	Total(4)	Interest income	Non-interest income	Total(4)
			NIS million			NIS million			NIS million
Parallel changes									
Parallel increase of 1%	**356**	**1**	**357**	399	(2)	397	529	5	534
Of which: banking portfolio	**355**	**-**	**355**	398	-	398	528	-	528
Parallel decrease of 1%	**(610)**	**(1)**	**(611)**	(691)	2	(689)	(646)	(6)	(652)
Of which: banking portfolio	**(610)**	**-**	**(610)**	(691)	-	(691)	(646)	-	(646)

(1) Fair value of financial instruments, excluding non-financial items and after the effect of liability in respect to employees' rights and attribution of demand deposits to periods. Additional detail as to the assumptions used in the calculation of the adjusted fair value of financial instruments, see note 14A to the financial statements.
(2) Steeping- decline of interest in the short term and increase in interest in the long term.
(3) Flattening- Increase in interest in short term and decline in interest in the long term.
(4) After offsetting effects.
(5) In interest decline scenarios in the CPI linked and foreign currency segments, negative interest environment is taken in the calculation.
(6) In interest decline scenarios reflecting negative interest, the effect of the scenario on interest income, net was calculated according to deferent assumptions.
(7) An update of the premature repayment of mortgage loans and demand deposits (NIS and foreign currency) model was made during the fourth quarter leading to an increase as of date of the update (31.12.2021) of NIS 100 million in the fair value, in a scenario of a 1% increase in interest and to a decrease in fair value of NIS 86 million in a scenario of a 1% decrease in interest. Corresponding data as of 30.9.2021 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 September 30,	As of December 31,	As of September 30,	As of December 31,
	2022	2021	2022	2021
Non-linked local currency	**4,283**	3,906	**40**	37
CPI-linked local currency	**3,881**	3,654	**36**	35
Foreign currency and f-c linked	**(143)**	(103)	**(1)**	(1)

Sensitivity of capital to changes in the exchange rate

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

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

Set out below is the sensitivity of the Bank's capital to theoretical changes in the exchange rates of the principal currenci es as of September 30, 2022 (NIS millions).

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

Percentage change in exchange rate	Dollar	Euro
5% decrease	**4**	**(2)**
10% decrease	**11**	**(1)**
5% increase	**(4)**	**10**
10% increase	**(8)**	**23**

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 exposued in its forward activity to material CPI risks.

Set out below is the sensitivity of the Bank's capital to theoretical changes in the CPI as of September 30, 2022 (NIS millions). The measurement refers to the effect of changes on capital and includes activity in balance-sheet and off-balance-sheet instruments:

Percentage change in CPI	
3% decrease	**(82)**
3% increase	**82**

MANAGEMENT OF RISKS IN DERIVATIVE FINANCIAL INSTRUMENTS

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

	As of September 30, 2022			As of December 31, 2021		
	Derivatives not for trading	Derivatives for trading	Total	Derivatives not for trading	Derivatives for trading	Total
Hedging transactions:						
Interest rate contracts	**3,440**	**-**	**3,440**	3,245	-	3,245
Other transactions:						
Interest rate contracts	**626**	**17,336**	**17,962**	1,499	13,471	14,970
Foreign currency contracts	**20,665**	**54,349**	**75,014**	22,552	50,774	73,326
Contracts on shares, share indexes, commodities and other contracts	**43**	**47,631**	**47,674**	39	73,789	73,828
Total derivative financial instruments	**24,774**	**119,316**	**144,090**	27,335	138,034	165,369

LIQUIDITY RISK

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

Liquidity coverage ratio

The liquidity coverage ratio of the Group for the three months ended September 30, 2022 amounted to 127%, compared with 128% in the three months ended December 31, 2021.
The minimal liquidity coverage ratio required by the Supervisor of Banks is 100%.
For additional information in respect of the liquidity coverage ratio see Note 8 to the condensed financial statements.

Net stable Funding Ratio - NSFR

On June 21, 2021, the Supervisor of Banks published Proper Conduct of Banking Business Directive No.222 in the matter of Net stable financing ratio – NSFR. The Directive states the manner of computing the ratio, as stated in the Basel 3 Reform of the Basel Committee (BCBS). The ratio is intended to improve the long-term durability of the liquidity risk profile of banking corporations, by requiring banking corporation to maintain a stable financing ratio, in accordance with the composition of their stated assets and of their off-balance sheet operations. The ratio limits over reliance by banking corporations on short-term wholesale finance.
The NSFR contains two components: available stable financing items and required stable financing items.
Available stable financing is defined as part of the capital and liabilities that can be relied on over the time range taken into account in the NSFR, covering a period of one year. The amount of the required stable financing is a function of the nature of liquidity and the outstanding periods to redemption of the different assets held by the Bank, as well as the off-balance sheet exposures.
As from December 31, 2021 (the effective date of the Directive), the Bank is required to maintain on a current basis a NSFR equal to or higher than 100%.
The Bank holds a considerable rate of retail deposits, which in accordance with the Directive are considered as available stable finance.

Set out below is the net stable financing ratio:

	September 30	December 31
	2022	2021
		percent
Net stable financing ratio (consolidated)	**134%**	*139%
Minimal net stable financing ratio required by the Supervisor of Banks	**100%**	100%

* Restated.

Liquidity position and the composition of assets and liabilities

The liquidity assets at the group, which includes cash, deposits at the Bank of Israel, deposits at banks and liquid securities, amounted to NIS 70.6 billion on September 30, 2022, compared with NIS 71.3 billion at the end of 2021. Of this amount, the balance of cash, deposits with the Bank of Israel and deposits with banks amounted to NIS 56.3 billion, and NIS 14.3 billion were invested in securities, principally Israel government bonds.

The ratio of deposits from the public to credit to the public on September 30, 2022 amounted to 144.0% compared with 151.7% on December 31, 2021.

At the end of September 2022, deposits from the public, bonds and subordinated notes totaled NIS 169.9 billion compared with NIS 156.8 billion at the end of 2021.

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

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

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

	As of September 30, 2022	As of December 31, 2021
		NIS million
1	**5,179**	4,436
2	**3,551**	2,689
3	**2,199**	2,275

OTHER RISKS

For information regarding other risks, among others, the operational risks and the way they are managed (including business continuity, data security and cyber events), compliance risk, anti money laundering and terror finance risk (including cross border risks), finance risk, legal risk, reputation risk and strategy risk- see the chapter on risk review in the annual financial statements of the Bank for 2021 and the risk report for 2021 on the Bank's website.

DISCUSSION OF RISK FACTORS

For discussion of risk factors see the chapter of risk review in the annual financial statements of the Bank for 2021.

No change occurred in the table of risk factors during the first nine months of 2022 compared with the table published in the annual financial statements for 2021.

.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES, CONTROLS AND PROCEDURES

GENERAL

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

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

PROVISION FOR CREDIT LOSSES

As from January 1, 2022, the Bank applies the accounting principles accepted by US banks with respect to measurement of credit losses stemming from financial instruments, as detailed in Item 326 of the Codification (ASC-326) – financial instruments credit losses.

According to the new rules, the purpose of the provision for credit losses is to assess credit losses expected over the lifespan of the credit. The process of determining the provision, is based on a method developed for the purpose of assessing expected losses while taking into consideration historical data and supported reasonable forward looking forecasts. Likewise, such assessment is based on qualitative modifications as well as adjustments to macro-economic factors, including forecasts and sujective estimates by Management, which involve uncertainty. Changes in assessments or in estimates may have a material impact on the provision for credit losses.

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

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

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

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

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

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

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

Starting with the third quarter of 2021, in view of the possitive developments in the economy, reflected in the ability to manage the pandemic without imposing severe restriction on the economic activity, in adaptation to conduct continuous economic activity alongside the existence of the pandemic, in positive macro-economic parameters, such as: encouraging growth data and reduction in unemployment, the Bank has reduced in part the increases in the qualitative modifications imposed during the crisis. However, within the framework of the considerations for determining the level of provision as of September 30, 2022, account had been, inter alia, taken of the uncertainty that still exists with respect to the impact of the Corona crisis. The adequacy of the provision had been tested also in relation to the uncertainty prevailing in the global economy, inter alia, following the war between Russia and the Ukraine.

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

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

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

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

CONTROLS AND PROCEDURES

ASSESSMENT OF CONTROLS AND PROCEDURES CONCERNING DISCLOSURE IN THE FINANCIAL REPORT

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

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

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

The Management of the Bank, in cooperation with the CEO of the Bank and the Chief Accountant, assessed for September 30, 2022 the effectiveness of the controls and procedures in the matter of disclosure by the Bank. On the basis of this assessment, the CEO of the Bank and the Chief Accountant concluded that as at the end of this report period, the controls and procedures in the matter of disclosure by the Bank were effective for the purpose of recording, processing, summarizing and reporting the information which the Bank is required to disclose in the report in accordance with the Supervisor of Banks' directives for reporting to the public, and at the time determined in those directives.

During the quarter ending on September 30, 2022, no change occurred in the Bank's internal control over financial reporting which exerted a material effect, or which can reasonably be expected to exert a material effect on the Bank's internal control over financial reporting.

Ron Levkovich
Chairman of the Board

Smadar Barber-Tsadik
Chief Executive Officer

Nachman Nitzan
Executive Vice President,
Chief Accountant

Tel Aviv, November 22, 2022

CERTIFICATION

I, Smadar Barber-Tsadik, declare that:

1. I have reviewed the quarterly report of the First International Bank of Israel Ltd. (hereinafter: “the Bank”) for the quarter ended September 30, 2022 (hereinafter: “the Report”).
2. Based on my knowledge, the Report contains no incorrect presentation of a material fact, and there is no presentation of a material fact missing from the Report that is necessary so that the presentations included therein, in light of the circumstances under which such presentations were included, are not misleading with regard to the period covered by the Report.
3. Based on my knowledge, the financial statements and other financial information included on the Report correctly reflect the financial condition (including the comprehensive income), results of operations, changes in shareholders' equity, and cash flows of the Bank, in all material aspects, for the dates and periods covered in the Report.
4. I, and others at the Bank making this declaration, are responsible for the establishment and application of controls and procedures with regard to the Bank's disclosure and internal control of financial reporting as defined in the public reporting directives concerning the "board of Directors' report". furthermore:
   - A. We have established such controls and procedures or caused such controls and procedures to be established under our supervision, aimed at ensuring that material information pertaining to the Bank, including its consolidated corporations, is brought to our knowledge by others at the Bank and at such corporations, in particular during the preparation of the Report.
   - B. We have established such internal controls of financial reporting or caused such internal control of financial reporting to be established under our supervision, intended to provide a reasonable degree of confidence with regard to the reliability of the financial reporting, and that the financial reports for external purposes are prepared in accordance with generally accepted accounting principles and with the directives and guidelines of the Supervisor of Banks.
   - C. We have assessed the effectiveness of the controls and procedures concerning disclosure at the Bank, and we have presented our findings with regard to the effectiveness of the controls and procedures concerning disclosure, as at the end of the period covered in the Report, based on our assessment; and
   - D. We have disclosed in the Report any change in the internal control of financial reporting at the Bank that occurred during the fourth quarter, and that had a material effect, or could reasonably be expected to have a material effect, on the internal control of financial reporting at the Bank; and
5. I, and others at the Bank making this declaration, have disclosed to the auditor, to the Board of Directors, and to the Audit Committee of the Board of Directors of the Bank, based on our most current assessment of the internal control of financial reporting;
   - A. Any significant deficiencies or material weaknesses in the establishment or application of internal control of financial reporting that can reasonably be expected to impair the Bank's ability to record, process, summarize, or report financial information; and
   - B. Any fraud, whether material or immaterial, in which the Board of Management was involved, or in which other employees were involved who have significant role in the internal control of financial reporting at the Bank.

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

Tel-Aviv, November 22, 2022

Smadar Barber-Tsadik
Chief Executive Officer

CERTIFICATION

I, Nachman Nitzan, declare that:

1. I have reviewed the quarterly report of the First International Bank of Israel Ltd. (hereinafter: “the Bank”) for the quarter ended September 30, 2022 (hereinafter: “the Report”).
2. Based on my knowledge, the Report contains no incorrect presentation of a material fact, and there is no presentation of a material fact missing from the Report that is necessary so that the presentations included therein, in light of the circumstances under which such presentations were included, are not misleading with regard to the period covered by the Report.
3. Based on my knowledge, the financial statements and other financial information included on the Report correctly reflect the financial condition (including the comprehensive income), results of operations, changes in shareholders' equity, and cash flows of the Bank, in all material aspects, for the dates and periods covered in the Report.
4. I, and others at the Bank making this declaration, are responsible for the establishment and application of controls and procedures with regard to the Bank's disclosure and internal control of financial reporting as defined in the public reporting directives concerning the "board of Directors' report". furthermore:
   A. We have established such controls and procedures or caused such controls and procedures to be established under our supervision, aimed at ensuring that material information pertaining to the Bank, including its consolidated corporations, is brought to our knowledge by others at the Bank and at such corporations, in particular during the preparation of the Report.
   B. We have established such internal controls of financial reporting or caused such internal control of financial reporting to be established under our supervision, intended to provide a reasonable degree of confidence with regard to the reliability of the financial reporting, and that the financial reports for external purposes are prepared in accordance with generally accepted accounting principles and with the directives and guidelines of the Supervisor of Banks.
   C. We have assessed the effectiveness of the controls and procedures concerning disclosure at the Bank, and we have presented our findings with regard to the effectiveness of the controls and procedures concerning disclosure, as at the end of the period covered in the Report, based on our assessment; and
   D. We have disclosed in the Report any change in the internal control of financial reporting at the Bank that occurred during the fourth quarter, and that had a material effect, or could reasonably be expected to have a material effect, on the internal control of financial reporting at the Bank; and
5. I, and others at the Bank making this declaration, have disclosed to the auditor, to the Board of Directors, and to the Audit Committee of the Board of Directors of the Bank, based on our most current assessment of the internal control of financial reporting;
   A. Any significant deficiencies or material weaknesses in the establishment or application of internal control of financial reporting that can reasonably be expected to impair the Bank's ability to record, process, summarize, or report financial information; and
   B. Any fraud, whether material or immaterial, in which the Board of Management was involved, or in which other employees were involved who have significant role in the internal control of financial reporting at the Bank.

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

Tel-Aviv, November 22, 2022

Nachman Nitzan
Executive Vice President,
Chief Accountant

FINANCIAL STATMENTS

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

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

Introduction

We have reviewed the accompanying financial information of The First International Bank of Israel Ltd. and its subsidiaries (hereinafter- "the Bank"), comprising of the condensed consolidated interim balance sheet as of September 30, 2022 and the related condensed consolidated interim statements of income, comprehensive income, changes in equity and cash flows for the three and nine months periods then ended. The Board of directors and Management are responsible for the preparation and presentation of this interim financial information in accordance with generally accepted accounting principles in Israel (Israeli GAAP) for interim accounting and in accordance with the directives and guidelines of the Supervisor of Banks. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

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

Conclusion

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

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

Somekh Chaikin
Certified Public Accountants (Isr.)

November 22, 2022

CONSOLIDATED STATEMENT OF INCOME
(NIS million)

	NOTE	For the three months ended September 30		For the nine months ended September 30		For the year Ended December 31
		2022	2021	2022	2021	2021
		(unaudited)	(unaudited)	(unaudited)	(unaudited)	(audited)
Interest Income	2	**1,382**	807	**3,357**	2,392	3,150
Interest Expenses	2	**372**	97	**744**	302	356
Interest Income, net		**1,010**	710	**2,613**	2,090	2,794
Expenses (income) from credit losses	6,12	**43**	(69)	**74**	(206)	(216)
Net Interest Income after expenses from credit losses		**967**	779	**2,539**	2,296	3,010
Non- Interest Income						
Non-Interest Financing income	3	**48**	63	**60**	214	303
Fees		**370**	346	**1,125**	1,057	1,444
Other income		**1**	6	**9**	10	9
Total non- Interest income		**419**	415	**1,194**	1,281	1,756
Operating and other expenses						
Salaries and related expenses		**416**	399	**1,231**	1,199	1,601
Maintenance and depreciation of premises and equipment		**86**	84	**249**	255	340
Amortizations and impairment of intangible assets		**29**	27	**84**	78	105
Other expenses		**151**	135	**464**	421	606
Total operating and other expenses		**682**	645	**2,028**	1,953	2,652
Profit before taxes		**704**	549	**1,705**	1,624	2,114
Provision for taxes on profit		**249**	193	**597**	570	728
Profit after taxes		**455**	356	**1,108**	1,054	1,386
The bank's share in profit of equity-basis investee, after taxes		**27**	21	**64**	57	69
Net profit:						
Before attribution to non-controlling interests		**482**	377	**1,172**	1,111	1,455
Attributed to non-controlling interests		**(15)**	(13)	**(41)**	(39)	(50)
Attributed to shareholders of the Bank		**467**	364	**1,131**	1,072	1,405

					NIS
Primary profit per share attributed to the shareholders of the Bank					
Net profit per share of NIS 0.05 par value	**4.65**	3.62	**11.27**	10.68	14.00

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

Ron Levkovich
Chairman of the Board

Smadar Barber-Tsadik
Chief Executive Officer

Nachman Nitzan
Executive Vice President,
Chief Accountant

Tel-Aviv, 22 November 2022

STATEMENT OF COMPREHENSIVE INCOME[1]

(NIS million)

	For the three months ended September 30		For the nine months ended September 30		For the year Ended December 31
	2022	2021	2022	2021	2021
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(audited)
Net profit before attribution to non-controlling interests	**482**	377	**1,172**	1,111	1,455
Net profit attributed to non-controlling interests	**(15)**	(13)	**(41)**	(39)	(50)
Net profit attributed to the shareholders of the Bank	**467**	364	**1,131**	1,072	1,405
Other comprehensive income (loss) before taxes:					
Adjustments of available for sale bonds to fair value, net	**(95)**	(8)	**(472)**	(4)	27
Adjustments of liabilities in respect of employee benefits[2]	**42**	12	**238**	58	(24)
Other comprehensive income (loss) before taxes	**(53)**	4	**(234)**	54	3
Related tax effect	**18**	-	**80**	(18)	(1)
Other comprehensive income (loss) before attribution to non-controlling interests, after taxes	**(35)**	4	**(154)**	36	2
Less other comprehensive income (loss) attributed to non-controlling interests	**(2)**	1	**(11)**	2	-
Other comprehensive income (loss) attributed to the shareholders of the Bank, after taxes	**(33)**	3	**(143)**	34	2
Comprehensive income before attribution to non-controlling interests	**447**	381	**1,018**	1,147	1,457
Comprehensive income attributed to non-controlling interests	**(13)**	(14)	**(30)**	(41)	(50)
Comprehensive income attributed to the shareholders of the Bank	**434**	367	**988**	1,106	1,407

(1) See note 4.

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

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

CONSOLIDATED BALANCE SHEET
(NIS million)

		September 30,		December 31,
		2022	2021	2021
	NOTE	(unaudited)	(unaudited)	(audited)
Assets				
Cash and deposits with banks		**56,012**	57,083	57,370
Securities(4)	5	**15,331**	14,803	15,091
Securities which were borrowed		**630**	232	845
Credit to the public	6,12	**115,708**	96,965	102,240
Provision for Credit losses	6,12	**(1,169)**	(1,088)	(1,076)
Credit to the public, net		**114,539**	95,877	101,164
Credit to the government		**862**	859	811
Investment in investee company		**679**	699	713
Premises and equipment		**894**	929	931
Intangible assets		**297**	275	300
Assets in respect of derivative instruments	10	**3,800**	1,565	1,709
Other assets(2)		**1,943**	1,436	1,536
Total assets		**194,987**	173,758	180,470
Liabilities and Shareholders' Equity				
Deposits from the public	7	**164,902**	148,273	153,447
Deposits from banks		**4,998**	5,471	5,144
Deposits from the Government		**891**	417	960
Bonds and subordinated capital notes		**5,030**	2,851	3,356
Liabilities in respect of derivative instruments	10	**3,303**	1,751	2,038
Other liabilities(1)(3)		**5,166**	4,538	5,088
Total liabilities		**184,290**	163,301	170,033
Capital attributed to the shareholders of the Bank		**10,237**	10,022	10,003
Non-controlling interests		**460**	435	434
Total equity		**10,697**	10,457	10,437
Total liabilities and shareholders' equity		**194,987**	173,758	180,470

(1) Of which: provision for credit losses in respect of off-balance sheet credit instruments in the amount of NIS 101 million and NIS 86 million and NIS 79 million at 30.9.22, 30.9.21 and 31.12.21, respectively.
(2) Of which: other assets measured at fair value in the amount of NIS 738 million and NIS 263 million and NIS 333 million at 30.9.22, 30.9.21 and 31.12.21, respectively.
(3) Of which: other liabilities measured at fair value in the amount of NIS 808 million and NIS 440 million and NIS 641 million at 30.9.22, 30.9.21 and 31.12.21, respectively.
(4) Regarding amounts measured at fair value, see note 14B.

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

STATEMENT OF CHANGES IN EQUITY

(NIS million)

	For the three months ended September 30, 2022 (unaudited)					
	Share capital and premium (1)	Accumulated other comprehensive loss	Retained earnings (2)	Total share-holders' equity	Non-controlling interests	Total equity
Balance as of June 30, 2022	**927**	**(291)**	**9,337**	**9,973**	**447**	**10,420**
Net profit for the period	**-**	**-**	**467**	**467**	**15**	**482**
Dividend	**-**	**-**	**(170)**	**(170)**	**-**	**(170)**
Other comprehensive loss, after tax effect	**-**	**(33)**	**-**	**(33)**	**(2)**	**(35)**
Balance as at September 30, 2022	**927**	**(324)**	**9,634**	**10,237**	**460**	**10,697**

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

	For the nine months ended September 30, 2022 (unaudited)					
	Share capital and premium (1)	Accumulated other comprehensive loss	Retained earnings (2)	Total share-holders' equity	Non-controlling interests	Total equity
Balance as at December 31, 2021 (audited)	**927**	**(181)**	**9,257**	**10,003**	**434**	**10,437**
Adjustment of the opening balance, net of tax, due to the effect of initial implementation*	**-**	**-**	**(44)**	**(44)**	**(4)**	**(48)**
Adjusted balance at January 1, 2022, following initial implementation	**927**	**(181)**	**9,213**	**9,959**	**430**	**10,389**
Net profit for the period	**-**	**-**	**1,131**	**1,131**	**41**	**1,172**
Dividend	**-**	**-**	**(710)**	**(710)**	**-**	**(710)**
Other comprehensive loss, after tax effect	**-**	**(143)**	**-**	**(143)**	**(11)**	**(154)**
Balance as at September 30, 2022	**927**	**(324)**	**9,634**	**10,237**	**460**	**10,697**

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

STATEMENT OF CHANGES IN EQUITY (CONT'D)

(NIS million)

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

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

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

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

STATEMENT OF CASH FLOWS

(NIS million)

	For the three months ended September 30		For the nine months ended September 30		For the year Ended December 31
	2022	2021	2022	2021	2021
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(audited)
Cash flows from (for) operating activity:					
Net profit for the period	**482**	377	**1,172**	1,111	1,455
Adjustments necessary to present cash flows from operating activity:					
The Bank's share in profit of investee company	**(27)**	(21)	**(64)**	(57)	(69)
Depreciation of premises and equipment	**17**	17	**49**	50	66
Amortization of intangible assets	**29**	27	**84**	78	105
Gain on sale of premises and equipment	**-**	(5)	**(8)**	(8)	(7)
Expenses (income) from credit losses	**43**	(69)	**74**	(206)	(216)
Loss (gain) from sale of available for sale bonds and not for trading shares and provision for impairment of available-for-sale bonds	**8**	(5)	**12**	(19)	(89)
Realized and non-realized loss (gain) from adjustment to fair value of trading securities	**(1)**	1	**(3)**	(2)	-
Non-realized loss (gain) from adjustment to fair value of not for trading shares	**4**	(38)	**68**	(127)	(125)
Deferred taxes, net	**(20)**	28	**(93)**	62	63
Defined benefit of pension and severance pay plans	**16**	15	**47**	42	81
Adjustments of exchange rate differences	**18**	(163)	**1,348**	(2)	(489)
Dividend received from investee company	**22**	-	**118**	-	-
Net change in current assets:					
Trading securities	**87**	(73)	**171**	(194)	(25)
Other assets	**(376)**	89	**(400)**	(88)	(155)
Assets in respect of derivative instruments	**(825)**	(238)	**(1,801)**	427	318
Net change in current liabilities:					
Other liabilities	**719**	(2,195)	**394**	(2,105)	(1,562)
Liabilities in respect of derivative instruments	**891**	311	**1,265**	(563)	(276)
Accumulation differences included in investing and financing activities	**46**	20	**183**	(76)	(176)
Net cash from (for) operating activity	**1,133**	(1,922)	**2,616**	(1,677)	(1,101)
Cash flows for investing activity					
Change in Deposits with banks	**45**	(19)	**(158)**	242	262
Change in Securities borrowed	**(341)**	(200)	**215**	(221)	(834)
Change in Credit to the public	**(995)**	(278)	**(8,902)**	(3,629)	(7,583)
Change in Credit to the government	**76**	(758)	**(48)**	(203)	(155)
Purchase of available for sale bonds and not for trading shares	**(1,064)**	(584)	**(4,950)**	(4,618)	(6,003)
Proceeds from redemption of bonds held to maturity	**32**	77	**306**	141	207
Proceeds from sale of available for sale bonds and not for trading shares	**359**	1,421	**1,593**	1,835	2,123
Redemption of available for sale bonds	**24**	660	**821**	1,235	1,459
Acquisition of premises and equipment	**(6)**	(4)	**(16)**	(19)	(39)
Proceeds of sale of premises, equipment and other assets	**-**	9	**12**	15	14
Investment in intangible assets	**(26)**	(22)	**(81)**	(81)	(133)
Net cash from (for) investing activity	**(1,896)**	302	**(11,208)**	(5,303)	(10,682)

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

STATEMENT OF CASH FLOWS (CONT'D)

(NIS million)

	For the three months ended September 30,		For the nine months ended September 30,		For the year ended December 31
	2022	2021	2022	2021	2021
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(audited)
Cash flows from financing activity					
Change in Deposits from the public	**232**	1,882	**7,221**	5,926	11,158
Change in Deposits from banks	**(379)**	456	**(236)**	2,489	2,315
Change in Deposits from the government	**(13)**	(48)	**(1,082)**	(72)	(34)
Proceeds from issue of bonds and subordinate debt notes	**800**	-	**1,669**	-	500
Redemption of bonds and subordinate debt notes	**(2)**	(2)	**(139)**	(1,588)	(1,588)
Dividend paid to shareholders	**(170)**	(225)	**(710)**	(225)	(545)
Dividend paid to non-controlling shareholders of subsidiary	**-**	-	**-**	-	(10)
Net cash from financing activity	**468**	2,063	**6,723**	6,530	11,796
Increase (decrease) in cash	**(295)**	443	**(1,869)**	(450)	13
Cash balances at beginning of period	**55,890**	56,460	**57,158**	57,328	57,328
Effect of changes in exchange rates on cash balances	**48**	(51)	**354**	(26)	(183)
Cash balances at end of period	**55,643**	56,852	**55,643**	56,852	57,158
Interest and taxes paid and/or received:					
Interest received	**1,227**	649	**2,998**	2,272	3,269
Interest paid	**(219)**	(76)	**(426)**	(366)	(433)
Dividends received	**2**	13	**15**	24	43
Income tax paid	**(284)**	(191)	**(605)**	(593)	(771)
Income tax received	**7**	3	**46**	51	54

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

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - PRINCIPAL ACCOUNTING POLICIES

A. General

The First International Bank of Israel Ltd. (hereinafter - "the Bank") is an Israeli corporation. The condensed consolidated interim financial statements of the Bank as of September 30, 2022, include those of the Bank and of its consolidated companies and an affiliated company (hereinafter - "the Group"). The condensed consolidated interim financial statements are prepared in accordance with generaly accepted accounting principles in Israel (Israeli GAAP) as well as in accordance with directives and guidelines of the Supervisor of Banks, and do not include all the information required in full annual financial statements. The condensed statements should be read together with the financial statements as of and for the year ended December 31, 2021, and the related notes thereto (hereinafter - "the Annual Report").
The accounting policy of the Group applied in these condensed consolidated interim financial statements, is the same policy applied in the Annual Report, with the exception of that stated in subsection "C" below.
In accordance with the guidelines of the Supervisor of Banks, publication of condensed financial statements is made on the basis of consolidated financial statements only. The condensed consolidated interim financial statements were approved for publication by the Board of Directors on November 22, 2022.
The accompanying financial statements represent a translation into English from the original financial statements in Hebrew.

B. Use of estimates

Preparation of the condensed interim consolidared financial statements requires Management to use judgment in making estimates and assumptions which affect the implementation of the accounting policy and the reported amounts of assets and liabilities and the amounts of income and expenses. It should be noted that actual results may differ from these estimates.
Upon the formation of accounting estimates used in the preparation of the financial statements of the Bank, Management is required to make assumptions as to circumstances and events which involve uncertainty. The assessments as well as the assumptions supporting them are consistent with those used in the formation of the annual financial statements.
The assessments as well as the assumptions supporting them are being reviewed on a current basis. Changes in accounting assessments are recognized in the period in which these changes occur as well as in all future periods affected by them.

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

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

Following is a description of the changes made to the accounting policy applied in these condensed consolidated interim financial statements and a description of the manner and effect of the initial implementation, if at all.
On March 28, 2018, the Supervisor of Banks issued a letter in the matter of "adoption of updates to accounting principles accepted by US banks – provisions for credit losses and additional instructions". In accordance with the letter, it is required

to apply the accounting principles accepted by US banks in the matters of: provisions for credit losses, financial instruments, including derivative instruments and hedge transactions, as well as leases. Initial implementation was made in accordance with the transitional instructions stated in the US rules.

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

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

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

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

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

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

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

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

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

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

Identification and classification of non-accruing debts (replacing impaired debts)

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

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

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

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

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

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

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

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

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

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

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

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

Debt arrangement policy and treatment of restructured problematic debts

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

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

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

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

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

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

In addition to the above, the bank concludes that waiver had been granted within the framework of the arrangement, also if as part of the arrangement the contractual interest rate was raised, if one or more of the following situations exists:

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

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

Treatment of restructured debts and of consecutive restructure.

Debts, the terms of which had been changed in a restructure of a problematic debt, shall be classified as non-accruing debt. Notwithstanding, in certain circumstances, where a debt had been restructured as a problematic debt, and at a later date the bank and the borrower entered into an additional restructure agreement, the bank is no longer required to refer to the debt as a restructured problematic debt, if two of the following conditions exist:

1. The borrower is no longer in financial difficulties at date of the consecutive restructure;
2. According to the terms of the consecutive restructure, the bank had not granted a waiver to the borrower (including no waiver of principal on a cumulative basis since date of granting of the original loan).

Reversal of a non-accruing debt into an accruing debt status

As a general rule, non-accruing debt is reversed to accruing debt, if one of the two situation exists:

1. There are no principal or interest component of the debt that are due and have not been paid, and the bank expects payment of the remaining principal amount of the debt and interest;
2. When the debt becomes well secured and is in process of collection.

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

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

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

Provision for credit losses – measurement

As stated above, starting with January 1, 2022, the Bank applies the accounting principles accepted by US banks in the matter of measurement of credit losses stemming from financial instruments, as detailed in Item 326 of the Codification (ASC 326) – financial instruments – credit losses.
As part of the implementation of the Standard, the Bank has determined procedures for the classification of credit and for the measurment of the provision for credit losses, in order to maintain a provision at an appropriate level to cover expected credit losses in relation to its credit portfolio. In addition, the Bank has determined procedures required to maintain an appropriate level of provision in order to cover expected credit losses relating to bonds held to maturity, bonds held in the available-for-sale portfolio and to certain off-balance sheet credit exposure.
The assessment of the provision for expected credit losses is calculated over the contractual period of the financial asset, while taking into account estimates of premature repayments. The contractual period in respect of extensions, renewals and expected changes is not taken into account, unless one or more of the following situations exist: (a) at date of reporting, the Bank has reasonable expectations of reaching a rerstructure of a problematic debt with the borrower, or (b) the option of extension or renewal is included in the original agreement or in an updated agreement at the reporting date, and it may be unconditionally revoked by the Bank.
When processing the assessment of expected credit losses, the Bank takes into account the effect of past events, present conditions, and supported reasonable forecasts regarding the collectibility of the financial assets.
As a general rule, computation of the provision for expected credit losses is made on a collective basis where the assets are of a similar risk characteristics. These characteristics include, inter alia: (1) segment of operation of the borrower; (2) internal or external credit ratings or markings; (3) risk rating or risk classification; (4) type of financial assets.
For each group of financial assets having similar risk characteristics, the Bank computes the provision for expected credit losses in accordance with one of the methods for the measurement of the provision stated in the Standard, which in the opinion of the Bank, is expected to reflect the best assessment of the provision for credit losses.
In order to estimate the assessment for expected credit losses over the contractual period of the assets, the Bank bases itself on historical information, while testing the need to modify the historical data in order to reflect the extent to which the existing terms and the supported reasonable forecasts would be different than the terms that had prevailed in the period during which the historical data had been evaluated. For the purpose of such determination, the Bank takes into account the nature of the financial assets, including the factors relevant to the determination of expected collectibility, such as: the financial condition of the borrower, his credit rating, quality of the asset, ability of the borrower to pay the principal amount or interest on their due dates, the balance of the period to maturity, the scope and severity of financial assets in arrears, in a negative rating or classfication, policy and procedures of the Bank regarding the granting of credit, including changes in credit granting strategy, underwriting procedures, etc.

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

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

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

Provision for credit losses – residential credit

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

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

Provision for credit losses – commercial credit

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

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

Provision for credit losses – credit to governments and banks

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

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

Provision for credit losses – off-balance sheet credit exposure

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

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

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

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

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

Provision for credit losses – available-for-sale bonds

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

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

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

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

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

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

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

Provision for credit losses – loss estimated on a specific basis

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

Testing the overall adequacy of the provision

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

Accounting write-off

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

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

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

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

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

Disclosure requirements

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

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

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

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

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

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

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

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

NOTE 2 - INTEREST INCOME AND EXPENSES
(NIS million)

		For the three months ended September 30		For the nine months ended September 30	
		2022	**2021**	**2022**	**2021**
			(unaudited)		(unaudited)
A.	**Interest income** [1]				
	From credit to the public	**1,145**	769	**2,969**	2,272
	From credit to the Government	**7**	4	**26**	13
	From deposits with banks	**6**	-	**7**	-
	From deposits with Bank of Israel and from cash	**164**	11	**224**	35
	From securities which were borrowed	**2**	-	**3**	-
	From bonds	**58**	23	**128**	72
	Total interest income	**1,382**	807	**3,357**	2,392
B.	**Interest expenses**				
	On deposits from the public	**309**	68	**557**	194
	On deposits from the Government	**1**	1	**2**	2
	On deposits from banks	**3**	-	**4**	1
	On deposits with Bank of Israel	**1**	-	**2**	1
	On bonds and subordinated capital notes	**58**	27	**178**	103
	On other liabilities	**-**	1	**1**	1
	Total interest expenses	**372**	97	**744**	302
	Total interest income, net	**1,010**	710	**2,613**	2,090
C.	**Details on net effect of hedging derivative instruments on interest income and expenses**				
	Interest income (expenses)[2]	**1**	(11)	**(19)**	(36)
D.	**Details of interest income from bonds on cumulative basis**				
	Held to maturity	**15**	10	**42**	31
	Available for sale	**43**	13	**84**	40
	Held for trading	**-**	-	**2**	1
	Total included in interest income	**58**	23	**128**	72

(1) Including effective component in hedging relations.
(2) Details of effect of hedging derivative instruments on subsection A.

NOTE 3 - NON-INTEREST FINANCING INCOME

(NIS million)

	For the three months ended September 30		For the nine months ended September 30	
	2022	2021	2022	2021
		(unaudited)		(unaudited)
A. Non-interest financing income (expenses) in respect of non-trading activities				
1. From activity in derivative instruments(1)				
Total from activity in derivative instruments	**49**	(158)	**1,395**	(1)
2. From investments in bonds				
Profits from sale of bonds available for sale(2)	**-**	9	**7**	23
Losses from sale of bonds available for sale(2)	**(1)**	-	**(1)**	(1)
Provision for impairment of available-for-sale bonds(2)	**(2)**	-	**(2)**	-
Total from investment in bonds	**(3)**	9	**4**	22
3. Net exchange differences	**(18)**	163	**(1,348)**	2
4. From investment in shares				
Gains from sale of shares not for trading	**8**	-	**9**	3
Losses from sale of shares not for trading	**(13)**	(4)	**(25)**	(6)
Dividend from shares not for trading	**3**	12	**27**	29
Unrealized gains (losses)(3)	**(4)**	38	**(68)**	127
Total from investment in shares	**(6)**	46	**(57)**	153
Total non-interest financing income in respect of non-trading activities	**22**	60	**(6)**	176

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

	For the three months ended September 30		For the nine months ended September 30	
	2022	2021	2022	2021
		(unaudited)		(unaudited)
B. Net income (expenses) in respect of non-interest financing activity for trading(3)				
Net income in respect of other derivative instruments	**25**	4	**63**	36
Net realized and unrealized income (losses) from adjustments to fair value of bonds held for trading(1)	**1**	(1)	**4**	(1)
Net realized and unrealized income (losses) from adjustments to fair value of shares held for trading(2)	**-**	-	**(1)**	3
Total non-interest financing income from trading activities(4)	**26**	3	**66**	38
Total non-interest financing income	**48**	63	**60**	214
Details on non-interest financing income (expenses) in respect of trading activities, by risk exposure				
Interest rate exposure	**7**	7	**8**	28
Exposure to shares	**1**	2	**4**	7
Foreign currency exposure	**18**	(6)	**54**	3
Total	**26**	3	**66**	38

(1) Of which: income in respect of trading bonds on hand at balance sheet date in the amount of NIS 1 million for the nine months ended September 30, 2022 (for the nine months ended 30.9.21 - losses in the amount of NIS 1 million).
(2) No gains/losses exist in respect of trading shares on hand at balance sheet date.
(3) Including exchange differences arising from trading activity.
(4) See Note 2 for details on income from investment in trading bonds.

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

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

	Other comprehensive income (loss) before attribution to non-controlling interests				
	Adjustment in respect of reporting available for sale bonds in fair value	Adjustments in respect of employee benefits	Total	Other comprehensive income (loss) attributed to non-controlling interests	Other comprehensive income (loss) attributed to the Bank's shareholders
				For the three months ended September 30, 2022	
Balance as of June 30, 2022 (unaudited)	**(180)**	**(135)**	**(315)**	**(24)**	**(291)**
Net change during the period	**(62)**	**27**	**(35)**	**(2)**	**(33)**
Balance as of September 30, 2022 (unaudited)	**(242)**	**(108)**	**(350)**	**(26)**	**(324)**
				For the three months ended September 30, 2021	
Balance as of June 30, 2021 (unaudited)	52	(218)	(166)	(14)	(152)
Net change during the period	(5)	9	4	1	3
Balance as of September 30, 2021 (unaudited)	47	(209)	(162)	(13)	(149)
				For the nine months ended September 30, 2022	
Balance as of December 31, 2021 (audited)	**68**	**(264)**	**(196)**	**(15)**	**(181)**
Net change during the period	**(310)**	**156**	**(154)**	**(11)**	**(143)**
Balance as of September 30, 2022 (unaudited)	**(242)**	**(108)**	**(350)**	**(26)**	**(324)**
				For the nine months ended September 30, 2021	
Balance as of December 31, 2020 (audited)	50	(248)	(198)	(15)	(183)
Net change during the period	(3)	39	36	2	34
Balance as of September 30, 2021 (unaudited)	47	(209)	(162)	(13)	(149)
				For the year ended December 31, 2021	
Balance as of December 31, 2020 (audited)	50	(248)	(198)	(15)	(183)
Net change during 2020	18	(16)	2	-	2
Balance as of December 31, 2021 (audited)	68	(264)	(196)	(15)	(181)

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

(NIS million)

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

	For the three months ended September 30 (unaudited)					
			2022			2021
	Before tax	Tax effect	After tax	Before tax	Tax effect	After tax
Changes in the components of cumulative other comprehensive income (loss) before attribution to non-controlling interests						
Adjustments in respect of presentation of available for sale bonds according to fair value						
Unrealized net losses from adjustments to fair value	**(192)**	**66**	**(126)**	(17)	6	(11)
Losses in respect of available for sale bonds reclassified to income statement (1)	**97**	**(33)**	**64**	9	(3)	6
Net change during the period	**(95)**	**33**	**(62)**	(8)	3	(5)
Employee benefits:						
Net actuarial gain (loss) for the period	**39**	**(13)**	**26**	4	(1)	3
Net losses reclassified to the statement of profit and loss (2)	**3**	**(2)**	**1**	8	(2)	6
Net change during the period	**42**	**(15)**	**27**	12	(3)	9
Changes in the components of cumulative other comprehensive income (loss) attributed to non-controlling interests						
Total change during the period	**(4)**	**2**	**(2)**	1	-	1
Changes in the components of cumulative other comprehensive income (loss) attributed to the Bank's shareholders						
Total change during the period	**(49)**	**16**	**(33)**	3	-	3

	For the nine months ended September 30 (unaudited)					
			2022			2021
	Before tax	Tax effect	After tax	Before tax	Tax effect	After tax
Changes in the components of cumulative other comprehensive income (loss) before attribution to non-controlling interests						
Adjustments in respect of presentation of available for sale bonds according to fair value						
Unrealized net losses from adjustments to fair value	**(759)**	**260**	**(499)**	(76)	26	(50)
Losses in respect of available for sale bonds reclassified to income statement (1)	**287**	**(98)**	**189**	72	(25)	47
Net change during the period	**(472)**	**162**	**(310)**	(4)	1	(3)
Employee benefits:						
Net actuarial gain for the period	**221**	**(75)**	**146**	33	(11)	22
Net losses reclassified to the statement of profit and loss (2)	**17**	**(7)**	**10**	25	(8)	17
Net change during the period	**238**	**(82)**	**156**	58	(19)	39
Changes in the components of cumulative other comprehensive income (loss) attributed to non-controlling interests						
Total change during the period	**(17)**	**6**	**(11)**	3	(1)	2
Changes in the components of cumulative other comprehensive income (loss) attributed to the Bank's shareholders						
Total change during the period	**(217)**	**74**	**(143)**	51	(17)	34

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

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

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

(NIS million)

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

	For the year ended December 31, 2021 (audited)		
	Before tax	Tax effect	After tax
Changes in the components of cumulative other comprehensive income (loss) before attribution to non-controlling interests			
Adjustments in respect of presentation of available for sale bonds according to fair value			
Unrealized net gains from adjustments to fair value	(81)	28	(53)
Gains in respect of available for sale bonds reclassified to income statement (1)	108	(37)	71
Net change during the period	27	(9)	18
Employee benefits:			
Net actuarial loss for the period	(82)	28	(54)
Net losses reclassified to the statement of profit and loss (2)	58	(20)	38
Net change during the period	(24)	8	(16)
Changes in the components of cumulative other comprehensive income (loss) attributed to non-controlling interests			
Total change during the period	-	-	-
Changes in the components of cumulative other comprehensive income (loss) attributed to the Bank's shareholders			
Total change during the period	3	(1)	2

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

NOTE 5 - SECURITIES

(NIS million)

	September 30, 2022 (unaudited)					
A. Debentures held to maturity	**Book value**	**Amortized cost**	**Provision for credit losses**	**Unrealized gains from adjustment to fair value**	**Unrealized losses from adjustment to fair value**	**Fair value** (1)
Of Israeli government	**2,975**	**2,975**	**-**	**-**	**148**	**2,827**
Of financial institutions in Israel	**92**	**92**	**-**	**-**	**4**	**88**
Of others in Israel	(5)**114**	**114**	**-**	**7**	**-**	**121**
Total debentures held to maturity	**3,181**	**3,181**	**-**	**7**	**152**	**3,036**

				Cumulative other comprehensive income		
B. Bonds available for sale	**Book value**	**Amortized cost**	**Provision for credit losses**	**Profits**	**Losses**	**Fair value** (1)
Of Israeli government	**8,035**	**8,325**	**-**	**33**	**323**	**8,035**
Of foreign governments	**2,861**	**2,904**	**-**	**-**	**43**	**2,861**
Of financial institutions in Israel	**244**	**261**	**-**	**-**	**17**	**244**
Of foreign financial institutions	(6)**326**	**340**	**-**	**-**	**14**	**326**
Of others in Israel	**118**	**121**	**-**	**1**	**4**	**118**
Of foreign others	**28**	**28**	**-**	**-**	**-**	**28**
Total bonds available for sale	**11,612**	**11,979**	**-**	(2)**34**	(2)**401**	**11,612**

C. Investment in not for trading shares	**Book value**	**cost**	**Provision for credit losses**	**Unrealized gains from adjustment to fair value**	**Unrealized losses from adjustment to fair value**	**Fair value** (1) (4)
Not for trading shares	**475**	**407**	**-**	(3)**77**	(3)**9**	**475**
Of which: shares, the fair value of which is not ready determinable	**214**	**201**	**-**	(3)**13**	(3)**-**	**214**
Total not for trading securities	**15,268**	**15,567**	**-**	**118**	**562**	**15,123**

D. 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	**63**	**63**	**-**	**-**	**-**	**63**
Total securities	**15,331**	**15,630**	**-**	**118**	**562**	**15,186**

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

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

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

(3) Recorded in the Statement of Income.

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

(5) Including impaired bonds accruing interest income in amount of NIS 3 million.

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

NOTE 5 - SECURITIES (CON'T)

(NIS million)

	September 30, 2021 (unaudited)				
A. Bonds held to maturity	Book value	Amortized cost	Unrealized gains from adjustment to fair value	Unrealized losses from adjustment to fair value	Fair value (1)
Of Israeli government	2,317	2,317	77	6	2,388
Of financial institutions in Israel	73	73	1	-	74
Of others in Israel	(5)162	162	21	-	183
Total Bonds held to maturity	2,552	2,552	99	6	2,645

B. Bonds available for sale	Book value	Amortized cost	Cumulative other comprehensive income: Profits	Cumulative other comprehensive income: Losses	Fair value (1)
Of Israeli government	9,604	9,538	70	4	9,604
Of foreign governments	908	908	-	-	908
Of financial institutions in Israel	90	90	-	-	90
Of foreign financial institutions	(6)256	255	2	1	256
Of others in Israel	220	213	7	-	220
Of foreign others	91	91	-	-	91
Total bonds available for sale	11,169	11,095	(2)79	(2)5	11,169

C. Investment in not for trading shares	Book value	cost	Unrealized gains from adjustment to fair value	Unrealized losses from adjustment to fair value	Fair value (1) (4)
Not for trading shares	680	490	(3)194	(3)4	680
Of which: shares, the fair value of which is not ready determinable	164	152	(3)12	(3)-	164
Total not for trading securities	14,401	14,137	372	15	14,494

D. Securities held for trading	Book value	Amortized cost (in shares cost)	Unrealized gains from adjustment to fair value	Unrealized losses from adjustment to fair value	Fair value (1)
Bonds of Israeli government	401	401	1	1	401
Shares	1	1	-	-	1
Total trading securities	402	402	(3)1	(3)1	402
Total securities	14,803	14,539	373	16	14,896

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

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

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

(3) Recorded in the Statement of Income.

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

(5) Including impaired bonds accruing interest income in amount of NIS 3 million.

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

NOTE 5 - SECURITIES (CON'T)

(NIS million)

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

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

C. Investment in not for trading shares	Book value	cost	Unrealized gains from adjustment to fair value	Unrealized losses from adjustment to fair value	Fair value (1) (4)
Not for trading shares	731	537	(3)195	(3)1	731
Of which: shares, the fair value of which is not ready determinable	166	149	(3)17	(3)-	166
Total not for trading securities	14,858	14,559	406	9	14,956

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

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

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

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

(3) Recorded in the Statement of Income.

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

(5) Including problematic bonds accruing interest income in amount of NIS 3 million.

(6) Including securities with embedded derivative measured at fair value while changes in fair value were recognized in the statement of income amounting to NIS 17 million.

NOTE 5 - SECURITIES (CON'T)

(NIS million)

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

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

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

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

(1) Investments in an unrealized loss position less than 12 months.
(2) Investments in an unrealized loss position more than 12 months.
(3) Investments which their unrealized loss constitutes up to 20% of their amortized cost.
(4) Investments which their unrealized loss constitutes between 20% to 40% of their amortized cost.
(5) Amortized cost of bonds held for redemption amounts to NIS 3,000 million (30.9.21 – NIS 421 million, 31.12.21 – NIS 188 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

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

	September 30, 2021 (unaudited)					
	Credit to the public					
	Commercial (2)	Housing	Other private	Total	Banks Governments and bonds	Total
Recorded balance:						
Debts examined on an individual basis	37,655	-	429	38,084	18,034	56,118
Debts examined on a collective basis	5,974	31,156	21,751	58,881	-	58,881
Total	43,629	31,156	22,180	96,965	18,034	114,999
Of which:						
Non-accruing debts	391	-	99	490	-	490
Debts in arrears of 90 days or more	14	177	12	203	-	203
Other problematic debts	882	130	148	1,160	-	1,160
Total problematic debts	1,287	307	259	1,853	-	1,853
Provision for credit losses:						
In respect of debts examined on an individual basis	556	-	37	593	-	593
In respect of debts examined on a collective basis	78	163	254	495	-	495
Total	634	163	291	1,088	-	1,088
Of which: Non-accruing debts	147	-	33	180	-	180
Of which: Other problematic debts	205	45	29	279	-	279

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

(CONT'D)
(NIS million)

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

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

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

(CONT'D)
(NIS million)

2. Change in provision for credit losses

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

	For the three months ended September 30, 2021 (unaudited)					
	Credit to the public					
	Commercial	Housing	Other private	Total	Banks Governments and bonds	Total
Change in provision for credit losses - Debts						
Provision for credit losses at beginning of the period (1)	733	165	330	1,228	-	1,228
Income in respect of credit losses	(37)	(3)	(29)	(69)	-	(69)
- Accounting write-offs	(14)	-	(20)	(34)	-	(34)
- Collection of debts written off accounting wise in previous years	26	1	22	49	-	49
Net accounting write-offs	12	1	2	15	-	15
Provision for credit losses at end of the period(2)	708	163	303	1,174	-	1,174
Of which: (1) In respect of off-balance sheet credit instruments	68	-	11	79	-	79
(2) In respect of off-balance sheet credit instruments	74	-	12	86	-	86

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

(CONT'D)
(NIS million)

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

	For the nine months ended September 30, 2022 (unaudited)					
	Credit to the public					
	Commercial	Housing	Other private	Total	Banks Governments and bonds	Total
Change in provision for credit losses - Debts						
Provision for credit losses at beginning of the year (audited)(1)	**670**	**159**	**326**	**1,155**	**-**	**1,155**
Adjustment to opening balance in respect of initial application*	**93**	**(34)**	**4**	**63**	**2**	**65**
Expenses (income) in respect of credit losses	**68**	**16**	**(10)**	**74**	**-**	**74**
- Accounting write-offs	**(94)**	**-**	**(67)**	**(161)**	**-**	**(161)**
- Collection of debts written off accounting wise in previous years	**70**	**2**	**67**	**139**	**-**	**139**
Net accounting write-offs	**(24)**	**2**	**-**	**(22)**	**-**	**(22)**
Provision for credit losses at end of the period(2)	**807**	**143**	**320**	**1,270**	**2**	**1,272**
Of which: (1) In respect of off-balance sheet credit instruments	**68**	**-**	**11**	**79**	**-**	**79**
(2) In respect of off-balance sheet credit instruments	**87**	**4**	**10**	**101**	**-**	**101**

	For the nine months ended September 30, 2021 (unaudited)					
	Credit to the public					
	Commercial	Housing	Other private	Total	Banks Governments and bonds	Total
Change in provision for credit losses - Debts						
Provision for credit losses at beginning of the year (audited)(1)	881	164	318	1,363	-	1,363
Income in respect of credit losses	(182	(1)	(23)	(206)	-	(206)
- Accounting write-offs	(58)	(1)	(61)	(120)	-	(120)
- Collection of debts written off accounting wise in previous years	67	1	69	137	-	137
Net accounting write-offs	9	-	8	17	-	17
Provision for credit losses at end of the period(2)	708	163	303	1,174	-	1,174
Of which: (1) In respect of off-balance sheet credit instruments	68	-	11	79	-	79
(2) In respect of off-balance sheet credit instruments	74	-	12	86	-	86

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

NOTE 7 - DEPOSITS FROM THE PUBLIC

(NIS million)

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

	September 30, 2022	September 30, 2021	December 31, 2021
		(unaudited)	(audited)
Demand			
- Non- bearing interest	**60,766**	67,399	68,605
- Bearing interest	**28,036**	29,126	31,353
Total demand	**88,802**	96,525	99,958
Fixed-term	**76,100**	51,748	53,489
Total deposits in Israel*	**164,902**	148,273	153,447
*Of which:			
Deposits of private individuals	**78,240**	73,667	73,045
Deposits of institutional entities	**34,117**	31,403	31,872
Deposits of corporates and others	**52,545**	43,203	48,530

B. Deposits of the public by size

	September 30, 2022	September 30, 2021	December 31, 2021
Maximum amount of deposit		(unaudited)	(audited)
Up to 1	**58,348**	56,126	55,956
From 1 to 10	**39,247**	35,911	36,190
From 10 to 100	**19,829**	17,873	18,209
From 100 to 500	**11,823**	7,509	11,644
Over 500	**35,655**	30,854	31,448
Total	**164,902**	148,273	153,447

NOTE 7A - EMPLOTYEE RIGHTS

(NIS million)

A. Composition of benefits:

	September 30,		December 31,
	2022	2021	2021
		(unaudited)	(audited)
Pension and severance pay			
Amount of liability	**830**	951	987
Fair value of assets of the scheme	**(264)**	(350)	(297)
Excess liabilities over assets of the scheme	**566**	601	690
Excess liabilities of the scheme included in the item "other liabilities"	**566**	601	690
Long-service awards - amount of liability	**15**	19	17
Benefit regarding unused sick leave - amount of liability	**26**	31	30
Other post-employment benefits	**9**	9	9
Other post-retirement benefits	**193**	225	236
Vacation pay	**80**	81	78
Other	**199**	190	240
Total			
Excess liabilities regarding employee benefits over assets of the scheme included in the item "other liabilities"	**1,088**	1,156	1,300

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

B. DEFINED BENEFITS SEVERANCE PAY AND PENSION SCHEMES

(1) Commitment and financing situation

	Severance pay and pension schemes					Other post-retirement benefits				
	For the three months ended September 30,		For the nine months ended September 30,		For the year ended December 31,	For the three months ended September 30,		For the nine months ended September 30,		For the year ended December 31,
	2022	2021	**2022**	2021	2021	**2022**	2021	**2022**	2021	2021
	(unaudited)		(unaudited)		(audited)	(unaudited)		(unaudited)		(audited)
										(NIS million)
A. Change in liability regarding anticipated benefits										
Liability regarding anticipated benefit at beginning of period	**859**	955	**987**	960	960	**196**	221	**236**	219	219
Cost of service	**6**	5	**19**	15	20	**1**	2	**4**	4	5
Cost of interest	**9**	5	**21**	13	18	**2**	1	**6**	4	6
Actuarial loss (profit)**	**(36)**	(5)	**(167)**	(7)	107	**(4)**	2	**(49)**	1	10
Benefits paid	**(8)**	(9)	**(30)**	(30)	(118)	**(2)**	(1)	**(4)**	(3)	(4)
Liability regarding anticipated benefit at end of period	**830**	951	**830**	951	987	**193**	225	**193**	225	236
Liability regarding cumulative benefit at end of period	**700**	817	**700**	817	808	191	223	**191**	223	233
B. Change in fair value of assets of the scheme and the financing situation of the scheme										
Fair value of assets of the scheme at beginning of period	**272**	355	**297**	343	343	**-**	-	**-**	-	-
Actual return on assets of the scheme	**(2)**	5	**(8)**	35	44	**-**	-	**-**	-	-
Deposits in the scheme by the Bank	**2**	2	**7**	7	9	**-**	-	**-**	-	-
Benefits paid	**(8)**	(12)	**(32)**	(35)	(99)	**-**	-	**-**	-	-
Fair value of assets of the scheme at end of period	**264**	350	**264**	350	297	**-**	-	**-**	-	-
Financing situation- net liability recognized at the end of period*	**566**	601	**566**	601	690	**193**	225	**193**	225	236

* Included in the item "other liabilities".

** In the first nine months of 2022, the actuarial gain derives mainly from the rise of the discounting interest rate.

	Severance pay and pension schemes			Other post-retirement benefits		
	September 30,		December 31,	September 30,		December 31,
	2022	2021	2021	**2022**	2021	2021
		(unaudited)	(audited)		(unaudited)	(audited)
						(NIS million)
C. Amounts recognized in the consolidated balance sheet						
Amounts recognized in the item "other liabilities"	**566**	601	690	**193**	225	236
Net liability recognized at end of period	**566**	601	690	**193**	225	236
D. Amounts recognized in other cumulative comprehensive loss, before the tax effect						
Actuarial loss, net	**121**	214	289	**32**	75	83
Closing balance in other cumulative comprehensive loss	**121**	214	289	**32**	75	83

NOTE 7A - EMPLOTYEE RIGHTS (CON'T)

(NIS million)

(2) Expense for the period

		Severance pay and pension schemes					Other post-retirement benefits				
		For the three months ended September 30,		For the nine months ended September 30,		For the year ended December 31,	For the three months ended September 30,		For the nine months ended September 30,		For the year ended December 31,
		2022	2021	2022	2021	2021	2022	2021	2022	2021	2021
		(unaudited)		(unaudited)		(audited)	(unaudited)		(unaudited)		(audited)
											(NIS million)
A.	**Cost components of net benefit recognized in profit and loss**										
	Cost of service	**6**	5	**19**	15	20	**1**	2	**4**	4	5
	Cost of interest	**9**	5	**21**	13	18	**2**	1	**6**	4	6
	Anticipated return on assets of the scheme	**(2)**	(2)	**(5)**	(5)	(7)	**-**	-	**-**	-	-
	Amortization of non-recognized amounts:										
	Net actuarial loss	**3**	5	**11**	13	17	**-**	1	**2**	4	5
	Dismissal	**-**	3	**3**	8	36	**-**	-	**-**	-	-
	Capitalization of software costs	**-**	(1)	**(2)**	(2)	(3)	**-**	-	**-**	-	-
	Total cost of benefits, net	**16**	15	**47**	42	81	**3**	4	**12**	12	16
B.	**Changes in assets of the scheme and in liability for benefits recognized in other comprehensive (profit) loss, before the tax effect**										
	Net actuarial loss (profit) for the period	**(32)**	(8)	**(154)**	(37)	70	**(4)**	2	**(49)**	1	10
	Amortization of actuarial loss	**(3)**	(5)	**(11)**	(13)	(17)	**-**	(1)	**(2)**	(4)	(5)
	Dismissal	**-**	(3)	**(3)**	(8)	(36)	**-**	-	**-**	-	-
	Total recognized in other comprehensive (profit) loss	**(35)**	(16)	**(168)**	(58)	17	**(4)**	1	**(51)**	(3)	5
	Total net cost of benefit	**16**	15	**47**	42	81	**3**	4	**12**	12	16
	Total net cost of benefit for the period recognized in other comprehensive (profit) loss	**(19)**	(1)	**(121)**	(16)	98	**(1)**	5	**(39)**	9	21

NOTE 7A - EMPLOTYEE RIGHTS (CON'T)

(NIS million)

(3) Assumptions

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

	Severance pay and pension schemes			Other post-retirement benefits		
	September 30,		December 31,	September 30,		December 31,
	2022	2021	2021	**2022**	2021	2021
		(unaudited)	(audited)		(unaudited)	(audited)
			(NIS million)			(NIS million)
1. Principal guidelines used to determine the liability for benefits						
Real discounting rate **		0.0	(0.3)		**0.6**	0.4
Nominal discounting rate **	**4.4**			**4.7**		

	Severance pay and pension schemes			Other post-retirement benefits		
	For the nine months ended September 30,		For the year ended December 31,	For the nine months ended September 30,		For the year ended December 31,
	2022	2021	2021	**2022**	2021	2021
		(unaudited)	(audited)		(unaudited)	(audited)
			(NIS million)			(NIS million)
2. Principal guidelines used to measure the net cost of benefits for the period						
Real discounting rate **		0.2-0.3	0.0-0.3		**0.8**	0.6-0.8
Nominal discounting rate **	**2.2-3.8**			**3.0-4.3**		

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

				One percentage point growth		
	Severance pay and pension schemes			Other post-retirement benefits		
	September 30,		December 31,	September 30,		December 31,
	2022	2021	2021	**2022**	2021	2021
		(unaudited)	(audited)		(unaudited)	(audited)
			(NIS million)			(NIS million)
Discounting rate	**(53)**	(59)	(74)	**(30)**	(37)	(41)

				One percentage point decline		
	Severance pay and pension schemes			Other post-retirement benefits		
	September 30,		December 31,	September 30,		December 31,
	2022	2021	2021	**2022**	2021	2021
		(unaudited)	(audited)		(unaudited)	(audited)
			(NIS million)			(NIS million)
Discounting rate	**63**	71	90	**41**	50	55

NOTE 7A - EMPLOTYEE RIGHTS (CON'T)

(NIS million)

C. Cash flows

Deposits

	Severance pay and pension schemes					
	Forecast	Actual deposits				
		For the three months ended September 30,		For the nine months ended September 30,		For the year ended December 31,
	*2022	2022	2021	2022	2021	2021
	(unaudited)		(unaudited)		(unaudited)	(audited)
						(NIS million)
Deposits	9	**2**	2	**7**	7	9

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

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

NOTE 8 - CAPITAL ADEQUACY, LEVERAGE AND LIQUIDITY

A. BASEL 3 GUIDELINES

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

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

(1) Capital adequacy goals

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

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

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

In view of the above and in consideration of the additional capital requirement regarding the balance of residential loans, the minimal Tier 1 equity capital ratio, which the Bank has to maintain at the reporting date, is 9.24% and the minimal comprehensive capital ratio that the bank has to maintain at the reporting date is 12.50%.

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

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

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

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

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

(NIS million)

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

	September 30, 2022	September 30, 2021	December 31, 2021
	(unaudited)	(unaudited)	(audited)
a. Consolidated			
1. Capital for calculation of capital ratio			
Tier 1 capital, after supervisory adjustments and deductions	**10,476**	10,222	10,199
Tier 2 capital after deductions	**3,396**	1,889	1,891
Total comprehensive capital	**13,872**	12,111	12,090
2. Weighted balances of risk assets			
Credit risk	(2)**94,602**	(2)80,297	(2)81,660
Market risk	**760**	793	683
Operational risk	**7,639**	6,725	6,645
Total weighted balances of risk assets	**103,001**	87,815	88,988
			percent
3. Ratio of capital to risk assets			
Ratio of tier 1 capital to risk assets	**10.17%**	11.64%	11.46%
Comprehensive ratio of capital to risk assets	**13.47%**	13.79%	13.59%
Minimal ratio of equity capital tier 1 required by the Supervisor of banks	(1)**9.24%**	(1)8.25%	(1)8.25%
Minimal ratio of capital required by the Supervisor of Banks	(1)**12.50%**	(1)11.50%	(1)11.50%
			percent
B. Significant Subsidiaries			
Bank Massad Ltd.			
Ratio of tier 1 capital to risk assets	**14.95%**	14.97%	14.71%
Comprehensive ratio of capital to risk assets	**16.08%**	16.01%	15.72%
Minimal ratio of equity capital tier 1 required by the Supervisor of banks	**9.00%**	8.00%	8.00%
Minimal ratio of capital required by the Supervisor of Banks	**12.50%**	11.50%	11.50%

(1) The required minimal Tier 1 equity capital ratio and minimal comprehensive capital ratio are 9.0% and 12.5%, respectively. To the required minimal Tier I equity capital ratio was added capital requirement comprising 1% of residential loans balance at the reporting date. However, in accordance with the Provisional Instructions regarding modification of Proper Conduct of Banking Business Directives regarding confrontation with the Corona crisis, as from March 2020 and until December 31, 2021, the minimal Tier 1 equity capital ratio and minimal comprehensive capital ratio were 8% and 11.5%, respectively. Likewise, no additional capital requirement at the rate of 1% was required in respect of loans for residential purposes granted as from the beginning of the Provisional Instruction period (March 19, 2020) and until September 30, 2021, and on any purpose residential loans granted as from the beginning of the Provisional Instruction period (March 19, 2020).

(2) An amount of NIS 77 million were deducted from the average balances of risk assets in respect of adjustments regarding the efficiency measures (30.9.21 – NIS 108 million, 31.12.21 – NIS 100 million).

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

(NIS million)

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

	September 30, 2022	September 30, 2021	December 31, 2021
	(unaudited)	(unaudited)	(audited)
A. Equity capital tier 1			
Capital attributed to shareholders	**10,237**	10,022	10,003
Differences between capital attributed to shareholders and equity capital tier 1			
Minority interests	**259**	217	220
Total equity capital tier 1 before regulatory adjustments and deductions	**10,496**	10,239	10,223
Regulatory adjustments and deductions:			
Intangible assets	**(97)**	(96)	(96)
Regulatory adjustments and other deductions- equity capital tier 1	**(8)**	(2)	(3)
Total regulatory adjustments and deductions before adjustments in respect of efficiency measures and expected credit losses - equity capital tier 1	**(105)**	(98)	(99)
Total adjustments in respect of efficiency measures - Tier 1 equity capital(1)	**57**	81	75
Total adjustments in respect of expected credit losses - Tier 1 equity capital(2)	**28**	-	-
Total equity capital tier 1 after regulatory adjustments and deductions	**10,476**	10,222	10,199
B. Tier 2 capital			
Tier 2 capital: instruments before deductions	**2,275**	905	907
Tier 2 capital: provisions before deductions	**1,121**	984	984
Total tier 2 capital before deductions	**3,396**	1,889	1,891
Deductions:			
Total deductions- tier 2 capital	**-**	-	-
Total tier 2 capital	**3,396**	1,889	1,891

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

	September 30, 2022	September 30, 2021	December 31, 2021
	(unaudited)	(unaudited)	(audited)
Ratio of capital to risk assets			
Ratio of tier 1 equity capital to risk assets before effect of adjustments	**9.97%**	11.53%	11.37%
Effect of adjustments in respect of efficiency measures(1)	**0.06%**	0.11%	0.09%
Effect of adjustments in respect of expected credit losses(2)	**0.03%**	-	-
Effect of adjustments in respect of highly leveraged financing of acquisition of land(3)	**0.11%**	-	-
Ratio of tier 1 equity capital to risk assets	**10.17%**	11.64%	11.46%

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

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

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

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

(5) Efficiency measures

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

(a) In the course of the third quarter of 2018, a merger decision was taken, and on January 1, 2019, Otsar Hahayal was merged with and into the Bank. In respect of these actions the Group recorded a provision for increased severance compensation in the amount of NIS 82 million (net amount of NIS 53 million after the tax effect).
The impact of the efficiency measures on the ratio of equity to risk components is recognized, as stated, in installments over five years, and is estimated at September 30, 2022 to be lower by 0.01%.

(b) On July 28, 2020 and on November 3, 2020, the Board of Directors approved an efficiency plan, according to which 60 regular employees of the Bank, belonging to the defined target population, will be allowed to opt for early retirement under preferential terms.
The plan increased other comprehensive loss (gross) in an amount of NIS 48 million in respect of severance compensation liability and post-retirements benefits.
In addition, in the fourth quarter of the year 2020, an additional provision for enlarged severance compensation was recorded, in an amount of NIS 50 million, in respect of another early retirement anticipated in the upcoming years. Total net effect, after tax in respect of these actions amounted to NIS 65 million.
The impact of the efficiency measures on the ratio of equity to risk components is recognized, as stated, in installments over five years, and is estimated at September 30, 2022 to be lower by 0.05%.

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

As from January 1, 2022, the Bank is applying the new rules regarding provisions for credit losses, recognizing at date of initial implementation, the cumulative effect thereof.
On December 1, 2020, the Supervisor of Banks issued a letter in the matter of "regulatory capital – effect of implementation of accounting principles regarding expected credit losses", which included, inter alia, update of Proper Conduct of Banking Business Directive No. 299, stating that, to the extent that the initial implementation of these rules results in a decline in the Tier I equity capital of a banking corporation, then the amount of the decline may be spread over a period of three years (hereinafter – "the transitional period").
Save for the said relief, as of September 30, 2022, the implementation would have resulted in an additional decrease of 0.03% in the capital adequacy ratios.
For details of the initial implementation, see Note 1(c) above.

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

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

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

On August 24, 2022, the Supervisor of Banks published a draft of FAQ in respect to this directive, which is currently in the stage of discussion between the banks and the Supervisor. When implementing the directive in the financial statements as of September 30, 2022, the Bank calculated the risk assets, in respect of financing of land with LTV higher then 80%, based on assumptions, in respect of how to calculate the required additional risk assets in accordance to the directive. This calculation may change if clarifications will be received regarding the way of implementation of the directive. The results of these discussions, as above, is not expected to have a material effect on the capital adequacy ratio as of September 30, 2022.

Subsequential to this, the Bank adopted the relief set in the letter, according to which, the effect of the change in the risk weight on the capital ratio, in respect of the balance of loans as of June 30, 2022, may be spread in constant quarterly rates until June 30, 2023. Save for the said relief, as of September 30, 2022, the implementation would have resulted in an additional decrease of 0.11% and 0.14% in the tier 1 capital ratio and comprehensive capital ratio, respectively.

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

In March 2014, The Basel Committee on Banking Supervision published updates to Basel 3 instructions, among which was a new instruction regarding "the standard approach for the computation of exposure to counterparty credit risk" (SA-CCR).

On December 1, 2021, the Supervisor of Banks published a letter updating Proper Conduct of Banking Business Directives, which included, inter alia, the addition of Proper Conduct of Banking Business Directive No. 203A in the matter of the treatment of counterparty credit risk in accordance with SA-CCR, replacing approaches existing at the present time within the framework of Directive 203 for the computation of exposure to a counterparty in the event of failure. According to the letter, implementation of the Directive begins on July 1, 2022.

The implementation of the Directive resulted in a decrease in tier 1 equity capital and the comprehensive equity capital in the rates of 0.07% and 0.09%, respectively, this as a result of an increase in the amount of risk assets in respect of exposure to counterparty credit risk in an amount of NIS 710 million.

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

(9a.) Capital components subject to fluctuations

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

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

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

Following is an analysis of the impact of such changes on the Tier I equity capital of the Bank as of September 30, 2022:

	Effect of a change of NIS 100 million in Tier I equity capital	Effect of a change of NIS 1 billion in total risk assets
		percent
The Bank (consolidated data)	**0.10**	**0.10**
Massad Bank Ltd.	**1.60**	**2.06**

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

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

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

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

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

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

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

	September 30, 2022 (unaudited)	September 30, 2021 (unaudited)	December 31, 2021 (audited)
			NIS million
A. Consolidated			
Tier 1 capital*	**10,476**	10,222	10,199
Total exposures	**205,407**	184,631	191,042
			percent
Leverage ratio	**5.10%**	5.54%	5.34%
B. Significant Subsidiary			
Massad Bank Ltd.			
Leverage ratio	**7.85%**	7.78%	7.68%
Minimal Leverage ratio required by the Supervisor of banks	**4.50%**	4.50%	4.50%

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

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

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

	For the three months ended		
	September 30,	September 30,	December 31
	2022	2021	2021
	(unaudited)	(unaudited)	(audited)
			percent
A. Consolidated*			
Liquidity coverage ratio	**127%**	133%	128%
B. The bank*			
Liquidity coverage ratio	**126%**	133%	128%
C. Significant Subsidiary*			
Massad Bank Ltd.			
Liquidity coverage ratio	**282%**	272%	248%
Minimal liquidity coverage ratio required by the Supervisor of banks	**100%**	100%	100%

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

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

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

Since December 31, 2021, the Bank implements Proper Conduct of Banking Business Directive No. 222 in the matter of "Net stable Funding Ratio - NSFR", which adopts the recommendations of the Basel Committee in the matter of net stable funding ratio regarding the banking system in Israel. In accordance with the Directive, the aim of the net stable funding ratio, is to improve the resilience of the liquidity risk profile of banking corporations over a longer time horizon, by way of requiring banking corporations to maintain a stable funding profile, in accordance with the composition of their stated assets and their off-balance sheet operations. The net stable funding ratio contains two components: available stable funding items (numerator) and required stable funding items (denominator). "Available stable funding" is defined as that part of capital and liabilities that may be relied on over the time horizon taken into account in the net stable funding ratio, covering a period of one year. The required amount of stable funding of a certain corporation is a function of its liquidity characteristics and the remaining periods to maturity of the different assets held by that corporation, as well as its off-balance sheet exposure.
In accordance with the Directive, the required net stable funding ratio is 100%.

		For September 30, 2022	For December 31, 2021
		(unaudited)	(audited)
			percent
1.	**Consolidated**		
	Net stable funding ratio	**134%**	*139%
2	**Significant Subsidiary**		
	Massad Bank Ltd.		
	Net stable funding ratio	**151%**	151%
	Minimal net stable funding ratio required by the Supervisor of banks	**100%**	100%

* Restated

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

E. DIVIDENDS

	For the three months ended September 30,		For the nine months ended September 30,		For the year ended December 31,
	2022	2021	2022	2021	2021
		(unaudited)		(unaudited)	(audited)
		NIS million		NIS million	NIS million
Dividend declared and paid by the Bank	**170**	225	**710**	225	545

The Bank had applied and accepted the position of Bank of Israel, according to which, nothing avoids considerations by the Bank for the distribution of a one-time dividend distribution, which includes an amount of NIS 150 million (completing the distribution of 50% of net earnings of 2020, in accordance with the dividend policy) and an additional one-time amount of dividend of up to NIS 350 million.

On August 16, 2022, the Board of Directors decided that the Bank does not consider the distribution of one-time dividend, as stated above. As of this date, no change occurred in the Board of Directors' decision regarding the distribution of one-time dividend.

On November 22, 2022, the Board of Directors decided, in accordance with the Bank's dividend distribution policy, to approve the distribution of dividend in cash to the shreholders of the Bank, in an amount of NIS 235 million (gross), comprising 50% of the net profit of the Bank in accordance with the financial statements of the Bank for the third quarter of 2022. The ex-dividend date was fixed for November 30, 2022, and payment of the dividend shall be made on December 8, 2022. 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

		September 30, 2022 (unaudited)	September 30, 2021 (unaudited)	December 31 2021 (audited)
A.	Improvements to premises and acquisition of new premises, equipment and software	**10**	8	13
	Commitments to invest in private investment funds	**160**	48	83

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

	September 30, 2022 (unaudited)	September 30, 2021 (unaudited)
First year	***17**	*17
Second year	**68**	64
Third year	**63**	54
Fourth year	**62**	49
Fifth year	**55**	47
Sixth year and thereafter	**209**	187
Total	**474**	418

* For the period until the end of the calendar year

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

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

Following are details of motions for approval of class actions that had been filed against the Bank in the past, and which have undergone changes as compared with that stated in the financial statements for 2021:

1. On February 18, 2016, the Bank received notice of a lawsuit together with a motion for its approval as a class action suit filed with the Tel Aviv District Court against the Bank and four additional banks (hereinafter together – "the Respondents").

   According to the Plaintiff, the Respondents discriminate on the ground of age between "young students" and "not-so-young students" in a way that deprives "not-so-young student" from benefits and/or discounts offered to "young students" only.

   The Plaintiff has defined the class as follows: "…all students discriminated against due to age in comparison with younger students, thus depriving them from benefits granted to students during the past seven years, and at least as from July 15, 2014, …".

   The Plaintiff claims that the conduct of the banks caused monetary and nonmonetary damages to the class, and requests the charging the banks, jointly and severally, with a payment to the class of NIS 219 million. On September 26, 2019, the Court issued a verdict rejecting the motion for approval of the action as a class action. On November 4, 2019, the Plaintiff filed an appeal against this verdict, and on October 20, 2022, this appeal was rejected.

2. On May 7, 2020, the Bank received notice of a motion for approval of a class action against the Bank with respect to the charging of a broker commission on operations in securities. The Plaintiff argues that for each transaction of purchase/sale of securities, the Bank charges a commission named by it as "broker commission", despite the fact that such a commission does not appear on the pricelist of the Bank and therefore is unlawfully charged. The Plaintiff further claims that to the extent that the matter involves a third party expense (which, according to the pricelist, the Bank may collect) the Bank has to provide details of the rate of the commission and manner of its calculation, which the Bank does not provide. The Plaintiff notes that it is not able to assess the total amount of the claim, however, as argued, the personal damage caused to the Plaintiff in respect of each transaction amounts to NIS 2. Accordingly, the Plaintiff assumes that the total damage caused to the class as a whole, during the seven years preceding the date of the action, amounts to tens of millions of NIS, if not more. Accordingly, as argued in the claim, similar actions had been brought also against other banks. On September 4, 2022, a verdict was issued rejecting the motion for approval of a class action.
3. On April 21, 2021, the Bank received notice of a motion for approval of a class action. The action had been filed against the Bank and another bank. The Claimant argues that the "line entry charge" appearing in the pricelist of the Bank for large businesses should be abolished, and the Bank should be instructed to refund to the customers the "line entry charge" excessively collected by it, together with compensation in respect of the mental anguish caused. Alternatively, according to the Claimant, the price of the "line entry charge" should be reduced, whereas the price of this charge does not reflect the operating cost incurred by the Bank in everything relating to the recording of the line entry, taking into consideration the changing reality and technological development of the banking system. On May 25, 2022, the Court approved the request for withdrawal submitted by the Claimants, and the motion for approval of the action as a class action was deleted.
4. On September 13, 2021, the Bank received notice of a motion for approval of a class action. The action had been filed against the five major banks, including the Bank (hereinafter together- "the banks"). The Claimants argue that banks' fees published in the foreign currency pricelists (and not in NIS) are in contradiction to the law, especially, as the computation of the fees is made by a theoretical conversion to NIS, at high exchange rates. Accordingly, as argued by the Claimants, the banks should be ordered to reimburse the members of the class with all amounts collected in respect of fees presented or denominated in foreign currency in the pricelists during the last 7 years. Alternatively, the banks should be ordered to refund to the members of the class the conversion differences in respect of these fees. On May 9, 2022, the Court approved the agreed withdrawal submitted by the Claimants, thus terminating the proceedings.

The amount of the additional exposure of the Bank and of its subsidiaries as of September 30, 2022, in respect of pending claims, which according to Management's assessment, the realization of which, in part or in full, is not remote, and in respect of which no provision has been recognized, amounts to NIS 50 million.

D. Moreover, pending against the Bank is a motion for approval of a class action, the amount of which is material, as detailed below. In the opinion of Management of the Bank, based on Counsel's opinion, it is not possible at this stage to assess the prospects of this claim, and therefore no provision is recorded in respect thereof.
On April 13, 2022, the Bank received notice of a motion for approval of a class action submitted against the Bank, in the matter of "commission regarding the handling of credit and of collateral for loans in Israeli and in foreign currency", charged by the Bank upon granting a loan for any other purpose. The Claimants argue that this commission is charged in contradiction to the provisions of Regulation 3 of the regulations pertaining to off-banking loans (Exclusion of certain types of credit transactions from the implementation of the Act, and exclusion of expenses from the boundaries of the "Addendum"), 2019 (hereinafter – "the Regulations"), which Regulations limit the price that a bank may charge in respect of each loan. The motion and the action itself do not state the amount of damages claimed for the class.

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

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

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

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

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

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

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

On December 23, 2018, the Plaintiffs filed a plea with the Supreme Court sitting as a high Court of Justice, against the Competition Commissioner (formerly "Anti-Trust commissioner"), in which the Court is requested to instruct the Commissioner to act in order to clarify, cancel or change the verdict of the Competition Tribunal. The State filed its response on May 22, 2019. The hearing of the Plea was held on July 16, 2020, in which the arguments of the parties were heard at length. On the same day, the Court ruled for the rejection of the Plea with no order for costs. It was stated in the verdict that the Court does not voice an opinion regarding the question at the heart of the Plea for approval of the action as a class action. Accordingly, the class action proceedings will continue at the District Court. On April 12, 2021, a pre-trial was held in which the parties stated their arguments. At the end of the hearing, the Court suggested to the parties to refer the question of date of accountability to mediation. On July 6, 2021, the parties jointly informed the Court of their acceptance of the Court's suggestion to conduct mediation proceedings in the matter, and have started the process. The last mediation meeting was held on September 7, 2022, in which the Mediator stated that she sees no point in continuing the mediation proceedings and referred the parties to the Court.

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

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

The Plaintiffs assess their personal damage at NIS 4,036. They did not state an amount regarding the damage to the group, but assessed it at "tens of millions of NIS". ICC had responded to the motion for approval, and the Plaintiffs responded to ICC's response. A preliminary hearing of the case was held on January 15, 2020. In the meantime, the parties have accepted the recommendation of the Court to refer the matter to mediation. On October 28, 2020, the Plaintiffs informed the Court that the mediation process had failed and accordingly, they request the continuation of the proceedings at the Court. A pre-trial hearing was held on December 17, 2020. A further pre-trial hearing was held on July 13, 2021. On July 27, 2021, the Court accepted in part the motion of the Plaintiffs for the disclosure of documents, and fixed dates for submission of summing-up briefs on behalf of the parties. Mediation proceedings are being conducted by the parties.

(c) On July 22, 2018, an action was filed with the Tel Aviv District Court together with a motion for approval of the action as a class action, against ICC and against two additional credit card companies. The subject matter of the action is transactions considered "no document transactions" (mainly transactions effected by telephone) made by members of the class with trading houses operating in the "direct marketing" field. It is claimed in the motion that such trading houses utilized the weakness of the senior citizen population, unlawfully charging their credit cards in respect of many transactions, as well as charging them with additional amounts that had not been approved by them. The Plaintiff argues that the credit card companies are engaged in clearing agreements with the "direct marketing" trading houses, thus enabling them to operate. The Plaintiff states the amount of the damage for the whole class, which he purports to represent, at NIS 900 million. The Defendants submitted their response to the motion on March 24, 2019. A pre-trial hearing of the case was held on January 7, 2020, at the conclusion of which, the Court instructed the representative of the Plaintiff to prepare a shortlist of the document required for disclosure and perusal. On January 26, 2020, the Plaintiff submitted the shortlist, and on March 8, 2020, ICC submitted its response to the shortlist. The Plaintiff submitted on October 6, 2020, its reaction to the response to the amended motion for disclosure. On March 3, 2021, the Court decided to dismiss the motion for disclosure. An additional pre-trial hearing was held on June 2, 2021. An additional hearing was fixed for October 21, 2021. On June 11, 2021, the Court ordered the delivery of the argument briefs to the Attorney General to the Government, in order for him to decide whether to take part in the proceedings. On December 27, 2021, the Attorney General to the Government informed of his appearance in the proceedings, and has submitted a position on his behalf. A further hearing was held on January 6, 2022, in which the parties stated their arguments with respect to the position of the Attorney General to the Government. On June 29, 2022, ICC submitted its summing-up brief in the matter, and on July 14, 2022, the Plaintiffs submitted their response summing-up brief. On August 21, 2022, the District Court issued a verdict rejecting the motion for approval. An appeal against this verdict was filed with the Supreme Court on November 13, 2022.

(d) On May 14, 2020, an action was filed against ICC with the District Court-Central Region together with a motion for approval of the action as a class action. As argued in the action, the notice delivered to the Plaintiff regarding future charges in respect of use of a credit card, contained flaws requiring determination that the notice does not fulfill the notification duties required by law. The Plaintiff states its personal monetary damage at an amount of NIS 13.5 and the non-monetary damage at an amount of NIS 100, but does not state the amount of the damage for the whole class. A pre-trial hearing of the case was held on April 7, 2021. The Court recommended that the parties conduct negotiations in order to reach an agreed arrangement. Whereas the negotiations between the parties did not reach a compromise, the parties submitted on June 6, 2021, a joint request for the fixing of a date for the hearing of evidence. A further pre-trial hearing was held for April 7, 2022, at the end of which, the Court recommended that the parties renew the negotiations between them, either directly or through a mediator. On September 5, 2022, the parties informed the Court that the negotiations between them did not reach an agreement, and that ICC will submit within thirty days, its response to the motion of the Appellant to accept the position of the Regulator in this case. The response was submitted on October 6, 2022.

(e) On December 8, 2020, an action was filed against Isracard Ltd., Europay (EuroCard) Israel Ltd., Premium Express Ltd., ICC and Diners Club Israel Ltd., with the Tel Aviv District Court together with a motion for approval of the action as a class action ("the approval motion"). The Plaintiff argues that the Respondents make illegitimate and prohibited use of the data base at their disposal (both by power of them being issuers of credit cards as well as operating as clearing agents), and this without obtaining the informed consent of their customers. It is also argued that the Respondents disclose to third parties' personal data of their customers; conduct advertising targeting on the basis of the said characterization for the purpose of promoting sales by third parties; conduct the monitoring of their customers; and make use of their customers' data for the sale of statistical information. As estimated by the Plaintiff, the amount of relief for the class is NIS 150 million. On June 27, 2021, ICC and Diners submitted their response to the approval motion, and on September 29, 2021, the reaction of the Plaintiff to the response of the Respondents was submitted. A first pre-trial hearing was held on September 6, 2022, in which the parties reiterated their arguments. A further pre-trial hearing has not as yet been fixed.

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

The Plaintiff did not state an amount in respect of the claim for the class, but based on the financial statements of the Respondents, the Plaintiff estimates the claim at NIS tens of millions. A pre-trial hearing of the case was held on June 26, 2022, at the end of which, the Court advised the Plaintiff to withdraw from the motion. Accordingly, on July 14, 2022, the Plaintiff filed a request for permission to withdraw from the motion. On September 6, 2022, the Court approved the withdrawal motion.

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 244 million.

3. Note 25(i)4 to the financial statements for 2021, included a description of appeal proceedings against VAT assessments, which are being conducted at the Tel Aviv District Court, with respect to ICC and to additional credit card companies. ICC estimates the amount of exposure in respect of which no provision is included in its financial statements regarding this matter, at NIS 206 million. Evidence in the case was heard in the months of June and July 2022. The parties are in the midst of negotiating a compromise agreement. At this stage, there is no certainty that the negotiations would in fact reach such agreement.

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

(NIS million)

A. VOLUME OF ACTIVITY ON A CONSOLIDATED BASIS

1. Face value of derivatives

	September 30, 2022 (unaudited)			September 30, 2021 (unaudited)			December 31, 2021 (audited)		
	Not trading derivatives	Trading derivatives	Total	Not trading derivatives	Trading derivatives	Total	Not trading derivatives	Trading derivatives	Total
Interest contracts									
Forward and Futures Contracts	**593**	**3,135**	**3,728**	457	1,192	1,649	661	1,550	2,211
Options written	**-**	**411**	**411**	-	93	93	-	40	40
Options purchased	**-**	**411**	**411**	-	93	93	-	40	40
SWAPS(1)	**3,473**	**13,379**	**16,852**	4,238	11,654	15,892	4,083	11,841	15,924
Total(2)	**4,066**	**17,336**	**21,402**	4,695	13,032	17,727	4,744	13,471	18,215
Of which: Hedging derivatives(3)	**3,440**	**-**	**3,440**	3,399	-	3,399	3,245	-	3,245
Foreign currency contracts									
Forward and Futures Contracts(4)	**20,618**	**41,556**	**62,174**	23,309	22,574	45,883	22,501	22,824	45,325
Options written	**-**	**6,263**	**6,263**	-	14,806	14,806	-	14,084	14,084
Options purchased	**-**	**6,530**	**6,530**	-	14,921	14,921	-	13,866	13,866
SWAPS	**47**	**-**	**47**	59	-	59	51	-	51
Total	**20,665**	**54,349**	**75,014**	23,368	52,301	75,669	22,552	50,774	73,326
Contracts on shares									
Forward and Futures Contracts	**42**	**26,259**	**26,301**	12	30,372	30,384	38	34,252	34,290
Options written	**-**	**10,634**	**10,634**	-	20,281	20,281	-	19,211	19,211
Options purchased(5)	**1**	**10,634**	**10,635**	-	20,272	20,272	1	19,209	19,210
Total	**43**	**47,527**	**47,570**	12	70,925	70,937	39	72,672	72,711
Commodities and other contracts									
Forward and Futures Contracts	**-**	**104**	**104**	-	70	70	-	279	279
Options written	**-**	**-**	**-**	-	15	15	-	419	419
Options purchased	**-**	**-**	**-**	-	15	15	-	419	419
Total	**-**	**104**	**104**	-	100	100	-	1,117	1,117
Total face value	**24,774**	**119,316**	**144,090**	28,075	136,358	164,433	27,335	138,034	165,369

(1) Of which: SWAPS the Bank is paying fixed interest in an amount of NIS 9,843 million (30.9.21 - NIS 9,689 million, 31.12.21 - NIS 9,495 million).
(2) Of which: NIS-CPI swap contracts in an amount of NIS 984 million (30.9.21 - NIS 468 million, 31.12.21 - NIS 668 million).
(3) The Bank performs protection transactions by IRS derivatives in order to hedge the accounting fair value of bonds. These transactions hedge the interest risk imbedded in foreign currency bonds having fixed interest and long duration.
(4) Of which: foreign currency swap spot contracts in an amount of NIS 2,334 million (30.9.21 - NIS 1,773 million, 31.12.21 - NIS 1,336 million).
(5) Of which: Traded on the Stock Exchange in an amount of NIS 10,634 million (30.9.21 - NIS 20,271 million, 31.12.21 - NIS 19,208 million).

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

(NIS million)

2. Gross fair value of derivative instruments

	September 30, 2022 (unaudited)					
	Gross amount of assets in respect of derivative instruments			Gross amount of liabilities in respect of derivative instruments		
	Not trading derivatives	Trading derivatives	Total	Not trading derivatives	Trading derivatives	Total
Interest contracts	**223**	**308**	**531**	**17**	**317**	**334**
Of which: Hedging derivatives	**218**	**-**	**218**	**-**	**-**	**-**
Foreign currency contracts	**125**	**1,413**	**1,538**	**52**	**1,186**	**1,238**
Contracts on shares	**1**	**1,729**	**1,730**	**-**	**1,730**	**1,730**
Commodities and other contracts	**-**	**1**	**1**	**-**	**1**	**1**
Total assets/liabilities in respect of derivatives gross	**349**	**3,451**	**3,800**	**69**	**3,234**	**3,303**
Amounts offset in the balance sheet	**-**	**-**	**-**	**-**	**-**	**-**
Balance sheet balance	**349**	**3,451**	**3,800**	**69**	**3,234**	**3,303**
Of which: not subject to net settlement arrangement or similar arrangements	**-**	**-**	**-**	**-**	**-**	**-**

	September 30, 2021 (unaudited)					
	Gross amount of assets in respect of derivative instruments			Gross amount of liabilities in respect of derivative instruments		
	Not trading derivatives	Trading derivatives	Total	Not trading derivatives	Trading derivatives	Total
Interest contracts	14	157	171	152	147	299
Of which: Hedging derivatives	13	-	13	137	-	137
Foreign currency contracts	81	327	408	38	428	466
Contracts on shares	-	986	986	-	986	986
Total assets/liabilities in respect of derivatives gross(1)	95	1,470	1,565	190	1,561	1,751
Amounts offset in the balance sheet	-	-	-	-	-	-
Balance sheet balance	95	1,470	1,565	190	1,561	1,751
Of which: not subject to net settlement arrangement or similar arrangements	-	-	-	-	-	-

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

(1) Of which: Gross fair value of liabilities in respect of embedded derivatives in an amount of NIS 1 million at 30.9.21 and 31.12.21.

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

(NIS million)

B. Accounting Hedge

General

The Bank is exposued to market risks, including basis risks and interest risks. Basis risk is the exsisting or future risk to the income or capital of the Group which can materialize as a result from changes in the CPI or the exchange rates of foreign currency due to the difference between the value of the assets to the value of the liabilities. Interest risk is the risk to the earnings or capital deriving from flactuations in the interest rates. Changes in the interest rates affect the Bank's earnings by change in net earnings, and the value of the Bank's assets, its liabilities and off balance sheet instruments, since the present value of future cash flows (and even the cash flows themselves) changes when a change occur in the interest rates.
As part of the overall strategy of the Bank to manage the level of exposure to basis and interest risks, the Bank uses derivative instruments such as foreign currency and CPI forwards, foreign currency options and interest rate swaps (swaping fixed interest rate with variable interest rate). The Bank have derivativies designated and qualified as fair value hedges.
If a derivative is not designated as qualified hedging, the derivative is stated according to fair value and changes in the fair value are stated on a current basis in the profit and loss statement.

Fair value hedges

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

	For the three months ended September 30,	For the three months ended September 30,	For the nine months ended September 30,	For the nine months ended September 30,	For the year ended December 31,
	2022	**2021**	**2022**	**2021**	**2021**
		(unaudited)		(unaudited)	(audited)
					Interest income (expenses)
1. Effect of accounting of fair value Hedge on profit (loss)					
Profit from fair value Hedge					
Interest contracts					
- Hedged items	**(99)**	(19)	**(299)**	(93)	(130)
- Hedging derivatives	**99**	8	**279**	57	82

	September 30, 2022 (unaudited)		September 30, 2021 (unaudited)		December 31, 2021 (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	**3,374**	**(208)**	3,732	113	3,544	78

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

(NIS million)

	For the three months ended September 30, 2022 (unaudited)	For the three months ended September 30, 2021 (unaudited)	For the year ended December 31, 2021 (audited)
		Profit (loss) recognized in income (expenses) from activity in derivative instruments(1)	
3. Effect of derivatives which were not designated as hedging instruments on statement of income			
Derivatives which were not designated as hedging instruments			
Interest contracts	**39**	3	30
Foreign currency contracts	**33**	(158)	(476)
Contracts on shares	**2**	1	6

	For the nine months ended September 30, 2022 (unaudited)	For the nine months ended September 30, 2021 (unaudited)
	Profit (loss) recognized in income (expenses) from activity in derivative instruments(1)	
3. Effect of derivatives which were not designated as hedging instruments on statement of income		
Derivatives which were not designated as hedging instruments		
Interest contracts	**69**	20
Foreign currency contracts	**1,383**	11
Contracts on shares	**6**	4

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

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

(NIS million)

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

	September 30, 2022 (unaudited)					
	Exchanges	Banks	Dealers/ brokers	Government and central banks	Others	Total
Balance sheet balance of assets in respect of derivative instruments	**113**	**845**	**353**	**-**	**2,489**	**3,800**
Gross amounts not offset in the balance sheet:						
Credit risk mitigation in respect of financial instruments	**-**	**(586)**	**(81)**	**-**	**(143)**	**(810)**
Credit risk mitigation in respect of cash collateral received	**-**	**(154)**	**-**	**-**	**(1,343)**	**(1,497)**
Net amount of assets in respect of derivative instruments reflecting proforma if the banking entity was offsetting assets and liabilities in the balance sheet	**113**	**105**	**272**	**-**	**1,003**	**1,493**
Adjustment of net balance sheet balance to balance sheet credit risk	**(109)**	**(23)**	**(51)**	**-**	**(5)**	**(188)**
Balance sheet credit risk in respect of derivative instruments	**4**	**82**	**221**	**-**	**998**	**1,305**
Off balance sheet credit risk in respect of derivative instruments[2]	**6**	**227**	**183**	**2**	**2,603**	**3,021**
Total credit risk in respect of derivative instruments	**10**	**309**	**404**	**2**	**3,601**	**4,326**
Balance sheet balance of liabilities in respect of derivative instruments	**91**	**1,387**	**1,139**	**101**	**585**	**3,303**
Gross amounts not offset in the balance sheet:						
Financial instruments	**-**	**(586)**	**(81)**	**-**	**(143)**	**(810)**
Cash collateral which was attached by a lien	**-**	**(133)**	**(6)**	**(83)**	**(99)**	**(321)**
Net amount of liabilities in respect of derivative instruments	**91**	**668**	**1,052**	**18**	**343**	**2,172**

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

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

(NIS million)

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

	December 31, 2021 (audited)					
	Exchanges	**Banks**	**Dealers/ brokers**	**Government and central banks**	**Others**	**Total**
Balance sheet balance of assets in respect of derivative instruments	297	427	357	-	628	1,709
Gross amounts not offset in the balance sheet:						
Credit risk mitigation in respect of financial instruments[1]	-	(205)	(38)	-	(294)	(537)
Credit risk mitigation in respect of cash collateral received	-	(49)	(5)	-	(189)	(243)
Net amount of assets in respect of derivative instruments	297	173	314	-	145	929
Off balance sheet credit risk in respect of derivative instruments [2]	-	285	64	-	1,828	2,177
Off balance sheet credit risk mitigation	-	(136)	(28)	-	(1,382)	(1,546)
Net off balance sheet credit risk in respect of derivative instruments	-	149	36	-	446	631
Total credit risk in respect of derivative instruments	297	322	350	-	591	1,560
Balance sheet balance of liabilities in respect of derivative instruments	173	341	315	-	1,209	2,038
Gross amounts not offset in the balance sheet:						
Financial instruments	-	(205)	(38)	-	(171)	(414)
Cash collateral which was attached by a lien	-	(45)	(5)	-	-	(50)
Net amount of liabilities in respect of derivative instruments	173	91	272	-	1,038	1,574

(1) 30.9.21 - The fair value of derivative instruments subject to netting agreements, as well as derivative instruments received as collateral in government bonds, shares received as collateral and corporate bonds received as collateral amounts to NIS 371 million, NIS 155 million, NIS 28 million and NIS 1 million, respectively, 31.12.21 - derivative instruments subject to netting agreements NIS 414 million, in government bonds NIS 95 million, shares received as collateral NIS 26 million and corporate bonds received as collateral NIS 2 million).

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

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

(NIS million)

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

	September 30, 2022 (unaudited)				
	Up to 3 months	from 3 months to 1 year	From 1 to 5 years	Over 5 years	Total
Interest rate contracts -					
- NIS - CPI	**204**	**529**	**250**	**-**	**983**
- Other	**2,715**	**6,107**	**8,443**	**3,154**	**20,419**
Foreign currency contracts	**58,360**	**15,842**	**812**	**-**	**75,014**
Contracts of shares	**44,347**	**2,838**	**385**	**-**	**47,570**
Commodities and other contracts	**104**	**-**	**-**	**-**	**104**
Total	**105,730**	**25,316**	**9,890**	**3,154**	**144,090**

	September 30, 2021 (unaudited)				
	Up to 3 months	from 3 months to 1 year	From 1 to 5 years	Over 5 years	Total
Total	135,262	14,319	11,384	3,468	164,433

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

NOTE 11 - SUPERVISORY SEGMENTS OF OPERATION

A. 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 2021.

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

B. OPERATIONAL SUPERVISION SEGMENT INFORMATION

	For the three months ended September 30, 2022 (Unaudited)									
	Activity in Israel									
	Households									
	Total	Of which: Housing loans	Of which: credit cards	Private banking	Small and minute businesses	Medium businesses	Large businesses	Institutional entities	Financial Management	Total
										(NIS million)
Interest income from external	701	364	5	-	273	87	197	3	121	1,382
Interest expense from external	112	-	-	21	47	15	114	75	(12)	372
Net interest income										
- From external	589	364	5	(21)	226	72	83	(72)	133	1,010
- Inter - segment	(126)	(241)	(2)	42	5	(7)	27	108	(49)	-
Total net interest income	463	123	3	21	231	65	110	36	84	1,010
Non-interest income	151	4	26	21	95	19	41	49	43	419
Total income	614	127	29	42	326	84	151	85	127	1,429
Expenses (income) from credit losses	(4)	5	-	-	20	7	19	1	-	43
Operating and other expenses	357	48	3	18	163	27	50	37	30	682
Operating profit before taxes	261	74	26	24	143	50	82	47	97	704
Provision for taxes on operating profit	93	27	9	8	50	17	29	17	35	249
Operating profit after taxes	168	47	17	16	93	33	53	30	62	455
Bank's share in operating profit of investee company after tax effect	-	-	-	-	-	-	-	-	27	27
Net profit:										
Before attribution to non-controlling interests	168	47	17	16	93	33	53	30	89	482
Attributed to non-controlling interests	(10)	-	(1)	(1)	(2)	(1)	-	-	(1)	(15)
Net profit attributed to shareholders of the Bank	158	47	16	15	91	32	53	30	88	467
Average balance of assets(1)	57,741	35,243	3,201	99	21,958	7,756	25,028	1,482	75,613	189,677
of which: Investee Company(1)	-	-	-	-	-	-	-	-	717	717
of which: Average balance of credit to the public(1)	57,741	35,243	3,201	99	21,958	7,756	25,028	1,482	-	114,064
Balance of credit to the public	59,154	(4)35,342	4,229	111	21,707	7,920	25,144	1,672	-	115,708
Balance of non-accruing debts	239	139	-	-	192	46	45	-	-	522
Balance in arrears over 90 days	12	-	-	-	6	-	-	-	-	18
Average balance of liabilities(1)	68,325	394	60	9,917	27,696	6,749	19,217	31,959	15,605	179,468
of which: Average balance of deposits from the public(1)	67,997	-	-	9,908	27,400	6,596	18,571	31,931	-	162,403
Balance of deposits from the public	68,148	-	-	10,092	27,194	6,450	18,901	34,117	-	164,902
Average balance of risk assets(1)(2)	38,288	18,449	3,536	362	20,990	9,164	24,036	1,120	6,888	100,848
Balance of risk assets(2)	37,934	18,461	4,165	311	20,460	9,196	24,756	1,345	8,999	103,001
Average balance of assets under management(1)(3)	38,105	-	-	25,726	20,482	4,303	16,449	302,032	-	407,097
Segmentation of net interest income:										
- Earnings from credit - granting activity	287	117	3	-	153	47	86	2	-	575
- Earnings from deposits - taking activity	166	-	-	21	72	16	17	34	-	326
- Other	10	6	-	-	6	2	7	-	84	109
Total net interest income	463	123	3	21	231	65	110	36	84	1,010

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

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

(NIS million)

B. OPERATIONAL SUPERVISION SEGMENT INFORMATION (CON'T)

	For the three months ended September 30, 2021 (Unaudited)									
	Activity in Israel									
	Households									
	Total	Of which: Housing loans	Of which: credit cards	Private banking	Small and minute businesses	Medium businesses	Large businesses	Institutional entities	Financial Management	Total
										(NIS million)
Interest income from external	483	253	1	4	183	37	60	(1)	41	807
Interest expense from external	35	-	-	5	10	3	27	11	6	97
Net interest income										
- From external	448	253	1	(1)	173	34	33	(12)	35	710
- Inter - segment	(145)	(144)	-	4	(20)	5	38	20	98	-
Total net interest income	303	109	1	3	153	39	71	8	133	710
Non-interest income	152	3	21	24	87	15	26	45	66	415
Total income	455	112	22	27	240	54	97	53	199	1,125
Expenses (income) from credit losses	(32)	(3)	-	-	(35)	(5)	3	-	-	(69)
Operating and other expenses	342	45	11	17	154	24	42	38	28	645
Operating profit before taxes	145	70	11	10	121	35	52	15	171	549
Provision for taxes on operating profit	50	25	4	4	42	13	18	5	61	193
Operating profit after taxes	95	45	7	6	79	22	34	10	110	356
Bank's share in operating profit of investee company after tax effect	-	-	-	-	-	-	-	-	21	21
Net profit:										
Before attribution to non-controlling interests	95	45	7	6	79	22	34	10	131	377
Attributed to non-controlling interests	(7)	-	-	-	(2)	-	-	-	(4)	(13)
Net profit attributed to shareholders of the Bank	88	45	7	6	77	22	34	10	127	364
Average balance of assets[1]	52,165	30,998	2,878	70	19,717	5,697	16,264	1,119	76,846	171,878
of which: Investee Company[1]	-	-	-	-	-	-	-	-	689	689
of which: Average balance of credit to the public[1]	52,165	30,998	2,878	70	19,717	5,697	16,264	1,119	-	95,032
Balance of credit to the public	53,314	[4]31,156	3,604	88	19,967	5,806	16,338	1,452	-	96,965
Balance of non-accruing debts*	99	-	-	-	238	85	68	-	-	490
Balance in arrears over 90 days*	189	177	-	-	14	-	-	-	-	203
Average balance of liabilities[1]	64,460	205	34	9,144	25,011	5,947	12,189	30,947	13,999	161,697
of which: Average balance of deposits from the public[1]	64,008	-	-	9,134	24,766	5,856	11,795	30,895	-	146,454
Balance of deposits from the public	64,219	-	-	9,448	25,168	6,053	11,982	31,403	-	148,273
Average balance of risk assets[1][2]	34,585	16,471	3,193	236	18,061	6,601	17,248	1,618	8,680	87,029
Balance of risk assets[2]	34,558	16,548	3,662	240	18,594	6,578	17,941	1,955	7,949	87,815
Average balance of assets under management[1][3]	38,720	-	-	22,686	19,852	3,510	17,542	335,407	-	437,717
Segmentation of net interest income:										
- Earnings from credit - granting activity	276	109	1	-	146	38	68	3	-	531
- Earnings from deposits - taking activity	28	-	-	3	7	1	3	5	-	47
- Other	(1)	-	-	-	-	-	-	-	133	132
Total net interest income	303	109	1	3	153	39	71	8	133	710

* Restated in respect of the new disclosure format on non-accruing debts instead of impaired debts.

(1) Average balances computed on the basis of balances at the beginning of the quarter or as at the beginning of the month.

(2) Risk assets - as computed for the purpose of capital adequacy.

(3) Managed assets - including assets of provident funds, further education funds, mutual funds and securities of customers.

(4) Including residential loans to private individuals, which their business activity is classified to the small and minute business segment amount to NIS 1,326 million.

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

B. OPERATIONAL SUPERVISION SEGMENT INFORMATION (CON'T)

	For the nine months ended September 30, 2022 (Unaudited)									
	Activity in Israel									
	Households									
	Total	Of which: Housing loans	Of which: credit cards	Private banking	Small and minute businesses	Medium businesses	Large businesses	Institutional entities	Financial Management	Total
										(NIS million)
Interest income from external	1,699	1,040	14	1	619	182	447	8	401	3,357
Interest expense from external	225	-	-	37	85	24	251	125	(3)	744
Net interest income										
- From external	1,474	1,040	14	(36)	534	158	196	(117)	404	2,613
- Inter - segment	(346)	(688)	(5)	73	33	(1)	80	184	(23)	-
Total net interest income	1,128	352	9	37	567	157	276	67	381	2,613
Non-interest income	458	10	72	68	291	55	112	157	53	1,194
Total income	1,586	362	81	105	858	212	388	224	434	3,807
Expenses from credit losses	5	16	-	1	31	34	2	1	-	74
Operating and other expenses	1,068	147	30	55	493	80	141	122	69	2,028
Operating profit before taxes	513	199	51	49	334	98	245	101	365	1,705
Provision for taxes on operating profit	180	71	18	17	117	34	86	35	128	597
Operating profit after taxes	333	128	33	32	217	64	159	66	237	1,108
Bank's share in operating profit of investee company after tax effect	-	-	-	-	-	-	-	-	64	64
Net profit:										
Before attribution to non-controlling interests	333	128	33	32	217	64	159	66	301	1,172
Attributed to non-controlling interests	(27)	-	(2)	(1)	(4)	(2)	(1)	-	(6)	(41)
Net profit attributed to shareholders of the Bank	306	128	31	31	213	62	158	66	295	1,131
Average balance of assets(1)	56,247	34,153	3,051	117	21,672	7,006	22,416	1,564	75,755	184,777
of which: Investee Company(1)	-	-	-	-	-	-	-	-	711	711
of which: Average balance of credit to the public(1)	56,247	34,153	3,051	117	21,672	7,006	22,416	1,564	-	109,022
Balance of credit to the public	59,154	(4)35,342	4,229	111	21,707	7,920	25,144	1,672	-	115,708
Balance of non-accruing debts	239	139	-	-	192	46	45	-	-	522
Balance in arrears over 90 days	12	-	-	-	6	-	-	-	-	18
Average balance of liabilities(1)	66,415	284	44	9,737	27,260	6,939	17,807	31,449	14,889	174,496
of which: Average balance of deposits from the public(1)	66,037	-	-	9,732	26,994	6,822	17,107	31,423	-	158,115
Balance of deposits from the public	68,148	-	-	10,092	27,194	6,450	18,901	34,117	-	164,902
Average balance of risk assets(1)(2)	37,008	17,951	3,438	328	20,270	8,268	22,490	1,642	6,536	96,542
Balance of risk assets(2)	37,934	18,461	4,165	311	20,460	9,196	24,756	1,345	8,999	103,001
Average balance of assets under management(1)(3)	38,651	-	-	25,380	20,542	4,183	16,613	315,560	-	420,929
Segmentation of net interest income:										
- Earnings from credit - granting activity	856	346	9	1	451	129	239	8	-	1,684
- Earnings from deposits - taking activity	262	-	-	36	110	26	30	59	-	523
- Other	10	6	-	-	6	2	7	-	381	406
Total net interest income	1,128	352	9	37	567	157	276	67	381	2,613

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

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

(NIS million)

B. OPERATIONAL SUPERVISION SEGMENT INFORMATION (CON'T)

	For the nine months ended September 30, 2021 (Unaudited)									
	Activity in Israel									
	Households									
	Total	Of which: Housing loans	Of which: credit cards	Private banking	Small and minute businesses	Medium businesses	Large businesses	Institutional entities	Financial Management	Total
										(NIS million)
Interest income from external	1,299	733	7	5	540	121	297	6	124	2,392
Interest expense from external	117	-	-	16	34	7	81	31	16	302
Net interest income										
- From external	1,182	733	7	(11)	506	114	216	(25)	108	2,090
- Inter - segment	(279)	(417)	(1)	23	(52)	(2)	5	50	255	-
Total net interest income	903	316	6	12	454	112	221	25	363	2,090
Non-interest income	465	13	64	68	264	46	77	147	214	1,281
Total income	1,368	329	70	80	718	158	298	172	577	3,371
Income from credit losses	(24)	(1)	-	-	(89)	(30)	(62)	(1)	-	(206)
Operating and other expenses	1,043	137	31	52	475	73	123	116	71	1,953
Operating profit before taxes	349	193	39	28	332	115	237	57	506	1,624
Provision for taxes on operating profit	122	68	14	10	116	41	83	20	178	570
Operating profit after taxes	227	125	25	18	216	74	154	37	328	1,054
Bank's share in operating profit of investee company after tax effect	-	-	-	-	-	-	-	-	57	57
Net profit:										
Before attribution to non-controlling interests	227	125	25	18	216	74	154	37	385	1,111
Attributed to non-controlling interests	(23)	-	(1)	-	(5)	(2)	(1)	-	(8)	(39)
Net profit attributed to shareholders of the Bank	204	125	24	18	211	72	153	37	377	1,072
Average balance of assets(1)	50,617	29,834	2,760	62	18,967	5,537	16,796	1,103	77,636	170,718
of which: Investee Company(1)	-	-	-	-	-	-	-	-	665	665
of which: Average balance of credit to the public(1)	50,617	29,834	2,760	62	18,967	5,537	16,796	1,103	-	93,082
Balance of credit to the public	53,314	(4)31,156	3,604	88	19,967	5,806	16,338	1,452	-	96,965
Balance of non-accruing debts*	99	-	-	-	238	85	68	-	-	490
Balance in arrears over 90 days*	189	177	-	-	14	-	-	-	-	203
Average balance of liabilities(1)	64,412	323	56	9,052	24,711	5,797	12,497	29,979	14,309	160,757
of which: Average balance of deposits from the public(1)	63,718	-	-	9,036	24,324	5,664	11,851	29,907	-	144,500
Balance of deposits from the public	64,219	-	-	9,448	25,168	6,053	11,982	31,403	-	148,273
Average balance of risk assets(1)(2)	33,795	15,955	3,151	228	17,765	6,327	17,616	1,544	8,180	85,455
Balance of risk assets(2)	34,558	16,548	3,662	240	18,594	6,578	17,941	1,955	7,949	87,815
Average balance of assets under management(1)(3)	37,372	-	-	21,812	18,602	3,472	17,230	325,809	-	424,297
Segmentation of net interest income:										
- Earnings from credit - granting activity	820	319	6	-	434	109	215	8	-	1,586
- Earnings from deposits - taking activity	89	-	-	12	23	4	9	17	-	154
- Other	(6)	(3)	-	-	(3)	(1)	(3)	-	363	350
Total net interest income	903	316	6	12	454	112	221	25	363	2,090

* Restated in respect of the new disclosure format on non-accruing debts instead of impaired debts.
(1) Average balances computed on the basis of balances at the beginning of the quarter or as at the beginning of the month.
(2) Risk assets - as computed for the purpose of capital adequacy.
(3) Managed assets - including assets of provident funds, further education funds, mutual funds and securities of customers.
(4) Including residential loans to private individuals, which their business activity is classified to the small and minute business segment amount to NIS 1,326 million.

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

(NIS million)

B. OPERATIONAL SUPERVISION SEGMENT INFORMATION (CON'T)

	For the year ended December 31, 2021 (audited)									
	Activity in Israel									
	Households									
	Total	Of which: Housing loans	Of which: credit cards	Private banking	Small and minute businesses	Medium businesses	Large businesses	Institutional entities	Financial Management	Total
										(NIS million)
Interest income from external	1,823	942	17	15	715	150	291	(1)	157	3,150
Interest expense from external	139	-	-	20	41	8	94	36	18	356
Net interest income										
- From external	1,684	942	17	(5)	674	142	197	(37)	139	2,794
- Inter - segment	(473)	(515)	(9)	21	(65)	8	94	70	345	-
Total net interest income	1,211	427	8	16	609	150	291	33	484	2,794
Non-interest income	635	16	96	92	358	64	109	201	297	1,756
Total income	1,846	443	104	108	967	214	400	234	781	4,550
Expenses (income) from credit losses	(5)	(6)	-	1	(115)	(21)	(73)	(3)	-	(216)
Operating and other expenses	1,422	192	41	72	640	100	167	155	96	2,652
Operating profit before taxes	429	257	63	35	442	135	306	82	685	2,114
Provision for taxes on operating profit	148	89	22	12	152	47	105	28	236	728
Operating profit after taxes	281	168	41	23	290	88	201	54	449	1,386
Bank's share in operating profit of investee company after tax effect	-	-	-	-	-	-	-	-	69	69
Net profit:										
Before attribution to non-controlling interests	281	168	41	23	290	88	201	54	518	1,455
Attributed to non-controlling interests	(32)	-	(3)	(1)	(5)	(3)	-	-	(9)	(50)
Net profit attributed to shareholders of the Bank	249	168	38	22	285	85	201	54	509	1,405
Average balance of assets(1)	51,325	30,353	2,807	68	19,325	5,623	16,978	1,139	77,915	172,373
of which: Investee Company(1)	-	-	-	-	-	-	-	-	674	674
of which: Average balance of credit to the public(1)	51,325	30,353	2,807	68	19,325	5,623	16,978	1,139	-	94,458
Balance of credit to the public	54,882	(4)32,260	3,868	95	21,044	6,101	18,571	1,547	-	102,240
Balance of non-accruing debts*	103	-	-	-	200	69	69	-	-	441
Balance in arrears over 90 days*	189	167	-	-	6	1	1	-	-	197
Average balance of liabilities(1)	64,312	294	50	9,074	24,809	5,949	13,519	30,555	13,905	162,123
of which: Average balance of deposits from the public(1)	63,497	-	-	9,033	24,374	5,813	12,830	30,401	-	145,948
Balance of deposits from the public	63,792	-	-	9,253	25,949	7,028	15,553	31,872	-	153,447
Average balance of risk assets(1)(2)	34,201	16,091	3,193	234	18,470	6,268	18,058	1,601	7,329	86,161
Balance of risk assets(2)	35,600	17,057	3,697	244	19,122	6,800	19,627	1,515	6,080	88,988
Average balance of assets under management(1)(3)	37,986	-	-	22,320	19,213	3,554	17,467	330,622	-	431,162
Segmentation of net interest income:										
- Earnings from credit - granting activity	1,103	431	8	1	583	145	284	11	-	2,127
- Earnings from deposits - taking activity	116	-	-	15	30	6	12	22	-	201
- Other	(8)	(4)	-	-	(4)	(1)	(5)	-	484	466
Total net interest income	1,211	427	8	16	609	150	291	33	484	2,794

* Restated in respect of the new disclosure format on non-accruing debts instead of impaired debts.
(1) Average balances computed on the basis of balances at the beginning of the quarter or as at the beginning of the month.
(2) Risk assets - as computed for the purpose of capital adequacy.
(3) Managed assets - including assets of provident funds, further education funds, mutual funds and securities of customers.
(4) Including residential loans to private individuals, which their business activity is classified to the small and minute business segment amount to NIS 1,338 million.

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

The 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 2021.

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

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

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

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

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

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

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

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

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

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

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

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

(NIS million)

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

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

For the year ended December 31, 2021 (audited)					
			Adjustments		
Customer Asset Division	Financial management	Subsidiary companies	Total	Of which: operation in the capital market products	Total
221	462	245	(378)	(222)	2,794
925	289	101	(836)	(734)	1,756
1,146	751	346	(1,214)	(956)	4,550
(2)	-	(3)	11	2	(216)
804	94	192	(797)	(658)	2,652
344	657	157	(428)	(300)	2,114
118	226	55	(147)	(103)	728
226	431	102	(281)	(197)	1,386
-	69	-	-	-	69
226	500	102	(281)	(197)	1,455
-	-	(50)	-	-	(50)
226	500	52	(281)	(197)	1,405
6,474	75,476	8,667	(12,415)	(6,474)	172,373
9,328	-	5,641	(15,562)	(9,328)	102,240
147,340	-	9,025	(157,864)	(147,340)	153,447

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

(NIS million)

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

Provision for credit losses

1. Change in provision for credit losses

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

	For the three months ended September 30, 2021 (unaudited)					
	Credit to the public				Banks, Governments and Bonds	Total
	Commercial	Housing	Other private	Total		
Provision for credit losses at beginning of the period (1)	733	165	330	1,228	-	1,228
Income in respect of credit losses	(37)	(3)	(29)	(69)	-	(69)
- Accounting write-offs	(14)	-	(20)	(34)	-	(34)
- Collection of debts written off in accounting in previous years	26	1	22	49	-	49
Net accounting write-offs	12	1	2	15	-	15
Provision for credit losses at end of the period(2)	708	163	303	1,174	-	1,174
Of which: (1) In respect of off-balance sheet credit instruments	68	-	11	79	-	79
(2) In respect of off-balance sheet credit instruments	74	-	12	86	-	86

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

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

(NIS million)

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

Provision for credit losses (Cont'd)

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

	For the nine months ended September 30, 2022 (unaudited)					
	Credit to the public					
	Commercial	Housing	Other private	Total	Banks, Governments and Bonds	Total
Provision for credit losses at beginning of the year (audited)(1)	**670**	**159**	**326**	**1,155**	**-**	**1,155**
Adjustment to opening balance due to effect of initial implementation*	**93**	**(34)**	**4**	**63**	**2**	**65**
Expenses (income) in respect of credit losses	**68**	**16**	**(10)**	**74**	**-**	**74**
- Accounting write-offs	**(94)**	**-**	**(67)**	**(161)**	**-**	**(161)**
- Collection of debts written off in accounting in previous years	**70**	**2**	**67**	**139**	**-**	**139**
Net accounting write-offs	**(24)**	**2**	**-**	**(22)**	**-**	**(22)**
Provision for credit losses at end of the period(2)	**807**	**143**	**320**	**1,270**	**2**	**1,272**
Of which: (1) In respect of off-balance sheet credit instruments	**68**	**-**	**11**	**79**	**-**	**79**
(2) In respect of off-balance sheet credit instruments	**87**	**4**	**10**	**101**	**-**	**101**

	For the nine months ended June 30, 2021 (unaudited)					
	Credit to the public					
	Commercial	Housing	Other private	Total	Banks, Governments and Bonds	Total
Provision for credit losses at beginning of the year (audited)(1)	881	164	318	1,363	-	1,363
Income in respect of credit losses	(182)	(1)	(23)	(206)	-	(206)
- Accounting write-offs	(58)	(1)	(61)	(120)	-	(120)
- Collection of debts written off in accounting in previous years	67	1	69	137	-	137
Net accounting write-offs	9	-	8	17	-	17
Provision for credit losses at end of the period(2)	708	163	303	1,174	-	1,174
Of which: (1) In respect of off-balance sheet credit instruments	68	-	11	79	-	79
(2) In respect of off-balance sheet credit instruments	74	-	12	86	-	86

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

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

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

(NIS million)

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

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

	September 30, 2022 (unaudited)					
	Credit to the public					
	Commercial	Housing	Other private	Total	Banks and Governments	Total
Recorded debt balance of debts						
Examined on an individual basis	**49,873**	**-**	**542**	**50,415**	**19,729**	**70,144**
Examined on a collective basis	**6,697**	**35,342**	**23,254**	**65,293**	**-**	**65,293**
Total debts	**56,570**	**35,342**	**23,796**	**115,708**	**19,729**	**135,437**
Provision for credit losses in respect of debts						
Examined on an individual basis	**636**	**-**	**43**	**679**	**2**	**681**
Examined on a collective basis	**84**	**139**	**267**	**490**	**-**	**490**
Total provision for credit losses	**720**	**139**	**310**	**1,169**	**2**	**1,171**

	September 30, 2021 (unaudited)					
	Credit to the public					
	Commercial	Housing	Other private	Total	Banks and Governments	Total
Recorded debt balance of debts						
Examined on an individual basis	37,655	-	429	38,084	18,034	56,118
Examined on a collective basis	5,974	31,156	21,751	58,881	-	58,881
Total debts	43,629	31,156	22,180	96,965	18,034	114,999
Provision for credit losses in respect of debts						
Examined on an individual basis	556	-	37	593	-	593
Examined on a collective basis	78	163	254	495	-	495
Total provision for credit losses	634	163	291	1,088	-	1,088

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

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

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

(NIS million)

B. CREDIT TO THE PUBLIC

1. Credit quality and arrears

	September 30, 2022 (unaudited)					
		Problematic(1)			Accruing debts(2) - additional information	
	Performing	Accruing(2)	Non-accruing	Total	In arrears of 90 days or more	In arrears of 30 to 89 days(3)
Borrower activity in Israel						
Public - commercial						
Construction and real estate - construction	**9,517**	**36**	**69**	**9,622**	**-**	**20**
Construction and real estate - real estate activities	**7,132**	**24**	**30**	**7,186**	**-**	**-**
Financial services	**11,625**	**5**	**4**	**11,634**	**1**	**2**
Commercial - other	**26,891**	**629**	**176**	**27,696**	**5**	**29**
Total commercial	**55,165**	**694**	**279**	**56,138**	**6**	**51**
Private individuals - housing loans	**35,149**	**54**	**139**	**35,342**	**-**	**174**
Private individuals - others	**23,557**	**139**	**100**	**23,796**	**12**	**36**
Total activity in Israel	**113,871**	**887**	**518**	**115,276**	**18**	**261**
Borrower activity abroad						
Public - commercial						
Construction and real estate	**12**	**-**	**-**	**12**	**-**	**-**
Other commercial	**416**	**-**	**4**	**420**	**-**	**2**
Total commercial	**428**	**-**	**4**	**432**	**-**	**2**
Private individuals	**-**	**-**	**-**	**-**	**-**	**-**
Total activity abroad	**428**	**-**	**4**	**432**	**-**	**2**
Total credit to the public	**114,299**	**887**	**522**	**115,708**	**18**	**263**

(1) Credit to the public, credit to government, deposits with banks and other debts, excluding bonds and securities borrowed.
(2) Classified as problematic debts, accruing interest income.
(5) Accruing interest income. Debts in arrears of 30 to 89 days, in the amount of approximately NIS 93 million (30.9.21 - NIS 108 million) were classified as problematic debts.

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

(NIS million)

B. CREDIT TO THE PUBLIC (Cont'd)

1. Credit quality and arrears (Cont'd)

	September 30, 2021 (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	6,436	51	55	6,542	4	3
Construction and real estate - real estate activities	5,497	17	44	5,558	-	8
Financial services	7,355	18	6	7,379	1	3
Commercial - other	22,431	804	286	23,521	9	20
Total commercial	41,719	890	391	43,000	14	34
Private individuals - housing loans	30,849	307	-	31,156	177	169
Private individuals - others	21,921	160	99	22,180	12	40
Total activity in Israel	94,489	1,357	490	96,336	203	243
Borrower activity abroad						
Public - commercial						
Construction and real estate	23	-	-	23	-	-
Other commercial	600	6	-	606	-	5
Total commercial	623	6	-	629	-	5
Private individuals	-	-	-	-	-	-
Total activity abroad	623	6	-	629	-	5
Total credit to the public	95,112	1,363	490	96,965	203	248

* Restated in respect of the new disclosure format on non-accruing debts instead of impaired debts.

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

(NIS million)

B. CREDIT TO THE PUBLIC (Cont'd)

1. Credit quality and arrears (Cont'd)

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

* Restated in respect of the new disclosure format on non-accruing debts instead of impaired debts.

(1) Credit to the public, credit to government, deposits with banks and other debts, excluding bonds and securities borrowed.
(2) Classified as problematic debts, accruing interest income.
(5) Accruing interest income. Debts in arrears of 30 to 89 days, in the amount of approximately NIS 85 million were classified as problematic debts.

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

(NIS million)

B. CREDIT TO THE PUBLIC (Cont'd)

1.1. Credit quality according to the credit granting year

								September 30, 2022 (unaudited)
	Stated balance of debt regarding fixed-term credit to the public*							
	2022	2021	2020	2019	2018	Prior years	Stated debt Balance of renewable loans	Total
Borrower activity in Israel								
Public - commercial								
Construction and real estate	7,677	3,578	1,417	752	437	1,139	1,808	16,808
Credit having a credit granting rating	7,557	3,515	1,385	734	428	1,101	1,690	16,410
Credit not having credit granting rating and is not problematic	105	50	14	8	5	19	38	239
Accruing problematic credit	7	11	12	4	1	11	14	60
Non-accruing credit	8	2	6	6	3	8	66	99
Other commercial	17,650	4,104	3,372	1,780	954	2,121	9,349	39,330
Credit having a credit granting rating	17,480	3,951	3,111	1,657	878	1,964	8,588	37,629
Credit not having credit granting rating and is not problematic	148	91	161	56	27	43	361	887
Accruing problematic credit	18	50	64	58	36	86	322	634
Non-accruing credit	4	12	36	9	13	28	78	180
Private individuals - residential loans	6,292	8,109	5,385	3,140	2,400	10,016	-	35,342
LTV of up to 60%	3,891	5,282	3,670	2,226	1,749	7,384	-	24,202
LTV of over 60% and up to 75%	2,362	2,756	1,643	878	614	2,101	-	10,354
LTV of over 75%	39	71	72	36	37	531	-	786
Credit not in default, having a credit granting rating	6,266	8,045	5,322	3,105	2,363	9,746	-	34,847
Credit not in default, not having a credit granting rating	15	29	34	10	14	90	-	192
In arrears for 30 to 89 days	10	29	22	18	16	86	-	181
In arrears for over 90 days	1	6	7	7	7	94	-	122
Non-accruing credit	1	7	8	9	10	104	-	139
Private individuals - others	8,632	3,799	2,628	1,808	1,667	3,379	1,883	23,796
Credit not in default, having a credit granting rating	8,506	3,670	2,517	1,727	1,564	3,167	1,769	22,920
Credit not in default, not having a credit granting rating	113	113	101	71	88	181	101	768
In arrears for 30 to 89 days	10	10	6	6	11	24	4	71
In arrears for over 90 days	3	6	4	4	4	7	9	37
Non-accruing credit	25	14	9	9	13	27	3	100
Total Credit to the public - activity in Israel	40,251	19,590	12,802	7,480	5,458	16,655	13,040	115,276
Total Credit to the public - activity abroad	243	8	5	-	8	-	168	432
Performing credit	243	8	1	-	8	-	168	428
Accruing problematic credit	-	-	-	-	-	-	-	-
Non-accruing credit	-	-	4	-	-	-	-	4
Total Credit to the public	40,494	19,598	12,807	7,480	5,466	16,655	13,208	115,708

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

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

(NIS million)

B. CREDIT TO THE PUBLIC (Cont'd)

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

	September 30, 2022 (unaudited)					
	Balance(1) of provided for non-accruing debts	Balance of provision	Balance(1) of not provided for non-accruing debts	Total Balance(1) of non-accruing debts	Balance of contractual principal of non-accruing debts	Recognized interest income(2)
Borrower activity in Israel						
Construction and real estate	83	22	16	99	2,053	-
Commercial - other	127	46	53	180	3,733	-
Total commercial	210	68	69	279	5,786	-
Private individuals - residential loans	139	7	-	139	171	-
Private individuals - others	90	32	10	100	344	-
Total Credit to the public - activity in Israel	439	107	79	518	6,301	-
Borrower activity abroad						
Total Credit to the public - activity abroad	4	4	-	4	31	-
Total *	443	111	79	522	6,332	-
(*) Of which:						
Measured by present value of cash flows	303	104	60	363		
Measured specifically according to present value of collateral	-	-	12	12		
Measured on a collective basis	140	7	7	147		

Had the non-accruing debts accrued interest according to the original terms, interest income of NIS 27 million would have been recognized.

(1) Stated balance of debt.

(2) Amount of interest income recognized in the reported period, in respect of the average balance of non-accruing debts, during the period of time in which the debts had been classified as non-accruing .
Additional information: the total stated average debt balance of non-accruing debts was NIS 525 million.

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

(NIS million)

B. CREDIT TO THE PUBLIC (Cont'd)

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

	September 30, 2021 (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	82	12	17	99	1,888	-
Commercial - other	262	135	30	292	3,355	-
Total commercial	344	147	47	391	5,243	-
Private individuals - residential loans	-	-	-	-	-	-
Private individuals - others	86	33	13	99	254	-
Total Credit to the public - activity in Israel	430	180	60	490	5,497	-
Borrower activity abroad						
Total Credit to the public - activity abroad	-	-	-	-	14	-
Total *	430	180	60	490	5,511	-
(*) Of which:						
Measured by present value of cash flows	429	180	34	463		
Measured specifically according to present value of collateral	-	-	19	19		
Measured on a collective basis	1	-	7	8		

* Restated in respect of the new disclosure format on non-accruing debts instead of impaired debts.

Had the non-accruing debts accrued interest according to the original terms, interest income of NIS 22 million would have been recognized.

(1) Stated balance of debt.

(2) Amount of interest income recognized in the reported period, in respect of the average balance of non-accruing debts, during the period of time in which the debts had been classified as non-accruing .
Additional information: the total stated average debt balance of non-accruing debts was NIS 486 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, 2021 (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	65	11	20	85	1,814	-
Commercial - other	221	118	32	253	3,395	1
Total commercial	286	129	52	338	5,209	1
Private individuals - housing loans	-	-	-	-	-	-
Private individuals - others	92	33	11	103	458	1
Total Credit to the public - activity in Israel	378	162	63	441	5,667	2
Borrower activity abroad						
Total Credit to the public - activity abroad	-	-	-	-	14	-
Total *	378	162	63	441	5,681	2
(*) Of which:						
Measured by present value of cash flows	378	162	38	416		
Measured specifically according to present value of collateral	-	-	17	17		
Measured on a collective basis	-	-	8	8		

* Restated in respect of the new disclosure format on non-accruing debts instead of impaired debts.

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

(1) Stated balance of debt.

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

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

(NIS million)

B. CREDIT TO THE PUBLIC (Cont'd)

2.B. Debts which had undergone restructure of a problematic debt:

	September 30, 2022 (unaudited)				
	Recorded debt balance				
	Not accruing interest income	accruing[1] in arrears of 90 days or more	accruing [1] in arrears of 30 to 89 days	Accruing[1], not in arrears	Total[2]
Borrower activity in Israel					
Public - commercial					
Construction and real estate	**14**	**-**	**-**	**2**	**16**
Commercial - other	**52**	**-**	**-**	**11**	**63**
Total commercial	**66**	**-**	**-**	**13**	**79**
Private individuals - residential loans	**12**	**-**	**-**	**1**	**13**
Private individuals - others	**66**	**-**	**-**	**13**	**79**
Total Credit to the public - activity in Israel	**144**	**-**	**-**	**27**	**171**
Borrower activity abroad					
Total Credit to the public - activity abroad	**-**	**-**	**-**	**-**	**-**
Total	**144**	**-**	**-**	**27**	**171**

	September 30, 2021 (unaudited)*				
	Recorded debt balance				
	Not accruing interest income	accruing[1] in arrears of 90 days or more	accruing [1] in arrears of 30 to 89 days	Accruing[1], not in arrears	Total[2]
Borrower activity in Israel					
Public - commercial					
Construction and real estate	10	-	-	5	15
Commercial - other	68	-	-	19	87
Total commercial	78	-	-	24	102
Private individuals - residential loans	-	-	-	-	-
Private individuals - others	65	-	-	34	99
Total Credit to the public - activity in Israel	143	-	-	58	201
Borrower activity abroad					
Total Credit to the public - activity abroad	-	-	-	-	-
Total	143	-	-	58	201

* Restated in respect of the new disclosure format on non-accruing debts instead of impaired debts.

(1) Accruing interest income.

(2) As at September 30, 2022, debts of NIS 171 million, that had been restructured are classified as problematic debts (as of September 30, 2021 – NIS 201 million).

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

(NIS million)

B. CREDIT TO THE PUBLIC (Cont'd)

2.B. Debts which had undergone restructure of a problematic debt: (Cont'd)

	December 31, 2021 (audited)*				
	Recorded debt balance				
	Not accruing interest income	accruing[1] in arrears of 90 days or more	accruing [1] in arrears of 30 to 89 days	Accruing[1], not in arrears	Total[2]
Borrower activity in Israel					
Public - commercial					
Construction and real estate	9	-	-	5	14
Commercial - other	58	-	-	19	77
Total commercial	67	-	-	24	91
Private individuals - others	69	-	-	33	102
Total Credit to the public - activity in Israel	136	-	-	57	193
Borrower activity abroad					
Total Credit to the public - activity abroad	-	-	-	-	-
Total	136	-	-	57	193

* Restated in respect of the new disclosure format on non-accruing debts instead of impaired debts.

(1) Accruing interest income.
(2) As at December 31, 2021, debts of NIS 193 million, that had been restructured are classified as problematic debts.

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

(NIS million)

B. CREDIT TO THE PUBLIC (Cont'd)

2.B. Debts which had undergone restructure of a problematic debt: (Cont'd)

	Restructuring made					
	For the three months ended September 30					
	2022			2021		
				(unaudited)		
	Number of contracts	Debt balance before restructuring	Debt balance after restructuring	Number of contracts	Debt balance before restructuring	Debt balance after restructuring
Borrower activity in Israel						
Public - commercial						
Construction and real estate	**9**	**10**	**10**	5	-	-
Commercial - other	**59**	**12**	**12**	52	11	11
Total commercial	**68**	**22**	**22**	57	11	11
Private individuals - housing loans	**-**	**-**	**-**	-	-	-
Private individuals - others	**268**	**16**	**15**	221	10	10
Total credit to the public - activity in Israel	**336**	**38**	**37**	278	21	21

	Restructuring made					
	For the nine months ended September 30					
	2022			2021		
				(unaudited)		
	Number of contracts	Debt balance before restructuring	Debt balance after restructuring	Number of contracts	Debt balance before restructuring	Debt balance after restructuring
Borrower activity in Israel						
Public - commercial						
Construction and real estate	**18**	**11**	**11**	26	4	4
Commercial - other	**154**	**27**	**27**	160	26	26
Total commercial	**172**	**38**	**38**	186	30	30
Private individuals - housing loans	**1**	**1**	**1**	-	-	-
Private individuals - others	**857**	**38**	**36**	664	31	30
Total credit to the public - activity in Israel	**1,030**	**77**	**75**	850	61	60

	Restructuring made and failed (1)				Restructuring made and failed (1)			
	For the three months ended September 30				For the ning months ended September 30			
	2022		2021		2022		2021	
			(unaudited)				(unaudited)	
	Number of contracts	Balance of debt recorded	Number of contracts	Balance of debt recorded	Number of contracts	Balance of debt recorded	Number of contracts	Balance of debt recorded
Borrower activity in Israel								
Public - commercial								
Construction and real estate	**1**	**-**	6	-	**15**	**1**	18	2
Commercial - other	**40**	**2**	50	2	**80**	**11**	112	6
Total commercial	**41**	**2**	56	2	**95**	**12**	130	8
Private individuals - housing loans	**-**	**-**	-	-	**4**	**1**	-	-
Private individuals - others	**124**	**3**	154	3	**375**	**10**	404	8
Total credit to the public - activity in Israel	**165**	**5**	210	5	**474**	**23**	534	16

(1) Debts that became debts in arrears of 30 days or more during the reported period which were restructured as a problematic debt during the 12 months that preceded the date in which they became debts in arrears.

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

(NIS million)

B. CREDIT TO THE PUBLIC (Cont'd)

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

	September 30, 2022 (unaudited)							
	Not in arrears of 90 days or more	In arrears from 90 to 180 days	In arrears from 180 days to one year	In arrears from one to 3 years	In arrears from 3 to 5 years	In arrears from 5 to 7 years	In arrears for over 7 years	Total
Commercial	**198**	**26**	**23**	**26**	**10**	**-**	**-**	**283**
Residential loans	**17**	**52**	**39**	**21**	**2**	**7**	**1**	**139**
Private individuals - others	**92**	**3**	**2**	**3**	**-**	**-**	**-**	**100**
Total	**307**	**81**	**64**	**50**	**12**	**7**	**1**	**522**

	September 30, 2021 (unaudited)							
	Not in arrears of 90 days or more	In arrears from 90 to 180 days	In arrears from 180 days to one year	In arrears from one to 3 years	In arrears from 3 to 5 years	In arrears from 5 to 7 years	In arrears for over 7 years	Total
Commercial	277	18	16	74	6	-	-	391
Residential loans	-	-	-	-	-	-	-	-
Private individuals - others	91	2	3	3	-	-	-	99
Total	368	20	19	77	6	-	-	490

	December 31, 2021 (audited)							
	Not in arrears of 90 days or more	In arrears from 90 to 180 days	In arrears from 180 days to one year	In arrears from one to 3 years	In arrears from 3 to 5 years	In arrears from 5 to 7 years	In arrears for over 7 years	Total
Commercial	251	15	20	45	7	-	-	338
Residential loans	-	-	-	-	-	-	-	-
Private individuals - others	97	2	1	3	-	-	-	103
Total	348	17	21	48	7	-	-	441

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

(NIS million)

B. CREDIT TO THE PUBLIC (Cont'd)

3. Additional information regarding housing loans

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

	September 30, 2022 (unaudited)			
	Balance of housing loans			Total Off-balance sheet credit risk
	Total	Of which: bullet and balloon	OF which: floating interest rate	
First lien financing rate				
- Up to 60%	**23,739**	**220**	**14,067**	**1,017**
- Over 60%	**11,141**	**60**	**6,762**	**1,426**
Secondary lien or no lien	**462**	**53**	**402**	**-**
Total	**35,342**	**333**	**21,231**	**2,443**

	September 30, 2021 (unaudited)			
	Balance of housing loans			Total Off-balance sheet credit risk
	Total	Of which: bullet and balloon	OF which: floating interest rate	
First lien financing rate				
- Up to 60%	21,355	228	12,560	1,529
- Over 60%	9,326	79	5,646	997
Secondary lien or no lien	475	89	401	-
Total	31,156	396	18,607	2,526

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

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

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

(NIS million)

C. OFF-BALANCE SHEET FINANCIAL INSTRUMENTS

	Balance of contracts[1]			Balance of provision for credit losses		
	30.9.22	**30.9.21**	**31.12.21**	**30.9.22**	**30.9.21**	**31.12.21**
	(unaudited)	(unaudited)	(audited)	(unaudited)	(unaudited)	(audited)
Transactions the balance of which represents credit risk:						
Documentary credit	**181**	132	179	**1**	-	-
Guarantees securing credit	**1,045**	935	949	**9**	15	12
Guarantees to home purchasers	**4,406**	2,929	3,282	**8**	6	5
Guarantees and other liabilities	**4,942**	4,256	4,581	**40**	23	24
Unutilized credit lines for derivatives instruments	**3,331**	2,550	2,715	**-**	-	-
Unutilized revolving credit and other on-call credit facilities	**12,343**	11,977	11,738	**21**	21	20
Irrevocable commitments to grant credit, not yet executed	**5,660**	6,428	7,267	**10**	9	9
Unutilized credit lines for credit card facilities	**9,078**	8,772	8,650	**8**	6	5
Facilities for the lending of securities	**501**	446	548	**-**	-	-
Required guarantees and collateral in respect of the Stock Exchange and Maof Clearing Houses	**235**	283	324	**-**	-	-
Commitments to issue guarantees	**1,311**	1,745	1,565	**4**	6	4

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

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

NOTE 13 - ASSETS AND LIABILITIES ACCORDING TO LINKAGE BASES

(NIS million)

	September 30, 2022 (unaudited)						
	Israeli currency		Foreign currency[1]				
	Non-linked	Linked to the consumer price index	U.S. dollar	Euro	Other	Non-monetary items[2]	Total
Assets							
Cash and deposits with banks	**51,929**	**-**	**3,215**	**378**	**490**	**-**	**56,012**
Securities	**7,065**	**1,202**	**5,314**	**1,275**	**-**	**475**	**15,331**
Securities which were borrowed	**630**	**-**	**-**	**-**	**-**	**-**	**630**
Credit to the public, net[3]	**93,985**	**13,835**	**4,590**	**1,256**	**92**	**781**	**114,539**
Credit to the government	**59**	**720**	**83**	**-**	**-**	**-**	**862**
Investee company	**-**	**-**	**-**	**-**	**-**	**679**	**679**
Premises and equipment	**-**	**-**	**-**	**-**	**-**	**894**	**894**
Intangible assets and goodwill	**-**	**-**	**-**	**-**	**-**	**297**	**297**
Assets in respect of derivative instruments	**291**	**15**	**1,619**	**105**	**39**	**1,731**	**3,800**
Other assets	**812**	**11**	**13**	**3**	**-**	**1,104**	**1,943**
Total assets	**154,771**	**15,783**	**14,834**	**3,017**	**621**	**5,961**	**194,987**
Liabilities							
Deposits from the public	**128,766**	**6,509**	**23,614**	**3,596**	**1,636**	**781**	**164,902**
Deposits from banks	**4,790**	**-**	**191**	**10**	**7**	**-**	**4,998**
Deposits from the Government	**761**	**83**	**43**	**2**	**2**	**-**	**891**
Bonds and subordinated capital notes	**4**	**5,026**	**-**	**-**	**-**	**-**	**5,030**
Liabilities in respect of derivative instruments	**312**	**30**	**1,163**	**41**	**26**	**1,731**	**3,303**
Other liabilities	**4,239**	**66**	**81**	**7**	**-**	**773**	**5,166**
Total liabilities	**138,872**	**11,714**	**25,092**	**3,656**	**1,671**	**3,285**	**184,290**
Difference	**15,899**	**4,069**	**(10,258)**	**(639)**	**(1,050)**	**2,676**	**10,697**
Non-hedging derivatives							
Derivative instruments (not including options)	**(11,268)**	**(188)**	**9,824**	**583**	**1,049**	**-**	**-**
Options in the money, net (in terms of underlying asset)	**(230)**	**-**	**193**	**37**	**-**	**-**	**-**
Options out of the money, net (in terms of underlying asset)	**(118)**	**-**	**127**	**(5)**	**(4)**	**-**	**-**
Total	**4,283**	**3,881**	**(114)**	**(24)**	**(5)**	**2,676**	**10,697**
Options in the money, net (present value of stated amount)	**(279)**	**-**	**268**	**11**	**-**	**-**	**-**
Options out of the money, net (present value of stated amount)	**(378)**	**-**	**522**	**(106)**	**(38)**	**-**	**-**

(1) Including linked to foreign currency.
(2) Including derivatives instruments which their underlying assets represent non-monetary item.
(3) After deduction of provisions for credit losses attributed to the linkage base.

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

(NIS million)

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

(1) Including linked to foreign currency.
(2) Including derivatives instruments which their underlying assets represent non-monetary item.
(3) After deduction of provisions for credit losses attributed to the linkage base.

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

	December 31, 2021 (audited)						
	Israeli currency		Foreign currency(1)				
	Non-linked	Linked to the consumer price index	U.S. dollar	Euro	Other	Non-monetary items(2)	Total
Assets							
Cash and deposits with banks	53,496	-	3,504	266	104	-	57,370
Securities	8,323	241	4,390	1,405	-	732	15,091
Securities which were borrowed	845	-	-	-	-	-	845
Credit to the public, net(3)	84,013	12,634	2,880	844	95	698	101,164
Credit to the government	48	763	-	-	-	-	811
Investee company	-	-	-	-	-	713	713
Premises and equipment	-	-	-	-	-	931	931
Intangible assets and goodwill	-	-	-	-	-	300	300
Assets in respect of derivative instruments	526	11	149	8	18	997	1,709
Other assets	843	5	24	2	-	662	1,536
Total assets	148,094	13,654	10,947	2,525	217	5,033	180,470
Liabilities							
Deposits from the public	120,343	6,298	21,870	3,158	1,080	698	153,447
Deposits from banks	4,751	-	330	36	27	-	5,144
Deposits from the Government	857	-	101	1	1	-	960
Bonds and subordinated capital notes	6	3,350	-	-	-	-	3,356
Liabilities in respect of derivative instruments	793	18	182	42	6	997	2,038
Other liabilities	4,560	121	42	5	2	358	5,088
Total liabilities	131,310	9,787	22,525	3,242	1,116	2,053	170,033
Difference	16,784	3,867	(11,578)	(717)	(899)	2,980	10,437
Non-hedging derivatives							
Derivative instruments (not including options)	(11,338)	(213)	10,070	586	895	-	-
Options in the money, net (in terms of underlying asset)	(1,104)	-	957	145	2	-	-
Options out of the money, net (in terms of underlying asset)	(436)	-	447	(11)	-	-	-
Total	3,906	3,654	(104)	3	(2)	2,980	10,437
Options in the money, net (present value of stated amount)	(1,701)	-	1,453	247	1	-	-
Options out of the money, net (present value of stated amount)	(1,975)	-	1,909	64	2	-	-

(1) Including linked to foreign currency.
(2) Including derivatives instruments which their underlying assets represent non-monetary item.
(3) After deduction of provisions for credit losses attributed to the linkage base.

NOTE 14A - BALANCES AND FAIR VALUE ESTIMATES OF FINANCIAL INSTRUMENTS
(NIS million)

	September 30, 2022 (unaudited)				
	Stated in the Balance Sheet	Fair value[1]			
		(1)	(2)	(3)	Total
Financial assets					
Cash and deposits with banks	**56,012**	**688**	**55,319**	**2**	**56,009**
Securities[2]	**15,331**	**8,300**	**6,756**	**130**	**15,186**
Securities which were borrowed	**630**	**-**	**630**	**-**	**630**
Credit to the public, net	**114,539**	**8,954**	**-**	**103,227**	**112,181**
Credit to the government	**862**	**-**	**142**	**703**	**845**
Assets in respect of derivative instruments	**3,800**	**1,800**	**1,119**	**881**	**3,800**
Other financial assets	**925**	**738**	**-**	**187**	**925**
Total financial assets	[3]**192,099**	**20,480**	**63,966**	**105,130**	**189,576**
Financial liabilities					
Deposits from the public	**164,902**	**6,480**	**114,989**	**40,214**	**161,683**
Deposits from Banks	**4,998**	**-**	**793**	**4,007**	**4,800**
Deposits from the Government	**891**	**-**	**860**	**32**	**892**
Bonds and non-convertible subordinated capital notes	**5,030**	**4,854**	**-**	**2**	**4,856**
Liabilities in respect of derivative instruments	**3,303**	**1,795**	**1,479**	**29**	**3,303**
Other financing liabilities	**3,806**	**808**	**-**	**2,982**	**3,790**
Total financial liabilities	[3]**182,930**	**13,937**	**118,121**	**47,266**	**179,324**
Off balance sheet financial instruments					
Transaction where the balance represents credit risk	**44**	**-**	**-**	**44**	**44**
In addition, the liability in respect of employee rights, gross - pension and severance pay[4]	**830**	**-**	**-**	**830**	**830**

(1) Level 1 - fair value measurements using prices quoted in an active market.
Level 2 - fair value measurements using other significant observable data.
Level 3 - fair value measurements using significant unobservable data.

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

(3) Of which: assets of NIS 25,428 million and liabilities of NIS 10,591 million, the stated balance of which is identical to their fair value (instruments reflected in the balance sheet at fair value). For further information regarding instruments measured at fair value on a recurring basis and on a non-recurring basis, see note 14B-14D.

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

NOTE 14A - BALANCES AND FAIR VALUE ESTIMATES OF FINANCIAL INSTRUMENTS

(CONT'D)

(NIS million)

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

* Reclassified.

(1) Level 1 - fair value measurements using prices quoted in an active market.
Level 2 - fair value measurements using other significant observable data.
Level 3 - fair value measurements using significant unobservable data.

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

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

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

NOTE 14A - BALANCES AND FAIR VALUE ESTIMATES OF FINANCIAL INSTRUMENTS

(CONT'D)

(NIS million)

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

(1) Level 1 - fair value measurements using prices quoted in an active market.
Level 2 - fair value measurements using other significant observable data.
Level 3 - fair value measurements using significant unobservable data.

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

(3) Of which: assets of NIS 20,296 million and liabilities of NIS 8,225 million, the stated balance of which is identical to their fair value (instruments reflected in the balance sheet at fair value). For further information regarding instruments measured at fair value on a recurring basis and on a non-recurring basis, see note 14B-14D.

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

NOTE 14A - BALANCES AND FAIR VALUE ESTIMATES OF FINANCIAL INSTRUMENTS

(CONT'D)
(NIS million)

A. FAIR VALUE OF FINANCIAL INSTRUMENTS.

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

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

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

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

NOTE 14A - BALANCES AND FAIR VALUE ESTIMATES OF FINANCIAL INSTRUMENTS

(CONT'D)
(NIS million)

B. PRINCIPAL METHODS AND ASSUMPTIONS USED FOR THE CALCULATION OF THE FAIR VALUE ESTIMATES OF FINANCIAL INSTRUMENTS

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

Credit to the public - The fair value of the credit to the public balance was estimated according to discounting the future cash flows in an appropriate discount rate. The balance was separated into homogenous categories. The receipts in each category were discounted at a discount rate which reflects the risk inherent in the category. In general, this discount rate is determined according to the interest at which the Bank transacts similar business at the reporting date.
The fair value of problematic non-accruing debts is assessed using discount rates that reflect the high credit risk inherent in such debts.
Anticipated future cash flows in respect of problematic n- accruing debts and other debts have been assessed after deducting the effect of accounting write-offs and of provisions for credit losses in respect of the debts.
Accounting write-offs and provisions for credit losses are attributed, where possible, to periods in which these debts had been classified (example: where the provision was assessed on a specific basis, by the present value of future cash flows). In the absence of such data, accounting write-offs and provisions for credit losses are attributed proportionally to the outstanding balance of credit according to maturity periods at end of the period.
Cash flows in respect of mortgages have been assessed according to the premature repayment forecast, which is based on a statistical model.

Deposits and subordinate capital notes - By discounting future cash flows according to interest rates used by the Group in raising similar deposits, or issuing similar capital notes (if a quoted price on an active market is not available) at reporting date. As regards bonds and subordinate debt notes that are traded as an asset on an active market, fair value is based upon quoted market prices or on traders' quotations regarding a similar liability traded as an asset on an active market.
Cashflows with respect to demand deposits (current accounts) were distributed based on statistical model for forecasting stable balances.
Cashflows in respect of deposits from the public have been assessed according to the premature repayment forecast, which is based on a statistical model.

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

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

NOTE 14B - ITEMS MEASURED AT FAIR VALUE

(NIS million)

A. ITEMS MEASURED AT FAIR VALUE ON A RECURRENT BASIS

	September 30, 2022 (unaudited)				
	Fair-value measurements using -				
	Prices quoted in an active market (level 1)	Other significant observable inputs (level 2)	Significant unobservable inputs (level 3)	Effect of netting agreements	Balance sheet balance
Assets					
Bonds available for sale	**5,054**	**6,558**	**-**	**-**	**11,612**
Shares not for trading	**261**	**-**	**-**	**-**	**261**
Trading Securities	**63**	**-**	**-**	**-**	**63**
Assets in respect of derivative instruments	**1,800**	**1,119**	**881**	**-**	**3,800**
Others	**9,692**	**-**	**-**	**-**	**9,692**
Total assets	**16,870**	**7,677**	**881**	**-**	**25,428**
Liabilities					
Liabilities in respect of derivative instruments	**1,795**	**1,479**	**29**	**-**	**3,303**
Others	**7,288**	**-**	**-**	**-**	**7,288**
Total liabilities	**9,083**	**1,479**	**29**	**-**	**10,591**

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

	December 31, 2021 (audited)				
	Fair-value measurements using -				
	Prices quoted in an active market (level 1)	Other significant observable inputs (level 2)	Significant unobservable inputs (level 3)	Effect of netting agreements	Balance sheet balance
Assets					
Bonds available for sale	5,888	5,751	-	-	11,639
Shares not for trading	565	-	-	-	565
Trading Securities	233	-	-	-	233
Assets in respect of derivative instruments	1,141	319	249	-	1,709
Others	6,150	-	-	-	6,150
Total assets	13,977	6,070	249	-	20,296
Liabilities					
Liabilities in respect of derivative instruments	1,176	844	18	-	2,038
Others	6,187	-	-	-	6,187
Total liabilities	7,363	844	18	-	8,225

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

(NIS million)

B. ITEMS MEASURED AT FAIR VALUE ON A NON-RECURRENT BASIS

	September 30, 2022 (unaudited)				
	Level 1	Level 2	Level 3	Total fair value	Total losses for the nine months ended September 30, 2022
Investment in shares	**-**	**83**	**-**	**83**	**(4)**
Non-accruing credit the collection of which is contingent on collateral	**-**	**-**	**12**	**12**	**-**

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

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

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

(NIS million)

	For the three months ended September 30, 2022 (unaudited)							
	Fair value as at June 30, 2022	Profits (losses) realized and unrealized Included in the profit and loss statement (1)	Purchases	Payments	Transfers to level 3, gross	Transfer from level 3, gross	Fair value as at September 30, 2022	Unrealized profits (losses) in respect of instruments held as at September 30, 2022
Assets								
Assets in respect of derivative instruments	**905**	**890**	**22**	**(936)**	**-**	**-**	**881**	**652**
Liabilities								
Liabilities in respect of derivative instruments	**27**	**(2)**	**-**	**-**	**-**	**-**	**29**	**(4)**

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

	For the nine months ended September 30, 2022 (unaudited)							
	Fair value as at December 31, 2021	Profits (losses) realized and unrealized Included in the profit and loss statement (1)	Purchases	Payments	Transfers to level 3, gross	Transfer from level 3, gross	Fair value as at September 30, 2022	Unrealized profits (losses) in respect of instruments held as at September 30, 2022
Assets								
Assets in respect of derivative instruments	**249**	**3,238**	**58**	**(2,664)**	**-**	**-**	**881**	**808**
Liabilities								
Liabilities in respect of derivative instruments	**18**	**(12)**	**-**	**(1)**	**-**	**-**	**29**	**(12)**

	For the nine months ended September 30, 2021 (unaudited)							
	Fair value as at December 31, 2020	Profits (losses) realized and unrealized Included in the profit and loss statement (1)	Purchases	Payments	Transfers to level 3, gross	Transfer from level 3, gross	Fair value as at September 30, 2021	Unrealized profits (losses) in respect of instruments held as at September 30, 2021
Assets								
Assets in respect of derivative instruments	376	656	33	(918)	-	-	147	153
Liabilities								
Liabilities in respect of derivative instruments	13	(6)	-	(3)	-	-	16	(5)

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

(NIS million)

	For the year ended December 31, 2021 (audited)							
	Fair value as at December 31, 2020	Profits (losses) realized and unrealized Included in the profit and loss statement [1]	Purchases	Payments	Transfers to level 3, gross	Transfer from level 3, gross	Fair value as at December 31, 2021	Unrealized profits (losses) in respect of instruments held as at December 31, 2021
Assets								
Assets in respect of derivative instruments	376	1,102	49	(1,278)	-	-	249	284
Liabilities								
Liabilities in respect of derivative instruments	13	(9)	-	(4)	-	-	18	(7)

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

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

	As of September 30, 2022 (unaudited)				
	Value Assessment technique	**Unobservable inputs**	**Fair value**	**Average**	**Range**
			(NIS million)		in %
A. Items measured at fair value on a recurrent basis					
Assets					
Assets in respect of derivative instruments:					
Interest rate contract: NIS-CPI	Discounted cash flow	CPI linked interest	**9**	**0.84**	**0.46-1.22**
Interest rate contract: other	Discounted cash flow	Counter-party credit risk	**28**	**1.41**	**1.20-1.55**
Foreign currency contracts	Discounted cash flow	1. CPI-linked interest	**6**	**(0.56)**	**(0.91)-(0.28)**
		2. Counter-party credit risk	**838**	**1.23**	**1.00-4.52**
Liabilities					
Liabilities in respect of derivative instruments:					
Interest rate contract: NIS-CPI	Discounted cash flow	CPI-linked interest	**23**	**0.82**	**0.46-1.22**
Foreign currency contracts	Discounted cash flow	CPI-linked interest	**6**	**(0.56)**	**(0.91)-(0.28)**
B. Items measured at fair value on a non-recurrent basis					
Impaired credit the collection of which is contingent on collateral	Collateral value		**12**		

	As of September 30, 2021 (unaudited)				
	Value Assessment technique	**Unobservable inputs**	**Fair value**	**Average**	**Range**
			(NIS million)		in %
A. Items measured at fair value on a recurrent basis					
Assets					
Assets in respect of derivative instruments:					
Interest rate contract: NIS-CPI	Discounted cash flow	CPI linked interest	2	(1.95)	(1.95)-(1.94)
Interest rate contract: other	Discounted cash flow	Counter-party credit risk	7	1.61	1.20-1.75
Foreign currency contracts	Discounted cash flow	1. CPI-linked interest	10	(2.39)	(2.75)-(2.10)
		2. Counter-party credit risk	128	1.54	1.00-4.14
Liabilities					
Liabilities in respect of derivative instruments:					
Interest rate contract: NIS-CPI	Discounted cash flow	CPI-linked interest	6	(1.47)	(1.95)-(1.34)
Foreign currency contracts	Discounted cash flow	CPI-linked interest	10	(2.39)	(2.75)-(2.10)
B. Items measured at fair value on a non-recurrent basis					
Impaired credit the collection of which is contingent on collateral	Collateral value		17		

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

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

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

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

CORPORATE GOVERNANCE, ADDITIONAL INFORMATION AND APPENDIX

LIST OF TABLES

CORPORATE GOVERNANCE

DISCLOSURE OF THE INTERNAL AUDITOR

Details regarding the Internal Auditor of the Bank (which also serves as the Internal Auditor in Massad Bank), including the working plan of the internal auditor department, conduct of the audit and the internal audit reports, were published in the annual financial statements for 2021.
The report of the internal audit for the year 2021 was discussed in the audit committee of the Bank on April 28, 2022.
The report of the internal audit for the first half of the year 2022 was discussed in the audit committee of the Bank on September 20, 2022.

MEETINGS OF THE BOARD OF DIRECTORS AND ITS COMMITTEES

During January-September 2022, the Bank's Board of Directors held 21 meetings in plenary session and 43 meetings of its various Board Committees.

TRANSACTIONS WITH INTERESTED PARTIES

a. Amendments to the Securities Regulations (Periodic and immediate reports), 1970 - Reporting of transactions with controling interests

No changes occurred during the reported period in the rules regarding the reporting of transactions with controlling interests, as detailed in the Chapter on corporate governance, transactions with interested parties, contained in the financial statements for the year 2018.

b. Determination of criteria regarding transactions of the Bank with interested parties

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

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

For details of transactions, see Chapter "Corporate Governance", interested party transactions, in the financial statements for 2021.

In addition:

1. In March 2022, and in accordance with the Companies Regulations (Rules regarding compensation and reimbursement of expenses to an external Director) (Provisional instruction), 2022 (hereinafter - "the Provisional Instruction"), the Board of Directors of the Bank approved criteria according to which, participation of a Director in a meeting held or to be held during the period of limitations (as defined in the Provisional Instruction) through use of means of communication, as stated in Section 101 of the Companies Act, would be classified as participation

in a regular meeting, entitling the participants to full compensation in respect thereof. The said criteria apply to any Director of the Bank entitled to compensation for participation determined according to the Companies Regulations (Rules regarding compensation and reimbursement of expenses to an external Director), 2000 (including Directors belonging to the controlling shareholders of the Bank).

2. On June 28, 2022, the Board of Directors of the Bank, following approvals by the Audit Committee and the Compensation Committee, and in accordance with Regulations 1(3), 1(a)1, 1(b)5 and 1 (b)1 of the Relief Regulations, approved the renewal of the Officers and Directors responsibility insurance policy, for an additional period, covering the Bank and the Bank Group, including the subsidiary companies of the Bank, as well as the controlling shareholder of the Bank, FIBI Holdings Ltd., and including Directors from among the controlling shareholders of the Bank. The additional insurance period takes effect on July 1, 2022 and ends on June 30, 2023. For details regarding the terms of the policy, see the Immediate Report by the Bank dated June 28, 2022 (Ref No. 080383-01-2022), the contents thereof are presented hereby 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)									
September 30, 2022	**155**	**-**	**-**	**155**	**504**	**-**	**-**	**-**	**659**
December 31, 2021	161	-	-	161	520	-	-	-	681

Deposits	September 30, 2022		December 31, 2021	
	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)	**3,839**	**7,234**	3,744	16,045

(1) Relatives of controlling shareholders of the Bank. As the term relative is defined in the Banking Law (licensing)-1981.
(2) On the basis of balances at the end of each month.

DETAILS OF THE OWNERS OF CONTROL IN THE BANK

FIBI Holdings Ltd. (hereinafter – "FIBI"), a public company, which shares are traded on the Stock Exchange, owns 48.34% of the issued share capital and voting rights in the Bank (a rate comprising the control core in accordance with the control permit granted by Bank of Israel). The controlling shareholders of FIBI are Mr. Zadik Bino and his children, Messrs. Gil Bino, Hadar Bino-Shmueli and Daphna Bino-Or (hereinafter - "the Bino Family), Messrs. Michael and Helen Abeles and Messrs. Barry Lieberman, Casey Lieberman-Harris, Lee Lieberman and Joshua Lieberman (each of the said groups through corporations under their full control: Binohon Ltd., Instanz No. 2 Ltd. and Dolphin Energies Ltd.). For details regarding the various arrangements, to which the controlling shareholders are party, in respect of their holdings in FIBI, and indirectly, in the Bank, and with respect to the terms of the control permit dated September 19, 2003, granted to the controlling shareholders by Bank of Israel, as amended from time to time, see the Chapter "Details regarding the controlling interests in the Bank" in the Chapter "Corporate governance" in the financial report for 2019.

In accordance with FIBI's reports as of the date of publication of the financial statements, the holdings of the controlling shareholders in FIBI (in equity and voting) are as follows: Binohon Ltd. – 28.54%, Instanz No. 2 Ltd. – 11.68% and Dolphin Energies Ltd - 11.68% (the holdings of all the controlling shareholders in FIBI comprise the control core therein, in accordance with the control permit granted by Bank of Israel).

ADDITIONAL INFORMATION

LEGISLATION AND REGULATORY INITIATIVES

Following are summarized details of the provisions of laws and regulatory initiatives, which were published and/or entered into effect during the reported period, and which materially affect or might affect the operations of the Bank. The Bank is studying the overall significance of the said provisions and initiatives regarding the income and expenses of the Bank, as well as the long-term business and operating implications.
A part of the initiatives may have an adverse effect on the income of the Bank and/or its expenses. This effect cannot be quantified at this stage, due to dependence of different factors, including customer behavior, competitors' activity and additional regulatory changes regarding legislation not yet finalized, it is also not possible to assess whether it would be in fact be enacted and what would be its final content.
Nothing in the contents of this Chapter derogates from that stated in other Chapters and Sections of this Report, where there exists additional reference to provisions of the law and to regulatory initiatives as described below or to other.

A PERIOD OF EMERGENCY – THE CORONAVIRUS CRISIS

On background of the outbreak of the Coronavirus, Bank of Israel and additional Regulators have published, since March 2020, mitigating instructions and special arrangements with the aim of allowing banking corporations the required business flexibility, providing assistance to households and businesses in the evolving exceptional circumstances.
The effective period of most of the said mitigating instructions and arrangements has expired, a small number of which have been permanently approved, and another small part of which are still in effect, mostly within the framework of Proper Conduct of Banking Business Directive No. 250 - amendments of Proper Conduct of Banking Business Directives aimed at confronting the Corona crisis (Provisional instruction), the effect of which expired on December 31, 2021 (hereinafter - "Provisional Instruction"), except for, as stated, certain mitigating instructions the effect of which had been extended. Following are the principal of which that might still be relevant to the Bank:

- Reduction in the leverage ratio applying to banking corporations by one-half of a percent.
  In accordance with an update of May 15, 2022, of Proper Conduct of Banking Business Directive No. 250, the validity of the said mitigation with respect to the leverage ratio was extended to June 30, 2024, provided that the leverage ratio shall not be lower than the ratio at December 31, 2023, or lower than the leverage ratio required from the banking corporation prior to the Provisional Instruction, the lower of the two.
- The maximum amount of the credit facilities allocated to the construction and real estate sector (including indebtedness in respect of national infrastructure) has been increased from 24% to 26% of total indebtedness of the public, and the said maximum rate, net of indebtedness in respect of national infrastructure, has been increased from 20% to 22% of total indebtedness of the public. This mitigation remains in effect until the end of twenty-four months from December 31, 2025, provided that during the said 24 months the rate of indebtedness should not exceed the rate existing on December 31, 2025, or the rate of the segmental limitation existing prior to the mitigation, whichever is higher.

BANKING

Banking Order (Customer service) (Supervision over transaction services provided by a bank clerk, direct channel transaction, extended channel and extended plus channel), 2022.

Within the framework of the Order, published on September 1, 2022, Bank of Israel declared transaction services provided by a bank clerk, direct channel transaction, extended commission channel and extended commission plus channel, as services under supervision. Accordingly, raising the price of commissions charged in their respect requires submission of a reasoned request and approval by Bank of Israel.

Proper Conduct of Banking Business Directive No. 420 - Delivery of notices through communication channels

In accordance with an update of the Directive, published on June 6, 2021, intended to improve service to customers and reduce costs, it has been, inter alia, determined that a banking corporation has to choose the most suitable communication channel for delivering particular notices to customers who had joined the service of receiving notices by means of communication channels, in accordance with the level of materiality of the information and the speed required for its delivery. For this purpose, a banking corporation has to examine the needs of the customer in accordance with circumstances and take into consideration aspects of privacy protection, and among other things, examine whether a need exists to enable the customer to receive the information immediately and in an accessible manner, and whether the customer needs to monitor, safekeep and print the notice. Moreover, a closed list of notices has been determined, which a bank is required to deliver to the customer both by means of a communication channel, allowing the customer the monitoring, safekeeping and printing of the notice, and by means of a communication channel enabling the immediate delivery of the notice in an accessible manner, such as SMS notices. Following an amendment dated June 13, 2022, the update will take effect on January 1, 2023.

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

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

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

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

Proper Conduct of Banking Business Directive No. 362 – cloud computing

On background of development and upgrading of the cloud computing technology, an amendment to the Directive was published on June 13, 2022. Among other things, the amendment defined "cloud computing" and "material cloud computing", removed the prohibition on usage of cloud computing services for core operations and/or core systems, stated that cloud computing is a private matter of outsourcing and, accordingly, added singular duties for the board of directors and senior management with respect to the use of cloud computing services, which are not included in Proper Conduct of Banking Business Directive No. 359A, including the duty of the board of directors to approve a policy and a multi-annual program for the use of cloud computing services, and the duty to define a function subject to the head of the information technology division, who would have an in-depth knowledge of the risks involved in the use of cloud computing services and of the technological services provided by all suppliers of cloud computing services, with whom a banking corporation is engaged. Further new requirements were added within the framework of risk assessment by a banking corporation, such as the duty to perform a risk survey regarding a material cloud computing, additional requirements and instructions regarding engagement with suppliers of material cloud computing services, regarding confrontation with cyber events in cloud computing services, including performance of cyber exercises, and with respect to the management of buisiness continuity. The contents of the Directive takes effect on January 1, 2023, however, a banking corporation may apply the Directive in general, before the effective date. Also stated are transitional instructions regarding agreements with suppliers of cloud computing services that had been signed prior to the date of publication of the Directive, as well as regarding such agreements signed after date of publication of the Directive and up to the said effective date.

CAPITAL MARKET

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

The Directive, which was published on December 23, 2021, and updated on June 13, 2022, determines a uniform format for the presentation to the customer of data regarding his securities deposit with a banking corporation, with a view of improving the ability of the customer to take an educated decision as to the investment track best for him in relation to other investment options.

The Directive includes, inter alia, details of the types of information and data, which the banking corporation has to present, including the rate of return, and where the customer obtains from the bank investment advisory services, it is required to present, inter alia, also the measure of exposure of his securities deposit. The Directive states also the dates and format in which the information would be presented.

The Directive takes effect on January 1, 2023.

OPEN BANKING

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

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

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

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

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

On October 2022, Bank of Israel published a draft Amendment to the the Proper Conduct of Banking Business Directive, which includes, inter alia, amendments required for the implementation of the next stage regarding open banking, in accordance with milestones set in the Financial Information Service Act – providing information regarding securities held in the customer's securities deposit.

Financial Information Service Act, 2021

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

CORPORATE GOVERNANCE

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

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

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

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

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

MONEY LAUNDERING PROHIBITION

Bank of Israel letter in the matter of risks involved in engagement with entities declared in international sactions lists and in national sanctions lists of foreign countries.

In accordance with a letter dated June 8, 2022, exploitation of the banking system for the purpose of circumventing the sanction regime imposed by foreign countries and by international organizations, exposes banking corporations to significant risks, including compliance risks, money laundering and the finance of terror risks and more. Accordingly, banking corporations are required to adopt policies and procedures with respect to the manner by which use should be made of international sanctions lists and national sanctions lists of foreign countries, as well as with respect to engagement or entering into transactions with entities declared in the above stated lists. It is further stated in the letter that refusal to approve a transaction or to engage in an agreement, or the discontinuation of engagement due to the application of the above policy, shall be considered reasonable refusal to provide service with respect to the Banking Act (Customer service), 1981.

MISCELLANEOUS MATTERS

Pricacy protection

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

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

In July 2022, the Privacy Protection Authority published a statement of position document in the matter of the duties of notification in relation to the assembly and use of personal data. The document presents the interpretation of the Authority regarding Section 11 of the Privacy Protection Act, while focusing on the duty of notification within the framework of a process for obtaining consent and as part of the use of decidion making systems based on algorithem or artificial intelligence. Likewise, the document clarifies that the duty of notification stated in Section 11 of the Privacy Protection Act, applies in all cases where assembly of personal data regarding a person is made on the basis of an approach to that person, no matter whether the data is assembled with the consent of the person to whom it applies, or the assembly of data is made under power of authority by law.

LEGAL PROCEEDINGS

With respect to material legal actions pending against the Bank and against its consolidated subsidiaries, see Note 9 to the financial statements.

THE RATING OF THE BANK BY RATING AGENCIES

Set out below is the Bank's rating as determined by rating agencies in Israel and by an international rating agency:

- On January 4, 2022, S&P Maalot ratified the issuer rating of the Bank at ilAAA/Stable and the rating of the subordinate debt notes with a loss absorption mechanism at ilAA-.
- On August 8, 2022, Midrug ratified the evaluation of the Bank's internal financial stability at the rank of aa2.il, the Bank's short-term deposits at the rank of P-1.il, the Bank's long-term deposits and the senior debt at the rank of Aaa.il/stable outlook and its subordinate debt notes with a loss absorption mechanism at Aa3.il (hyb)/stable outlook rating.
- On November 8, 2022, 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".

EMPLOYEE COMPENSATION POLICY

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

INVOLVEMENT AND CONTRIBUTION TO THE COMMUNITY

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

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 21 apartments all over the country, equiped at a high level, serving soldiers in leading a comfortable and embracing daily routine, providing the feeling of a warm home. Each such apartment has an adopting branch of the Bank, employees of which escort the soldiers using the apartment and maintain current relations with them, being attentive and providing response to their needs in their daily life.

"Adopt a fighter" - Within nthe framework of the "Adopt a Fighter" initiative, the Bank continues to adopt for several years a fighting Regiment, participating in events and social gatherings of the Regiment.

"Leading to Success" - The Bank attributes great importance to the issue of reduction of gaps in the population and providing opportunities for the integration of disadvantaged soldiers and veterans in the community. The Bank has formed a scholarship plan to finance academic studies at the Open University, intended for such students, with a view of providing them with a key for economic independence, allowing a change of life and increasing their earning ability, thus leading them to optimal integration in society.

Financial skills

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

During the year, the Bank contributed of an advanced mobile imaging machine (X-Ray machine) to the field hospital established in the Ukraine by the Shibba Medical Center. The machine was available for treatment of the young and old during the war.

APPENDIX 1 - RATES OF INTEREST INCOME AND EXPENSES AND ANALYSIS OF CHANGES IN INTEREST INCOME AND EXPENSES

A. AVERAGE BALANCES AND INTEREST RATES - ASSETS

	For the three months ended September 30, 2022			For the three months ended September 30, 2021		
	Average balance(1)	Interest income	Rate of income	Average balance(1)	Interest income	Rate of income
		NIS million	%		NIS million	%
Assets bearing interest						
Credit to the public(2)(5)						
- In Israel	**104,072**	**1,145**	**4.40**	87,561	769	3.51
Total	**104,072**	**1,145**	**4.40**	87,561	769	3.51
Credit to the Government						
- In Israel	**850**	**7**	**3.29**	601	4	2.66
Total	**850**	**7**	**3.29**	601	4	2.66
Deposits with banks						
- In Israel	**2,695**	**6**	**0.89**	2,424	-	-
Total	**2,695**	**6**	**0.89**	2,424	-	-
Deposits with The Bank of Israel						
- In Israel	**43,061**	**164**	**1.52**	46,419	11	0.10
Total	**43,061**	**164**	**1.52**	46,419	11	0.10
Securities borrowed or repurchased						
- In Israel	**542**	**2**	**1.48**	133	-	-
Total	**542**	**2**	**1.48**	133	-	-
Held to maturity or available for sale bonds(3)						
- In Israel	**14,665**	**58**	**1.58**	14,213	23	0.65
Total	**14,665**	**58**	**1.58**	14,213	23	0.65
Trading bonds						
- In Israel	**95**	**-**	**-**	334	-	-
Total	**95**	**-**	**-**	334	-	-
Total assets bearing interest	**165,980**	**1,382**	**3.33**	151,685	807	2.13
Debtors regarding credit cards non-bearing interest	**3,566**			3,038		
Other assets non-bearing interest(4)	**20,409**			17,069		
Total assets	**189,955**			171,792		

APPENDIX 1 - RATES OF INTEREST INCOME AND EXPENSES AND ANALYSIS OF CHANGES IN INTEREST INCOME AND EXPENSES (CONT'D)

B. AVERAGE BALANCES AND INTEREST RATES - LIABILITIES AND CAPITAL

	For the three months ended September 30, 2022			For the three months ended September 30, 2021		
	Average balance (1)	Interest expense	Rate of expense	Average balance (1)	Interest expense	Rate of expense
		NIS million	%		NIS million	%
Liabilities bearing interest						
Deposits from the public						
- In Israel						
Demand	**28,057**	**57**	**0.81**	28,253	1	0.01
Fixed-term	**62,525**	**252**	**1.61**	45,985	67	0.58
Total	**90,582**	**309**	**1.36**	74,238	68	0.37
Deposits from the Government						
- In Israel	**81**	**1**	**4.94**	160	1	2.50
Total	**81**	**1**	**4.94**	160	1	2.50
Deposits from banks						
- In Israel	**648**	**3**	**1.85**	1,066	-	-
Total	**648**	**3**	**1.85**	1,066	-	-
Deposits with Bank of Israel						
- In Israel	**4,195**	**1**	**0.10**	4,028	-	-
Total	**4,195**	**1**	**0.10**	4,028	-	-
Bonds and subordinated capital notes						
- In Israel	**4,210**	**58**	**5.51**	2,837	27	3.81
Total	**4,210**	**58**	**5.51**	2,837	27	3.81
Other liabilities						
- In Israel	**59**	**-**	**-**	128	1	3.13
Total	**59**	**-**	**-**	128	1	3.13
Total liabilities bearing interest	**99,775**	**372**	**1.49**	82,457	97	0.47
Deposits from the public non-bearing interest	**71,821**			72,216		
Creditors in respect of credit cards non-bearing interest	**1,720**			1,544		
Other liabilities non-bearing interest (6)	**6,152**			5,480		
Total liabilities	**179,468**			161,697		
Total capital resources	**10,487**			10,095		
Total liabilities and capital resources	**189,955**			171,792		
Interest spread			**1.84**			1.66
Net return on assets bearing interest (7)						
- In Israel	**165,980**	**1,010**	**2.43**	151,685	710	1.87
Total	**165,980**	**1,010**	**2.43**	151,685	710	1.87

APPENDIX 1 -
RATES OF INTEREST INCOME AND EXPENSES AND ANALYSIS OF CHANGES IN INTEREST INCOME AND EXPENSES (CONT'D)

A. AVERAGE BALANCES AND INTEREST RATES - ASSETS

	For the nine months ended September 30, 2022			For the nine months ended September 30, 2021		
	Average balance(1)	Interest income	Rate of income	Average balance(1)	Interest income	Rate of income
		NIS million	%		NIS million	%
Assets bearing interest						
Credit to the public(2)(5)						
- In Israel	**99,626**	**2,969**	**3.97**	86,371	2,272	3.51
Total	**99,626**	**2,969**	**3.97**	86,371	2,272	3.51
Credit to the Government						
- In Israel	**834**	**26**	**4.16**	635	13	2.73
Total	**834**	**26**	**4.16**	635	13	2.73
Deposits with banks						
- In Israel	**2,907**	**7**	**0.32**	2,356	-	-
Total	**2,907**	**7**	**0.32**	2,356	-	-
Deposits with Bank of Israel						
- In Israel	**43,145**	**224**	**0.69**	46,879	35	0.10
Total	**43,145**	**224**	**0.69**	46,879	35	0.10
Securities borrowed or repurchased						
- In Israel	**484**	**3**	**0.83**	105	-	-
Total	**484**	**3**	**0.83**	105	-	-
Held to maturity or available for sale bonds(3)						
- In Israel	**14,271**	**126**	**1.18**	14,149	71	0.67
Total	**14,271**	**126**	**1.18**	14,149	71	0.67
Trading bonds						
- In Israel	**191**	**2**	**1.40**	298	1	0.45
Total	**191**	**2**	**1.40**	298	1	0.45
Total assets bearing interest	**161,458**	**3,357**	**2.77**	150,793	2,392	2.12
Debtors regarding credit cards non-bearing interest	**3,102**			2,812		
Other assets non-bearing interest(4)	**20,353**			17,033		
Total assets	**184,913**			170,638		

APPENDIX 1 - RATES OF INTEREST INCOME AND EXPENSES AND ANALYSIS OF CHANGES IN INTEREST INCOME AND EXPENSES (CONT'D)

B. AVERAGE BALANCES AND INTEREST RATES - LIABILITIES AND CAPITAL

	For the nine months ended September 30, 2022			For the nine months ended September 30, 2021		
	Average balance (1)	Interest expense	Rate of expense	Average balance (1)	Interest expense	Rate of expense
		NIS million	%		NIS million	%
Liabilities bearing interest						
Deposits from the public						
- In Israel						
Demand	**29,039**	**71**	**0.33**	27,603	1	-
Fixed-term	**54,165**	**486**	**1.20**	47,097	193	0.55
Total	**83,204**	**557**	**0.89**	74,700	194	0.35
Deposits from the Government						
- In Israel	**111**	**2**	**2.40**	176	2	1.52
Total	**111**	**2**	**2.40**	176	2	1.52
Deposits from banks						
- In Israel	**872**	**4**	**0.61**	1,064	1	0.13
Total	**872**	**4**	**0.61**	1,064	1	0.13
Deposits with Bank of Israel						
- In Israel	**4,195**	**2**	**0.06**	3,000	1	0.04
Total	**4,195**	**2**	**0.06**	3,000	1	0.04
Bonds						
- In Israel	**3,754**	**178**	**6.32**	3,543	103	3.88
Total	**3,754**	**178**	**6.32**	3,543	103	3.88
Other liabilities						
- In Israel	**151**	**1**	**0.88**	54	1	2.47
Total	**151**	**1**	**0.88**	54	1	2.47
Total liabilities bearing interest	**92,287**	**744**	**1.07**	82,537	302	0.49
Deposits from the public non-bearing interest	**74,911**			69,800		
Creditors in respect of credit cards non-bearing interest	**1,656**			2,196		
Other liabilities non-bearing interest (6)	**5,642**			6,224		
Total liabilities	**174,496**			160,757		
Total capital resources	**10,417**			9,881		
Total liabilities and capital resources	**184,913**			170,638		
Interest spread			**1.70**			1.63
Net return on assets bearing interest (7)						
- In Israel	**161,458**	**2,613**	**2.16**	150,793	2,090	1.85
Total	**161,458**	**2,613**	**2.16**	150,793	2,090	1.85

APPENDIX 1 - RATES OF INTEREST INCOME AND EXPENSES AND ANALYSIS OF CHANGES IN INTEREST INCOME AND EXPENSES (CONT'D)

C. AVERAGE BALANCES AND INCOME RATES - ADDITIONAL INFORMATION ON INTEREST BEARING ASSETS AND LIABILITIES ATTRIBUTED TO ACTIVITY IN ISRAEL

	For the three months ended September 30, 2022			For the three months ended September 30, 2021		
	Average balance(1)	Income (expense) interest	Income (expense) ratio	Average balance (1)	Income (expense) interest	Income (expense) ratio
		NIS million	%		NIS million	%
Non-linked Israeli currency						
Total assets bearing interest	**139,661**	**1,071**	**3.07**	129,407	606	1.87
Total liabilities bearing interest	**78,361**	**(187)**	**(0.95)**	67,045	(27)	(0.16)
Interest spread			**2.12**			1.71
Israeli currency linked to the CPI						
Total assets bearing interest	**13,059**	**231**	**7.08**	11,226	172	6.13
Total liabilities bearing interest	**8,466**	**(116)**	**(5.48)**	7,125	(69)	(3.88)
Interest spread			**1.60**			2.25
Foreign currency (including linked to f-c)						
Total assets bearing interest	**13,260**	**80**	**2.41**	11,052	29	1.05
Total liabilities bearing interest	**12,948**	**(69)**	**(2.13)**	8,287	(1)	(0.05)
Interest spread			**0.28**			1.00
Total activity in Israel						
Total assets bearing interest	**165,980**	**1,382**	**3.33**	151,685	807	2.13
Total liabilities bearing interest	**99,775**	**(372)**	**(1.49)**	82,457	(97)	(0.47)
Interest spread			**1.84**			1.66

	For the nine months ended September 30, 2022			For the nine months ended September 30, 2021		
	Average balance(1)	Income (expense) interest	Income (expense) ratio	Average balance (1)	Income (expense) interest	Income (expense) ratio
		NIS million	%		NIS million	%
Non-linked Israeli currency						
Total assets bearing interest	**136,373**	**2,449**	**2.39**	128,135	1,801	1.87
Total liabilities bearing interest	**73,389**	**(270)**	**(0.49)**	66,623	(80)	(0.16)
Interest spread			**1.90**			1.71
Israeli currency linked to the CPI						
Total assets bearing interest	**12,205**	**750**	**8.19**	11,068	492	5.93
Total liabilities bearing interest	**7,970**	**(378)**	**(6.32)**	7,557	(214)	(3.78)
Interest spread			**1.87**			2.15
Foreign currency (including linked to f-c)						
Total assets bearing interest	**12,880**	**158**	**1.64**	11,590	99	1.14
Total liabilities bearing interest	**10,928**	**(96)**	**(1.17)**	8,357	(8)	(0.13)
Interest spread			**0.47**			1.01
Total activity in Israel						
Total assets bearing interest	**161,458**	**3,357**	**2.77**	150,793	2,392	2.12
Total liabilities bearing interest	**92,287**	**(744)**	**(1.07)**	82,537	(302)	(0.49)
Interest spread			**1.70**			1.63

APPENDIX 1 - RATES OF INTEREST INCOME AND EXPENSES AND ANALYSIS OF CHANGES IN INTEREST INCOME AND EXPENSES (CONT'D)

D. ANALYSIS OF CHANGES IN INTEREST INCOME AND EXPENSES

	For the three months ended September 30, 2022 compared with the same period last year			For the nine months ended September 30, 2022 compared with the same period last year		
	Increase (decrease) due to the change		Net	Increase (decrease) due to the change		Net
	Quantity	Price	change	Quantity	Price	change
			NIS million			NIS million
Interest bearing assets						
Credit to the public						
In Israel	**182**	**194**	**376**	**395**	**302**	**697**
Total	**182**	**194**	**376**	**395**	**302**	**697**
Other interest bearing assets						
In Israel	**(8)**	**207**	**199**	**(16)**	**284**	**268**
Total	**(8)**	**207**	**199**	**(16)**	**284**	**268**
Total interest income	**174**	**401**	**575**	**379**	**586**	**965**
Interest bearing liabilities						
Deposits from the public						
In Israel						
Demand	**-**	**56**	**56**	**4**	**66**	**70**
Fixed-term	**67**	**118**	**185**	**63**	**230**	**293**
Total	**67**	**174**	**241**	**67**	**296**	**363**
Other interest bearing liabilities						
In Israel	**7**	**27**	**34**	**26**	**53**	**79**
Total	**7**	**27**	**34**	**26**	**53**	**79**
Total interest expenses	**74**	**201**	**275**	**93**	**349**	**442**
Total interest income less interest expenses	**100**	**200**	**300**	**286**	**237**	**523**

(1) On the basis of monthly opening balances, excluding the non-linked Shekel segment in which calculated on daily balances.
(2) Before deduction of the average balance of provisions for credit losses including debts which are non-accruing interest income.
(3) To the average balance of available for sale bonds was added the average balance of unrealized gains from adjustments to fair value of bonds, included in other comprehensive profit in the item "adjustments to fair value of available for sale securities" for the three and nine months ended on September 30, 2022 in the amount of NIS 278 million and NIS 136 million, respectively (for the three and nine months ended September 30, 2021 balance of NIS 86 million and NIS 80 million, respectively, was deducted).
(4) Including derivative instruments, other non-bearing interest assets and after deduction of provision for credit losses.
(5) Fees in the amount of NIS 47 million and NIS 51 million were included in interest income for the three months ended September 30, 2022 and September 30, 2021, respectively, and amount of NIS 152 million and NIS 159 million were included in interest income for the nine months ended September 30, 2022 and September 30, 2021, 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.